Annual Report 2000

The SAS Group

SAS Danmark A/S • SAS Norge ASA • SAS Sverige AB

www.scandinavian.net

A STAR ALLIANCE MEMBER

Presenting the SAS Group

- **SAS offers** competitive flight connections within, between, and to and from each of the three Scandinavian countries either as the operating airline or together with selected partners.
- **SAS prioritizes** absolute safety, maximum punctuality and excellent personal service. SAS makes every effort to design its products and services to meet the general requirements of the market and the specific wishes and demands of the individual for freedom of choice.
- **SAS conducts its operations** to maintain a level of profitability that meets its owners' required rate of return and so that SAS is perceived as an attractive investment.
- **SAS has a strong commitment** to limiting the negative environmental impact of the airline industry.
- **SAS supports community development** through its contributions to culture, sports, and education.
- **SAS's hotel business aims to be the leader** in Europe within hospitality management with several strong brands.

SAS Group
(oper. rev.
MSEK 47,540)

SAS
business area 93%*
(oper. rev. MSEK 44,481)

SAS International
Hotels (SIH)
business area 7%*
(oper. rev. MSEK 3,122)

The SAS Group comprises the two business areas SAS and SAS International Hotels (SIH). SAS includes SAS's airline operations, freight transport (SAS Cargo), and airport sales (SAS Trading), as well as a number of strategic business units. Widerøe's Flyveselskap and Air Botnia were consolidated in SAS as of 2000, see pages 31-54. SIH conducts hotel operations under the Radisson SAS and Malmaison brands.

A description of the SAS Group's legal structure is provided on page 63.

** Percentages refer to share of the SAS Group's operating revenue before Group eliminations.*

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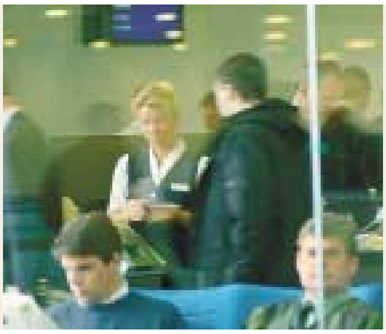


Summary of 2000

- The SAS Group's income before taxes was MSEK 2,773 (1,846).
- The SAS Group's operating revenue rose 8.7% to MSEK 47,540.
- Passenger traffic (RPK) increased by 7.0%. The number of passengers increased by 5.7%. Traffic in Business Class rose 9.0%. Traffic in Economy Class rose 6.0%.
- SAS decided to renew the aircraft fleet through acquisition of 12 Airbus A321s.
- Earnings before depreciation and aircraft leasing costs (EBITDAR) increased by 35% to MSEK 5,652 (4,199).
- Cash flow from operating activities amounted to MSEK 2,892 (2,173).
- Higher jet fuel costs had a negative earnings impact of MSEK 1,677 compared with the previous year.
- The business improvement program is proceeding according to plan, resulting in a 3.0% reduction in the unit cost, excluding the increased jet fuel cost.
- Capital gains from the sale of shares and other fixed assets amounted to MSEK 1,538 (1,426).
- SIH increased its number of hotels to 146, of which seven through a new brand, Malmaison.
- SAS's environmental index improved by 6 points to 82.



Important events in 2000

First Quarter

- SAS launched a WAP service for ticket reservations and information via mobile telephone.
- SAS was ranked best domestic airline in Norway and received the "The Grand Travel Award."
- SAS EuroBonus won the "Freddie Award" for the best frequent flyer program for the fourth consecutive year.
- SAS decided to buy 12 Airbus A321s and options for a total of SEK 4.5 billion. These aircraft raise SAS's capacity to/from several major European cities and between the three Scandinavian capitals.
- SAS Cargo, Lufthansa Cargo and Singapore Airlines defined their partnership plans in the freight sector.
- SAS, British Midland and Lufthansa concluded a joint venture agreement regarding European traffic to/from London Heathrow and Manchester.
- Star Alliance™ was broadened to incorporate two more members, Singapore Airlines and Austrian Airlines Group.
- SAS signed an agreement with Sabre, the world leader in advanced IT solutions for the travel and transport industry, regarding wider distribution of SAS's products and services.

Second Quarter

- SAS tested Digital TV in interactive communication with customers.
- British Midland and Mexicana de Aviación became new members of Star Alliance™.
- SAS launched timetable information via SMS.
- SAS International Hotels (SIH) sold the Radisson SAS Scandinavia Hotel property in Oslo.

Third Quarter

- In cooperation with twelve other airlines, SAS set up the airline industry's largest Internet-based marketplace for business-to-business commerce, Aeroxchange.
- The members of Star Alliance™ launched StarNet, a sophisticated IT solution that links the 15 airlines' computer systems with each other, which will benefit integration of the traffic systems.
- SIH concluded an agreement to operate the Malmaison hotels and acquired the Malmaison brand together with its partner.

Fourth Quarter

- Jørgen Lindegaard, aged 52, was appointed to be the new President and CEO of SAS. He will take up his position on May 8, 2001.
- SAS, Amadeus and partners launched a new Internet-based travel marketplace with the aim of achieving a leading position in Scandinavia.
- SIH sold the Radisson SAS Scandinavia Hotel Düsseldorf property.
- SAS's winter traffic program represents international expansion.
- The three Scandinavian governments announced their intention to reorganize SAS's share structure to a single share in a holding company.
- SAS presented a multi-function card, SAS Corporate Card, which can be used as an electronic ticket and means of payment. The card, to be launched in spring 2001, was developed in cooperation with Nordbanken Finans.

Important events after January 1, 2001

- SAS decides to introduce a new class in the new long-haul fleet.
- SAS signs an agreement with Telia and the U.S. company Tenzing Communications Inc. on cooperation concerning wireless Internet and e-mail on board aircraft.
- SAS starts a pilot study on using Bluetooth technology to offer air travelers flight information directly in their mobile phones.
- SAS is voted best domestic airline in Norway for the second consecutive year, and receives the "Grand Travel Award." SAS is also voted best international airline in Norway.

Key figures

Key financial data SAS Group, SAS business area and SAS International Hotels (SIH) business area

	SAS Group		SAS business area		SIH business area	
	2000	1999	**2000**	1999	**2000**	1999
Operating revenue, MSEK	**47,540**	43,746	**44,481**	40,868	**3,122**	2,963
Income before taxes, MSEK	**2,773**	1,846	**2,168**	1,307	**583**	544
Gross profit margin, %	**7.8**	6.3	**7.4**	5.6	**30.3**	31.1
Investments, MSEK	**9,886**	5,982	**9,578**	5,832	**308**	150
EBITDAR, MSEK	**5,652**	4,199	**5,155**	3,688	**–**	–
CFROI, %	**19**	15	**18**	14	**–**	–
ROCE, market-based, %	**18**	10	**16**	9	**–**	–
Average number of employees	**30,939**	30,310	**27,767**	27,201	**3,131**	3,071

SAS shares (local currency)

	SAS Danmark A/S		SAS Norge ASA		SAS Sverige AB	
	2000	1999	**2000**	1999	**2000**	1999
Earnings per share	**13.66**	7.34	**12.01**	7.49	**11.79**	8.41
Market price at year-end	**81.50**	77.00	**93.50**	87.00	**90.00**	76.00
Dividend (2000 proposed)	**3.80**	3.50	**4.20**	3.75	**4.50**	4.00
Dividend yield, average price, %	**5.1**	4.7	**5.3**	5.2	**6.1**	5.3

Targets

	Target	Actual				
	2000	**2000**	1999	1998	1997	1996
SAS Customer Satisfaction Index, CSI	77	**72**	74	70	70	65
SAS Personnel index, PULS	2.25	**2.19**	2.13	2.06	–	–
SAS Environmental index	–	**82**	88	96	97	100
SIH Customer loyalty ratio, %	94	**94**	94	98	93	93

Definitions and concepts, see page 107.

President's comments

In many respects 2000 was a good year for the European airline industry. The overcapacity and price pressure that characterized 1999 were replaced by rising traffic volumes, which accelerated strongly in the second half. The industry's restraint regarding implementation of capacity increases improved the balance between supply and demand, which led to a higher cabin factor and gave the industry a healthy price structure. The traffic increase for SAS of 7% was in line with the average growth in the industry. SAS's market share rose in traffic between Scandinavia and the rest of the world. The cabin factor at SAS, or capacity utilization in the airline operations, was the highest ever. For SAS, which has a higher proportion of Business Class passengers than other European airlines, the increase in business travel added further to revenues.

Earnings for 2000 were considerably above those of the previous year. However, in terms of earnings 1999 was a weak year which makes it a poor comparison base when trying to make a correct assessment of the company's profitability trend. The dramatically rising costs of jet fuel had a highly negative impact on earnings for the year. These costs were about 1.7 billion Swedish kronor higher than in the previous year. Against this background earnings for 2000 can be regarded as satisfactory.

During the year all essential parts of the Business Improvement Program introduced in 1998 were completed. This means that cost reductions of close to 2.5 billion Swedish kronor have been achieved over a two-year period. As planned, the full effect of the program will occur in 2001 as a result of new aircraft going into operation. The positive earnings impact of these measures was offset, however, by the fuel price increases, which could only be compensated to some extent by raised ticket prices. SAS's unit cost, excluding fuel costs, fell by 3%, a very considerable improvement.

2000 was also a year of some setbacks, which unfortunately affected our customers. The change of catering supplier and the introduction of the new Q400 aircraft have been problematic. As a result we were forced to see the high appreciation of SAS as measured in the Customer Satisfaction Index, CSI, fall for the first time since 1996. At the time of writing, however, there are many signs that these difficulties are under control and that SAS can once again deliver high regularity and first-class service on board. It is naturally with some disappointment that we note that the intensive efforts made by our employees, to enhance the efficiency and improve the quality of our operations, have to some extent been overshadowed by factors outside our control, and therefore did not have the visible impact on the income statement and CSI that we had hoped. However, it is with pleasure that we note that SAS was Europe's most punctual airline in 2000, a position that is one of the most important indicators of functioning quality work.

A successful improvement program was a prerequisite for the Board's decision to invest approximately USD 3 billion, which is now under implementation. The 1999 decision to invest in a new aircraft fleet with greater capacity for intercontinental traffic was followed at the beginning of 2000 by a decision to also renew and expand the fleet that serves Europe. Twelve Airbus A321-200s were ordered and deliveries will start in autumn this year. With these aircraft and the ones that have been delivered over the last five years, SAS has renewed and rejuvenated its fleet in a comprehensive manner which will make it one of the most modern and environmentally friendly in the European airline industry. The fleet is essential for the expansion of approximately 10% per year over the next five years which SAS is planning in order to secure the company's long-term competitiveness.

An important foundation of the expansion strategy is the cooperation within the framework of Star Alliance and the well functioning partnerships that SAS has established with regional airlines in the Nordic and Baltic countries. This gives SAS an opportunity to considerably expand its catchment area to Northern Europe and become a natural choice for travelers to both North America and Asia and to connecting flights within these two continents.

Star Alliance has developed into the most solid and well consolidated constellation of airlines in the world and was further strengthened in 2000 by two new members, British Midland and Mexicana de Aviación. Today, Star Alliance has a geographic coverage which provides its member airlines with competitive advantages since they can offer frequent and global connections in an integrated network. The recently established management function for Star Alliance will allow more systematic processing of common questions and development areas. The total contribution from SAS's partnerships and alliances was approximately 1 billion Swedish kronor in 2000.

Information systems and technology are playing an increasingly important role at SAS, in terms of both revenues and costs and from both a customer and an employee perspective. Spearhead IT competence is therefore a prioritized and integrated part of our business model, and in many respects SAS is in a leading

position when it comes to using innovative IT for new services. Customer-oriented initiatives include WAP services for ticket reservations, timetable information via SMS, Bluetooth technology for flight information, wireless Internet and e-mail on board aircraft, digital television for interactive communication, and SAS Corporate Card – an electronic ticket and means of payment. Star Alliance launched StarNet, which links the 12 airlines' computer systems for better integration of traffic systems. SAS also participates in Aeroxchange, the airline industry's largest Internet-based marketplace for business-to-business commerce. Internally at SAS, the development of New Working Methods at SAS, including a company-developed portal, increased the ability to find and process information with a high degree of accuracy. SAS's ticket sales via the Internet are rising and we have taken the initiative for a new Internet-based travel marketplace which has the goal of achieving a leading position in Scandinavia.

SAS International Hotels is completing its strategy for expansion with determination and success. The business has been focused on operating hotels, and the sale of hotel properties continued. In 2000 an additional 21 hotels, seven with the Malmaison brand, joined the company's operations. Earnings remained favorable.

In May, I will be leaving SAS after seven years in charge. It has been an eventful period. The company has gone through several different phases in its development from a loss situation and weak financial position with an equity/assets ratio of 21% in 1993. However, I look to the future not to the past, and I can see a thoroughly rejuvenated company with a strong ambition for expansion and innovation, based on good profitability and a robust financial position, competent and motivated employees, strong partners around the world, and loyal customers who should feel proud of their SAS. You do not simply leave a company like this. It always has a place in your heart.

Stockholm, March 2001

Jan Stenberg
President and CEO

SAS's mission, vision and objectives

Mission
SAS's mission is to offer competitive air transport within, between, and to and from each one of the three Scandinavian countries in cooperation with selected airlines.

Vision
To make Scandinavians proud of their airline.

Objectives
SAS will conduct its operations to maintain a level of profitability that meets its owners' required rate of return and so that SAS is perceived as an attractive investment.

All customers should wish to fly with SAS again.

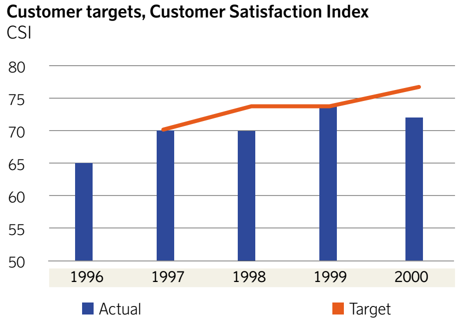
SAS encourages and develops its employees so that their efforts meet high customer expectations and make SAS among the most attractive workplaces in the market.

Financial targets
SAS's objective is to give its shareholders an annual total return that averages 14% over a business cycle. This return target relates to the sum of share price appreciation and dividend.

The internal targets to achieve this, expressed as an average over a business cycle are:
CFROI, cash flow return on investment: minimum 17%.
ROCE, cash flow return on investment: minimum 12%.

Customer targets
The Customer Satisfaction Index, CSI, reflects how well the company is meeting customer expectations and how the company is assessed in relation to the "ideal" airline. Customer satisfaction has risen sharply since the base year 1996, when the result was 65, to a CSI of 74 which SAS achieved in 1999. In 2000, SAS scored a CSI of 72. The decline is due to the fact that it is becoming more difficult to meet customer expectations. This is a general trend in the airline industry. SAS has set its CSI target for 2001 at 75. The most significant factors for customer satisfaction are:
- personal attention
- punctuality and regularity
- product offering
- timetable/route network.

Customer targets, Customer Satisfaction Index



In 2000, the Customer Satisfaction Index amounted to 72 and the target was 77.

Quality targets
Quality at SAS is measured, among other things, as deviations from standards for punctuality, regularity and the proportion of lost calls in telephone sales. SAS's quality targets are among the highest in the industry and SAS is also one of the industry's best performers in terms of punctuality and regularity. The number of lost calls is still



above the standard and action has been taken to overcome the problem of high employee turnover in telephone reservations, particularly in Sweden. At the beginning of 2001, the quality level was close to target.

Operating standards

In order to achieve its objectives and set customer and quality targets, SAS has the following standards:

	2000	1999	Standards
Accidents or serious incidents	**0**	0	0
Canceled flights (irregularity)	**1.7%**	2%	max. 1%
Flights delayed more than 15 minutes (punctuality)	**12%**	16%	max. 12%
Flights delayed more than 2 minutes	**37%**	42%	max. 25%
Proportion of customers who have to wait so long for a reply from SAS's telephone reservations that the call is lost	**30%**	37%[1]	max. 10%
Delayed baggage	**0.6%**	0.8%	0.4%
Damaged baggage	**0.07%**	0.1%	0.05%

[1] *Adjusted for a new measurement system in 2000.*

Environmental targets

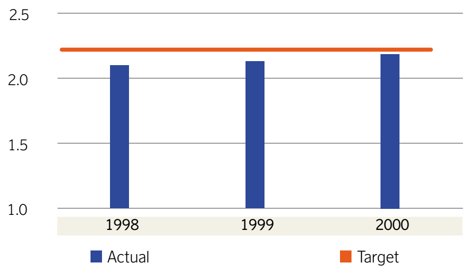
One of SAS's objectives is to be among the airline industry leaders in terms of adapting its operations to the environment and making environmental management an integral part of the business management process. The aims of the environmental program and the quality SAS is seeking in its environmental performance are as follows:

- SAS will have one of the airline industry's most ambitious environmental programs.
- SAS will have an environmental standard on a par with the leading competitors in the industry.
- SAS's environmental targets and activities will be coordinated and harmonized with other targets for production, quality and economy.

Human resource targets

The objective is to further improve the work environment at SAS. Annual PULS surveys (PULS = Personal Undersökningar om Livet i SAS, Employee surveys on life at SAS) show a clear improvement in recent years with a result in the 2000 survey of 2.19 on a scale of 0-3. The target is to reach 2.3 in 2003 and 2.5 in 2005. Absence due to sick leave will be reduced by just over one percentage point to 5% by 2003. The target is to eliminate occupational injuries and reduce absence due to sick leave, thus halving the H value – the number of occupational injuries in relation to the number of working hours – from the present 9.7 to 4 by 2003.

HR targets, employee perception of the working environment, PULS



The PULS index for 2000 amounted to 2.19, an increase of nearly 3% compared with 1999.

SAS International Hotels (SIH)

SIH's objective is to be the most attractive hotel company for customers, employees and partners.

SIH's profitability targets are based on a gross operating margin (GOP) of 40% within a 5-year period. SIH also endeavors to sustain its high customer loyalty ratio (94% in 2000). The main financial target is to achieve an annual increase in value (EBITDA) of 20% through growth and profitability.

SAS's strategies

SAS's three top priorities are
- Safety
- Punctuality
- Service

Flight safety
Flight safety is SAS's foremost quality parameter and SAS is considered to be one of the leading airlines in this field. To further develop flight safety at SAS, efforts are being made in the following areas
- the establishment of a new common reporting system
- evaluation of the inputs from the reporting system will be made in a risk assessment model which provides a true picture of how flight operations are carried out and where future efforts should be made to enhance safety
- continuous competence development within flight safety.

Customer and Product strategy
SAS's customer strategy is based on three customer groups which are cultivated per segment: the customer who flies with SAS and pays for the trip personally, the customer who flies with SAS, and the purchaser, i.e. the company or organization that pays for the trip.

SAS's products and services are developed and adapted to meet customers' needs for simplicity, choice and consideration.
- Simplicity means that products and services are designed so that they are as convenient and simple as possible for the customer to use and for SAS to produce and offer.
- Choice for the customer means that SAS endeavors to offer a product range that is so broad that the customer can influence the design of his or her trip to a high level of detail.
- Consideration means that SAS shows the greatest possible understanding and perception of customers' needs and situation.

Distribution strategy
SAS's products must be available in the markets and through the channels where the prioritized customer segments wish to obtain their information.

SAS's traffic system
SAS aims to be the leading airline in Scandinavia. The traffic system is concentrated to the traffic flows:
- to/from/within Denmark, Norway and Sweden
- between local markets and the rest of the world via Scandinavia
- between Europe and North America/Asia via Copenhagen.

SAS's expansion of its intercontinental route network will strengthen the entire traffic system. In Copenhagen, Oslo and Stockholm, capacity will be extended and new international nonstop connections established. In other major Scandinavian cities, capacity will be extended to Copenhagen. Capacity will also be extended for the whole of Scandinavia to partners' hubs in order to offer connections to destinations not served by SAS.

Partner strategy
SAS's partner strategy is designed to create traffic systems and travel benefits which SAS would otherwise not be able to offer its customers. This is achieved by developing a global traffic system and uniform products within the framework of Star Alliance, and creating a fine-meshed traffic network together with regional partners in the Nordic countries to secure feeder traffic and develop new markets.

Financial strategy
SAS seeks a valuation on the stock market which is on a level with the leading airlines in the world relative to earnings capacity. Financial flexibility is maintained through high liquidity, good access to funding and an active dialog with the capital market. The purpose of finance oper-

ations is to identify and manage financial risks, relating to currency, interest rates and credits. The aircraft fleet is regarded and managed as a financial asset. An optimization of financing of the fleet is achieved based on requirements for operating efficiency, taxes, financing costs, tied-up capital and market value.

Environment

Environmental work is conducted at all levels and within all units at SAS, thus creating increased environmental awareness throughout the entire organization.

Hotels – SAS International Hotels

SIH's strategies for further growth are

- to expand within existing home markets in the Nordic countries and Germany
- to extend the home markets to the U.K., the Benelux countries, France and Italy
- to expand in strategically important megacities and capitals and destinations such as Madrid, Rome, Cairo and Athens
- to increase the number of airport hotels
- to extend into leisure resorts.

Expansion strategies

Intercontinental routes

Demand for intercontinental air travel has grown substantially over the last 20 years. SAS's aircraft fleet has not developed at the same rate. SAS's market share of intercontinental travel to/from Scandinavia has therefore decreased during the period. The cabin factor, or occupancy rate for available seats, on routes to North America averaged between 90 and 95% in the summer, a figure that clearly shows a lack of capacity and indicates that a large number of air travelers were advised to fly with rival airlines. The economic development in the Baltic region has extended SAS's home market in recent years. In its home market SAS now has a catchment area of about 100 million people, a potential that SAS has been unable to fully exploit. SAS's market share is approximately 25%, which is very low compared with SAS's share of domestic, intra-Scandinavian and European traffic to and from Scandinavia.

Competing airlines with intercontinental routes seldom have direct connections with Scandinavia, resulting in longer journey times to and from the north European markets. Today, approximately 60% of passengers traveling between Scandinavia and North America, and over 50% between Scandinavia and Asia, fly via European hubs outside Scandinavia, which means loss of time for the traveler compared with flying directly eastwards.

Global platform

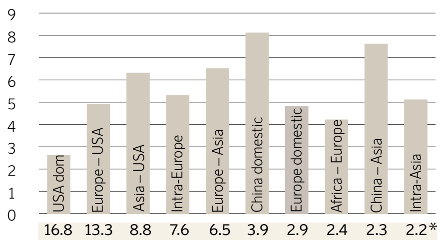
Star Alliance membership and its regional partnership strategy provide SAS with a very good platform. This makes it possible for SAS to compete for customers and offer effective and attractive flight connections to/from and via Scandinavia to destinations with good ongoing connections further into the American, Asian and European continents.

Expansion plan

The goal of SAS's expansion strategy is to strengthen its market position with regard to intercontinental travel. In 1999/2000 SAS's Board decided to invest in the new aircraft fleet that such growth demands. Over the next 3-4 years SAS will carry out the greatest expansion in the company's history with the aim of raising market share from 25% to over 30% on intercontinental routes.

Global forecast average annual passenger traffic (RPK) growth, 1999-2019

Annual growth, %



* % of RPK, global 2019.

The figures under the columns indicate each area's forecast share of the air transport market in 2019 measured in revenue passenger kilometers (RPK). *Source: Airbus Industrie*

New fleet for intercontinental traffic

The renewal and capacity expansion of the aircraft fleet will be achieved through acquisition of three Airbus aircraft type A330-300 for traffic to North America and seven A340-300s for traffic to Asia. In 2001-2005 these aircraft

Key facts

	Airbus A330/340	Airbus A321
Number of aircraft	10	12
Order value (SEK)	10 billion	4.5 billion
Number of seats per aircraft	261	160-184*

** Flexible seat configuration.*

will gradually replace the present long-haul fleet. When all these aircraft are in operation the number of seats will rise by approximately 40-50%. At the same time cost per seat (the unit cost) will decrease by about 15%.

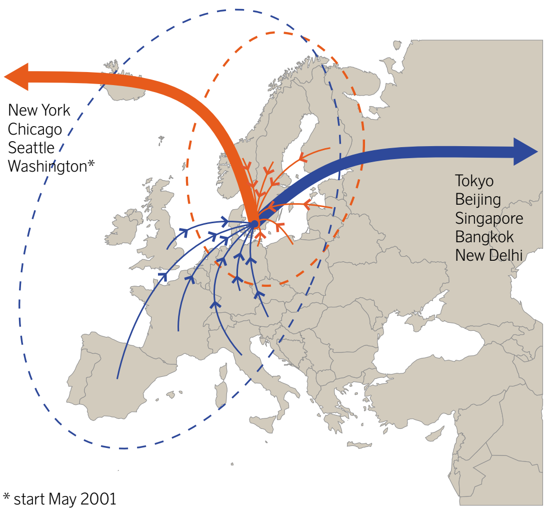
SAS's capacity expansion of 8-10% per year is well above the generally expected growth in air traffic. The airline industry and trade associations predict an annual growth in trips between Scandinavia and North America and Asia to 5% and 6% respectively. About 2-3% of the capacity increase is expected to be filled by passengers who SAS is forced to turn away today because of a lack of seats. The growth that will be achieved by attracting new customers will thus amount to 2-4% to reach a total growth that corresponds to a capacity expansion of approximately 10%.

New aircraft for Europe

As an extension of SAS's expansion strategy, early in 2000 SAS decided to invest in new larger aircraft to ensure feeder capacity to long-distance routes for Europe and Scandinavia. The order is for 12 Airbus A321-200s. Delivery will start in autumn 2001 and five aircraft are excepted to be in service before year-end 2002. Another reason for choosing larger aircraft is the growing congestion at Europe's major airports, which makes it difficult to expand by operating more flights. Competition for takeoff and landing times, slots, at airports is intense.

The aircraft will serve the Scandinavian capitals and several major European cities such as Amsterdam, Brussels, Düsseldorf, Frankfurt, Helsinki, London, Madrid, Paris and Rome. The increased capacity will provide lower unit costs and opportunities for new attractive markets with the aim of filling the aircraft operating intercontinental routes.

Copenhagen's geographic position favors intercontinental expansion



* start May 2001

Approximately 100 million people live in Copenhagen's natural catchment area (red circle).

Copenhagen is also well situated for east-west intercontinental traffic. The catchment area includes large parts of Western Europe (blue circle).

Copenhagen's strength as a traffic hub

Copenhagen's catchment area for flights to/from North America comprises some 100 million people in Scandinavia, Finland, the Baltic States, the St. Petersburg area, Poland, and north Germany. For flights to/from Asia the catchment area is even larger since then it is often quicker to travel via Copenhagen from most of Western Europe. More than 30% of SAS's passengers to and from Asia come from countries outside Scandinavia.

Copenhagen Airport is one of the best functioning and most punctual hubs in Europe. It was chosen as airport of the year in 1999 in the IATA market survey of 60,000 passengers. Reloading of baggage is done efficiently and with far shorter lead times than at the airports in London or Paris, for example. Transfer times are short and airspace limitations are small compared with other large European airports.

Punctuality, major European airports (2000)

Delay>15 minutes

Oslo	**12.1%**	Rome	29.1%
Helsinki	14.0%	Paris (CDG)	31.3%
Stockholm	**14.3%**	Zurich	32.0%
Copenhagen	**14.3%**	Brussels	33.3%
Frankfurt	20.0%	Madrid	36.4%
London (LHR)	25.0%	Milan (Malpensa)	36.6%
Amsterdam	28.7%		

Source: AEA (Association of European Airlines)

Product development

The new aircraft will allow a new and broader product range. A new class will be introduced on intercontinental routes and will provide greater choice as regards price, comfort and level of service. Ergonomics, functionality and form have been given priority in the design of passenger seats and sleepers. Opportunities for physical exercise will also be available. Service will be improved, including a buffet area in Business Class, personal video in each seat, connecting flight information and opportunities for electronic communication, among other things as a result of cooperation with Telia and Tenzing Communications Inc. The cabins and seats in the new fleet are spacious with better legroom and space for cabin baggage which means a better working environment for the cabin staff.

SAS Cargo

SAS Cargo's development opportunities have been restricted by lack of freight capacity. The new aircraft will increase capacity on intercontinental routes by 35-45%. The new European aircraft will also increase SAS Cargo's capacity. At the same time, handling will be made more efficient with a new container system which reduces loading and unloading times and provides a better working environment.

Capital market

SAS and the capital market

Share price performance of European airlines

Share price performance was positive in 2000 for European airlines, particularly in the latter part of the year. The probable reason for this is the positive trend in the airline industry as a result of favorable economic conditions, good passenger growth, and increased business travel.

The overcapacity and price pressure which characterized 1999 were replaced in 2000 by an improved balance between supply and demand.

The favorable traffic development combined with airlines' moderate approach to capacity increases led to an improved price structure and higher yield in the industry, particularly in the second half of the year. Record high fuel prices, however, reduced profitability in the airline industry substantially.

Performance of SAS shares

SAS's share prices developed favorably in 2000. Market value rose 12.6% during the year, which is 4.3 percentage points more than the average for shares of the eight largest listed European airlines.

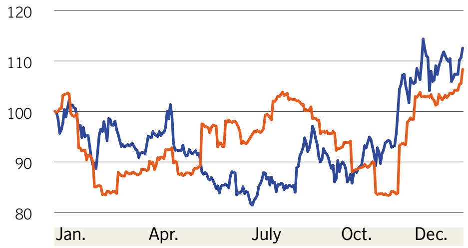
SAS's market value increased from MSEK 13,858 to reach MSEK 15,599 at year-end. Average market value during 2000 was MSEK 13,016. In the second half, market value rose 34.9% compared with an average of 12.6% for European airlines' shares.

Share structure

SAS was formed in 1946 and is a consortium consisting of the three national airlines SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB. The Danish and Norwegian parent companies each own 2/7 of the consortium and the Swedish parent company owns the remaining 3/7. The parent companies are listed on the Copenhagen, Oslo and Stockholm stock exchanges respectively. Half of the shares in each parent company are owned by the respective state, and half by private interests.

The total number of outstanding SAS shares amounts to 164.5 million. These are distributed in accordance with SAS's ownership structure with 2/7 in SAS Danmark A/S, 2/7 in SAS Norge ASA, and 3/7 in SAS Sverige AB.

Performance of SAS shares compared with those of other European airlines, 2000
Market-weighted index



■ Trend for SAS's total market value
■ Average share price performance of Europe's eight largest listed airlines

SAS shares had the third best price performance among European airlines' shares in 2000.

(Index = Alitalia, Air France, British Airways, Finnair, KLM, Lufthansa, SAS and Swissair)

Total market value trend for SAS shares, 2000
MSEK

SAS's total market capitalization rose 12.6% in 2000 to MSEK 15,599.

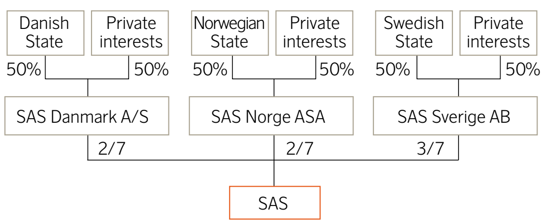
Source: SIX Findata and SAS

Total number of outstanding SAS shares

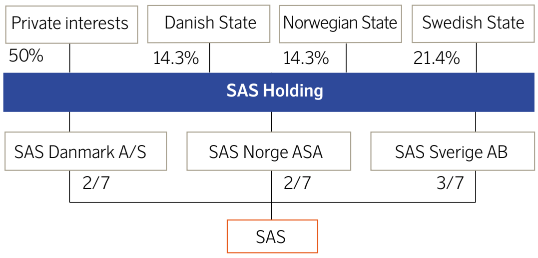
Share	Number of shares	Par value	Listing
SAS Danmark A/S	47,000,000	DKK 10	Copenhagen
SAS Norge ASA[1]	47,000,000	NOK 10	Oslo
SAS Sverige AB	70,500,000	SEK 10	Stockholm
Total (SAS)	164,500,000		

[1] *Only the private part of SAS Norge is listed.*

SAS ownership structure



Possible ownership structure for a single SAS share



New ownership structure for SAS under consideration

In March 2000, the Danish, Norwegian and Swedish governments set up a joint working group, with representatives from the three owner countries. Its task was in cooperation with SAS to analyze the effects of a possible change in SAS's legal structure including a change of the share structure to a single issue of shares instead of the present three national companies and three shares.

The three ministers responsible announced their unanimous intention in November to continue this work with a view to changing the structure of SAS. The group also stated that the continued deliberations would be conducted expeditiously and focus on issues relating to setting up a holding company and a single share and the consequences of this.

SAS's largest shareholders

65% of the 164.5 million shares are distributed among seven owners. In 2000 the proportion of international owners remained unchanged and these represented approximately 10% of the capital at year-end.

The seven largest shareholders* of SAS shares at December 31, 2000

Percentage holding	SAS Danmark A/S	SAS Norge ASA	SAS Sverige AB	Total	Acc.
Swedish State			50	21.4	21.4
Danish State	50			14.3	35.7
Norwegian State		50		14.3	50.0
Investor AB (SE)			18.7	8.0	58.0
Odin-fondene (NO)		4.8	5.3	3.6	61.3
Chase Manhattan (US)			4.6	2.0	63.6
PFA Group (DK)	5.3			1.5	65.1

** The Danish Companies Act only requires disclosure of shareholders who own 5% or more of the shares.*

Dividend policy

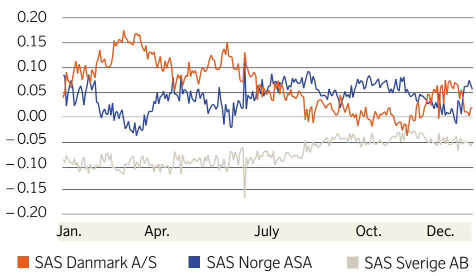
SAS's dividend policy was adopted by the Boards of SAS's parent companies in 1996. According to this policy the dividend on all three SAS shares should be the same size when converted to the same currency.

When calculating the annual dividend, account is taken of the SAS Group's earnings trend, financial position and capital requirements, as well as of relevant macroeconomic conditions. The basic principle is for the dividend over one business cycle to be in the region of 30-40% of the SAS Group's income after deduction for standard tax. The table shows the three parent companies' total dividend over the period 1998-2000 and how it relates to the goals of the dividend policy.

	2000	1999	1998
Dividend (proposed 2000)	**740**	658	658
Dividend as % of income after standard tax	**38**	50	33
Dividend as % of income after standard tax (average)	**40**	41	37

A dividend totaling MSEK 740 or SEK 4.50 per share has been proposed for 2000, which corresponds to a dividend yield of 4.7% calculated on the closing price at December 31, 2000, and 5.7% calculated on the basis of the average share price over the 2000 fiscal year. For further information on each parent company's dividend, see pages 22-24.

Relative prices of SAS shares in 2000[1]



Both at the beginning and at the end of 2000, SAS Norge ASA was the highest priced of the three SAS shares.

[1] *Deviation from mathematical parity price (SEK).*

Source: SIX Findata

Relative share price performance in 2000

The difference in the prices of the three SAS shares, adjusted for currency, decreased in 2000 and was between 0% and 15% in Swedish kronor.

SAS Sverige AB accounted for the highest growth in value of the three SAS shares. The price rose 18.4% during the year, from SEK 76/share at the beginning of 2000 to SEK 90/share at the end of 2000. At year-end, SAS Sverige AB's shares were valued 10.0% lower than those of SAS Norge ASA, which had the highest valued shares at that point. SAS Danmark A/S's shares were priced 1.9% lower than those of SAS Norge at the end of the year.

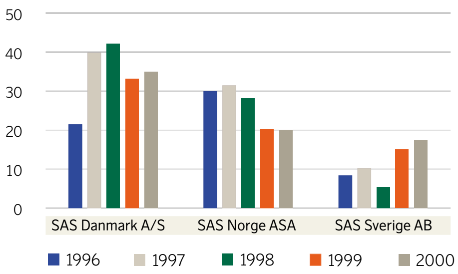
December 31, 2000	Price in local currency	Price in SEK	Price deviation against SAS Norge ASA
SAS Danmark A/S	81.50	96.70	–1.9%
SAS Norge ASA	93.50	100.20	–
SAS Sverige AB	90.00	90.00	–10.0%

Trading volume

A total of 72.5 million SAS shares were traded on the three Scandinavian stock exchanges in 2000, an increase of 12% over 1999. This corresponds to a trading volume of 44% (39%) of total outstanding shares. Adjusted for the three states' 50%-share in SAS, this corresponds to a total trading volume of 88% (79%).

Trading in the three shares in 2000 was distributed as follows: 35.0 million (29.5) for SAS Danmark A/S, 20.1 million (20.2) for SAS Norge ASA, and 17.5 million (15.0) for SAS Sverige AB.

Share trading, 1996-2000
Million shares



The trading volume in SAS Sverige AB increased by 10% and in SAS Danmark A/S by 19%. The trading volume in SAS Norge ASA was unchanged. *Source: SIX Findata*

Macroeconomic trends

Economic development was positive in SAS's main markets in 2000. In Sweden, where approximately 35% of SAS's ticket sales take place, the increase in GDP was around 3.5%. In Denmark and Norway growth was slightly lower – around 2-2.5%. This was reflected in SAS's traffic statistics where travel to, from and within Sweden increased by 10%, in Norway by 5% and in Denmark 1%.

After the end of the year there was a slackening in the U.S. economy which resulted in further reductions in interest rates. The effects on the economies in Scandinavia and Europe are difficult to assess and represent an element of uncertainty.

Global growth forecasts

The airline industry is a global growth industry. The world's two largest aircraft manufacturers, Airbus Industrie and Boeing Company, forecast an average annual growth of 4.9% and 4.8% respectively over the next 20 years. The IATA foresees an increase of 5.6% in the period 2000-2004. The assessment is that the number of daily flights will have almost doubled in 20 years' time compared with today. The largest growth, according to the forecast, will occur in traffic within and to and from Asia, particularly China. Domestic U.S. traffic, which is a very mature market, is expected to see the lowest growth during the same period.

Airline industry cycles

In addition to macroeconomic trends, the development of the airline industry is affected by other factors such as the number of aircraft in operation and available seat capacity. Overcapacity in the airline industry decreased in 2000.

- Newly delivered aircraft made up approximately 7.5% of the world's airline fleet in 2000. By 2005, the corresponding proportion is expected to be approximately 6.2%.
- The number of aircraft taken out of operation is expected to decrease from about 2% in 2000 to about 1% in 2005.

Taken together, this should mean that the balance between supply and demand will remain relatively good over the next few years.

Sensitivity of operations to economic trends

The following approximate relations exist between the operational key figures and SAS's earnings in 2000.

Passenger traffic (RPK)

- 1% change in RPK has an earnings impact of approximately MSEK 225.

RPK (Business Class/Economy Class)

- 1% change in RPK has an earnings impact of approximately MSEK 135 in Business Class and approximately MSEK 90 in Economy Class.

Cabin factor

- 1% change in the cabin factor has an earnings impact of approximately MSEK 340.

Unit revenue (Yield)

- 1% change in passenger revenue per passenger kilometer has an earnings impact of approximately MSEK 300.

Unit cost

- 1% change in the unit cost has an earnings impact of approximately MSEK 290.

Jet fuel

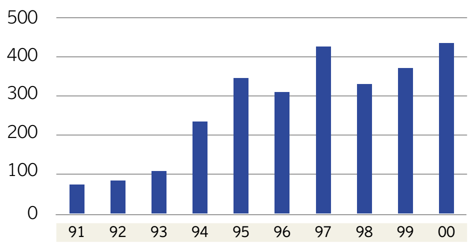
- 1% change in the price of jet fuel affects costs by approximately MSEK 40 excluding hedging.

These effects on earnings cannot be totaled but reflect the earnings sensitivity of SAS in the present situation.

Total shareholder return (TSR) on SAS shares, 1991-2000

The last distinct recession for the airline industry reached its lowest point in 1990-1991. A calculation of the performance of SAS shares over the ten years 1991-2000 shows an average annual total return of 16.3%. This exceeds SAS's target for a total return of 14% over a business cycle by 2.3 percentage points.

Performance of SEK 100 invested in SAS on January 1, 1991
Share value, SEK



SEK 100 invested in SAS on January 1, 1991, had grown to SEK 435 at year-end 2000, including reinvested dividends (corresponds to 16.3% per year).

Index = 100 (January 1, 1991) *Source: SIX Findata and SAS*

Total shareholder return (TSR), 1991-2000

Share	Average annual return
SAS Danmark A/S	14.4%
SAS Norge ASA	19.3%
SAS Sverige AB	15.6%
Total (SAS)	16.3%

The table shows the average total return (Total shareholder return, TSR) per year for the three SAS shares in local currency during the period January 1, 1991 to December 31, 2000.

Capacity increase 2001

In line with SAS's expansion strategies (see page 9) a capacity increase (ASK) is planned over the next five years, with an increase of approximately 8% in 2001. The strongest increase in capacity will be on intercontinental and European routes. Capacity on Swedish domestic routes will increase substantially while the capacity increase on Danish domestic routes will be more modest.

The expansion will be effected through an increased number of frequencies, more seats in existing aircraft, and the phasing in of new and larger aircraft.

Less than half of the 8% increase, approximately 3%, will stem from an increased number of frequencies.

Approximately 2-3% of the capacity increase will be achieved by reconfiguring some of the existing fleet to hold a larger number of passengers. This will be done within the framework of "Configuration 2000" and involves SAS MD-80s and MD-90s which will be fitted with 10-15 more seats.

The remaining 2-3% of the increase will result from the new and larger aircraft which will be phased in. In Scandinavia, deHavilland Q400s will replace the Fokker F50 fleet. On Swedish domestic routes, Boeing 737s will replace the smaller Fokker F28s. On intercontinental routes, Airbus A330s and A340s will replace the Boeing 767s.

The unit cost trend will be positively affected by the changes in SAS's aircraft fleet. Increasing the number of seats in the existing fleet is a very cost-effective way of achieving greater capacity. Also the new, larger aircraft will mean lower unit costs. For example, phasing in Airbus A321s will reduce the unit cost by approximately 13% compared with the unit cost in the fleet they are replacing.

Positive effects on unit costs as a result of the ongoing renewal of the fleet will already arise in 2001 and will increase as the replacement of the fleet is completed.

High oil price – an industry-wide problem

Price increase

The price of jet fuel rose between January 1999 and December 2000 by approximately 200%. This price trend was the single most adverse profitability factor for the airline industry in 2000. Fuel costs' share of total operating costs in the airline industry rose from an average of 8% in 1999 to nearly 11% in 2000.

The oil price – an uncertain factor

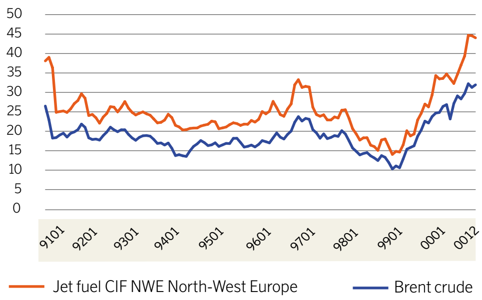
Most industry experts make the assessment that in the longer term the price of oil will stabilize at around 20-25 dollars/barrel. In January 2001, OPEC decided on production cuts in order to stabilize oil prices at a level around 25 dollars/barrel. The lower refinery capacity in Europe and new product specifications for other oil products have made Europe into a net importer of jet fuel. This in turn means that the price in Europe, where SAS has most of its jet fuel consumption, has increased more than in other parts of the world.

The airlines' answer to rising oil prices

Part of the cost increase could be compensated by higher ticket prices. In 2000, the European airlines increased their passenger ticket prices by 3-7%, while freight prices were raised by approximately 15%.

The majority of the major airlines hedge large parts of their future jet fuel requirements at a fixed price. When the price goes up the cost effects can therefore be reduced. When prices fall, the effect is the opposite since the ability to benefit from the price reduction is impaired.

Jet fuel prices – crude oil prices, 1991-2000
U.S. dollars per barrel



The price of jet fuel reached record high levels in 2000.
The difference between jet fuel and crude oil increased due to limited refinery capacity.

Sensitivity to increases in fuel prices will also decrease as the airlines renew their fleets. The new generation of long-haul aircraft, for example, are up to 35% more fuel-efficient than similar aircraft manufactured 30 years ago.

SAS's hedging policy

SAS's policy is to hedge 40-60% of anticipated consumption on a rolling 12-month basis.

In 2000, SAS hedged an average of 46% of its fuel purchases. This meant that SAS's fuel costs were 9% lower than they would have been without hedging. SAS has hedged 47% of anticipated consumption in 2001, mainly with caps options and thus positioned itself ahead of the anticipated fall in prices.

Financial targets

The objective of the SAS Group is provide its shareholders with a competitive return. The target is a total shareholder return (TSR) of 14% over a business cycle. The return target refers to the sum of share price appreciation and dividends. This return requirement has been translated into two internal financial targets, CFROI and ROCE.

The targets are, as an average over a business cycle

CFROI	17-20%
ROCE, minimum requirement	12%

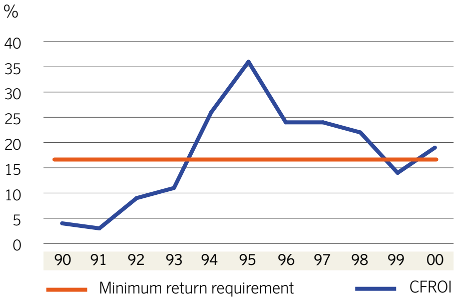
CFROI

CFROI is SAS's main return concept since this key indicator best shows the return generated by operations in relation to the actual capital investment. CFROI measures the relation between cash flow before operating lease costs (EBITDAR) and adjusted capital. This return measure reflects the EV/EBITDAR multiple which is regarded internationally as the most important value indicator for airlines.

ROCE, market based

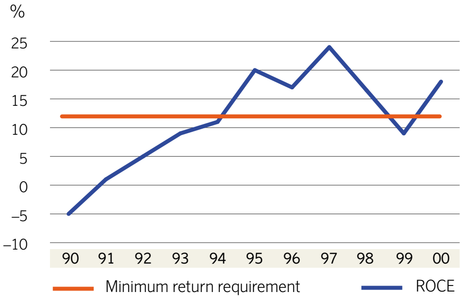
ROCE is based on income before net financial items and

Development of CFROI, 1990-2000



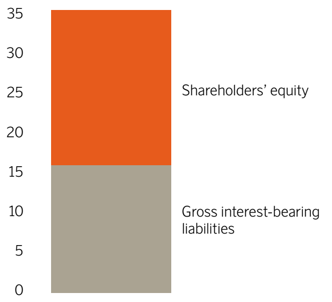
SAS enjoyed good profitability in the period 1994-1998. At times, the return exceeded the 17-20% minimum requirement by a wide margin. In 1999, the return fell under 17% but rose to 19% in 2000. The minimum return requirement is set at 17% as an average over an investment cycle, where average capital allocation for replacement of the aircraft fleet is taken into account.

Development of market-based ROCE, 1990-2000



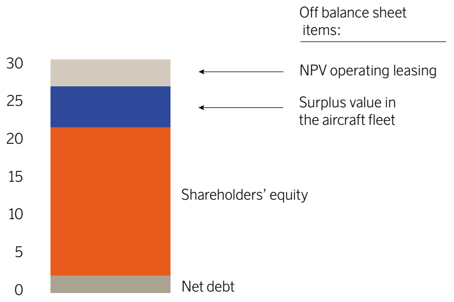
Market-based ROCE has remained stable at over 12% since 1995. In 1999, the return fell below the 12% minimum requirement, but rose in 2000 to 18% mainly due to a strong USD.

Capital employed (official bookkeeping), 2000
SEK billion



When calculating the traditional book ROCE, the balance sheet is reduced by noninterest-bearing liabilities so that total capital consists of shareholders' equity and gross interest-bearing liabilities. Capital employed amounted to SEK 35.8 billion at December 31, 2000.

Market-based capital concept (AV, Adjusted asset value), 2000
SEK billion



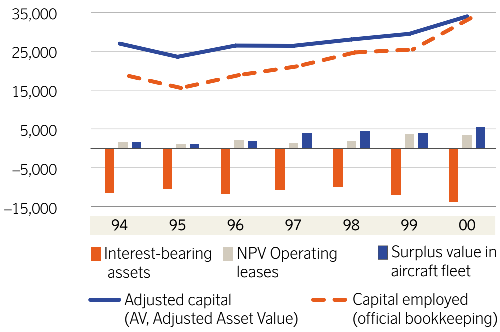
Adjusting the traditional capital concept provides a better description of the actual capital allocated to operations. The surplus value in the aircraft fleet is added to shareholders' equity. Interest-bearing assets/liabilities are booked as net debt and off balance sheet financing is included in the form of the present value of operating lease contracts for aircraft. Noninterest-bearing liabilities are excluded, since there is no return requirement on this capital.

tax. This income is adjusted with 60% of operating leasing costs, which constitute the interest component. Book depreciation is adjusted by the actual market value development of the aircraft fleet over the period.

The capital concept

Calculation of the key indicators CFROI and ROCE is based on a market-based capital concept.

Development of capital employed, 1994-2000
MSEK



In the period 1994-2000, capital employed (traditional) and adjusted capital were harmonized in pace with an increase in surplus values of aircraft and increased NPV of operating leases. The net of interest-bearing assets and NPV of operating leases and the surplus value in the aircraft fleet comprises the difference between adjusted capital and capital employed.

Since return is assessed on the basis of actual capital employed in operations, SAS uses the market value of assets and liabilities. The greatest difference compared with booked capital is that adjustment is made for the present value of operating lease commitments regarding aircraft and for the surplus value in the aircraft fleet owned by SAS. At year-end 2000, the present value of these leasing contracts was MSEK 3,534, discounted by 5.5%, see table.

Surplus value in the aircraft fleet

At-year end 2000, the surplus value in the aircraft fleet was MSEK 5,521, which was 25% higher than in the previous year, mainly due to a strong USD. Sale of aircraft and other aircraft transactions provided a capital gain of MSEK 424.

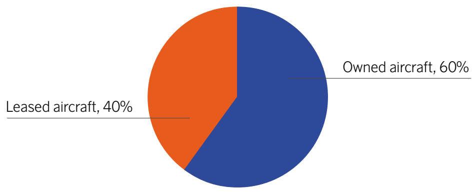
At the end of 2000 forward exchange agreements were effected in USD to hedge currency gains on the part of the fleet which SAS plans to sell in 2001 (see page 25).

Operating aircraft leasing

Operating leases are used to optimize the composition of the aircraft fleet and reduce tied-up capital. Flexible rights to extend the leases and early redemption increase operating flexibility, making it easier to adapt the fleet to economic fluctuations. Reduced residual value risks are another positive effect of operating leases.

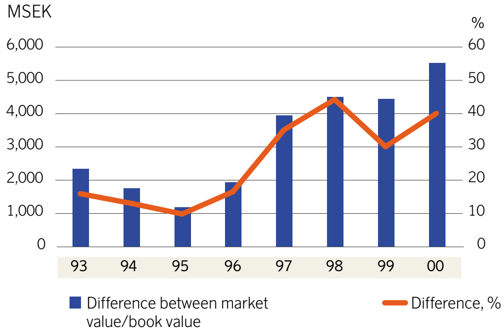
Capital tied up in operating lease contracts for aircraft is calculated as the present value of future leasing charges. The table below shows SAS's annual costs for operating leases and the aggregate present value based on a discount factor equal to the average loan cost used in WACC, 5.5%.

Breakdown of the market value of SAS's total aircraft fleet, 2000



The total market value of SAS's aircraft fleet in operation totaled SEK 30.7 billion. The value of aircraft owned by SAS was SEK 18.2 billion.

Development of surplus value in the aircraft fleet, 1993-2000
MSEK



At year-end 2000, the surplus value in the aircraft fleet was MSEK 5,521.

Contracted* operating aircraft leasing, 2001-2006

Present value (NPV) at 5.5%	MUSD	372
	MSEK	3,534

Annual lease payments* MUSD – contracted at December 31, 2000

	2001	2002	2003	2004	2005	2006
Boeing 737	13.2	11.0	11.0	11.0	9.9	8.9
Boeing 767	60.9	40.6	24.8	3.4	2.2	2.2
Douglas DC-9	19.1	5.0	0.0	0.0	0.0	0.0
Douglas MD-80/90	45.4	33.3	24.6	17.4	8.7	1.4
Fokker F50/SAAB 2000	13.1	10.9	10.9	10.9	10.9	10.9
Total	151.7	100.8	71.3	42.7	31.7	23.4

**only existing contracted aircraft leasing contracts.*

Number of aircraft – contracted at December 31, 2000

December 31, 2000	2001	2002	2003	2004	2005	2006
Boeing 737	14	14	13	12	12	12
Boeing 767	9	8	5	2	–	–
Douglas DC-9	22	9	–	–	–	–
Douglas MD-80/90	32	26	20	14	8	2
Fokker F50/SAAB 2000	21	11	9	9	9	9
Total	98	68	47	37	29	23

Weighted average cost of capital (WACC)

SAS's weighted average cost of capital comprises the costs for interest-bearing liabilities, operating aircraft leasing and shareholders' equity. The cost for shareholders' equity is calculated based on assumed inflation of 2% and SAS's market premium of over 5%. SAS's costs for liabilities are assumed to be 5.5% and the leasing cost is based on prevailing market interest and depreciation rates. The financing sources are estimated and weighted in accordance with the prevailing market value of shareholders' equity and liabilities as well as the capitalized present value of operating leases.

Cash value added, CVA

SAS is increasing its focus on value growth in its different operating areas. In order to achieve highly accurate control and measurement, the cash flow measure CVA is currently being evaluated as a return measure in the various business units. This measure is an extension of the comprehensive return measure CFROI which is easier to apply as a value measure and decision metric in the operations-related control model which is now being implemented.

SAS's ambitions in its dialog with the capital market

Objectives

The aim of the SAS Investor Relations Program is to strengthen interest in SAS shares among existing and potential investors through the provision of relevant and up-to-date information.

Furthermore, investors and capital market players will be provided with information which allows them to understand the company's operations and its ability to improve shareholder value. The target group includes investors, analysts, brokers and the business press. SAS has conducted activities in the capital market through various presentations both in Scandinavia and internationally, which profile SAS from a capital market perspective.

SAS's Investor Relations web pages contain updated information about SAS's financial performance. This includes an interactive annual report, traffic statistics, share data, a financial calendar, and key data for the capital market.

Developments in 2000

Interest from international analysts is steadily increasing and four more international banks now conduct regular analyses of SAS shares. These are Salomon Smith Barney, Lehman Brothers, Credit Suisse First Boston, and UBS Warburg. A total of 12-13 international banks monitor SAS shares. In Scandinavia, SAS is systematically monitored by the most important brokerage houses.

Investments and fiscal conditions

SAS's parent companies

The operations of the parent companies involve managing their participations in SAS. The income of the three companies is taxed in proportion to their ownership stakes and is taxable in the countries in which they are registered. Differences in earnings between the parent companies are mainly attributable to interest income arising because of different liquid asset balances (an effect of differences in tax legislation). Taxes refer both to assessed tax payable and increase in deferred taxes.

Assets consist of participations in SAS and liquid assets invested with SAS. Liabilities mostly comprise tax liabilities. The differences between the parent companies are mainly due to differences in national tax legislation. The parent companies' dividend policy and proposed dividends as well as the accounts of each parent company can be found on pages 82 to 101.

Key indicators, 2000 – SAS parent companies

	SAS Danmark A/S	SAS Norge ASA	SAS Sverige AB
Earnings per share, local currency	13.66	12.00	11.79
Earnings per share, SEK	15.48	12.49	11.79
Cash flow per share, local currency	14.53	16.89	16.18
Cash flow per share, SEK	16.47	17.59	16.18
Equity per share, Dec. 31, 2000, local currency	92.19	97.36	106.23
Equity per share, Dec. 31, 2000, SEK	109.09	104.33	106.23

Renewal of the aircraft fleet

The table below shows planned investments based on orders placed for Boeing 737s, deHavilland Q400s, Airbus A340/330-300s and Airbus A321s. SAS's orders have a total value of MUSD 2,250. In addition to investments in flight equipment, other investments amounting to MSEK 800-900 per year are also made (see the section on SAS's fleet, page 52).

Investments, order (CAPEX) for the period 2001-2003>

	Total	2001	2002	2003>
MSUD	2,250	1,000	850	400
Number of aircraft	49	27	16	6

SAS's fiscal position

Total tax payable for SAS's parent companies and subsidiaries amounted to MSEK 273 in 2000. Given the SAS Group's EBIT of MSEK 3,068, this means an effective average tax rate for the SAS Group of 8.9%.

The effective tax rate has thus fallen, which is mainly explained by the investments made in a new aircraft fleet. In 2001 and 2002 the planned deliveries of Airbus A340/330s and A321s will allow continued, major tax write-offs. Depending on the extent of possible aircraft sales in the same period, however, the final effect of such tax write-offs may be reduced.

Fiscal residual values for SAS's parent companies

MSEK	January 1, 2000	December 31, 2000
SAS Danmark A/S	79	1,126
SAS Norge ASA	2,104	5,055
SAS Sverige AB	1,165	2,377
Total	3,348	8,558

Fiscal conditions

General

In Norway and Sweden, the tax rate is 28%. In Denmark the tax rate for 2000 was 32%. The Danish tax rate has been reduced to 30% starting in the 2001 income year.

Denmark

- With effect from the income year 2001 tax deduction on depreciation of machinery and equipment is reduced from a maximum of 30% to 25% of residual value for tax purposes.
- The right to tax depreciation on contracts was abolished in 2000.

Norway

- A tax deduction of 12% of the residual value for tax purposes is allowed for aircraft, and 20-30% for other machinery and equipment.
- Gains from the sale of aircraft are taken up as income in the amount of 20% in the year of sale. In subsequent years 20% of the remaining balance is booked as income.

Sweden

- Tax deductions are allowed for depreciation of machinery and equipment through the annual assessment of their lowest residual value for tax purposes.
- According to the 30% rule (basic principle) the residual value is calculated as a minimum of 70% of the sum of opening balance, plus purchases, minus the sales proceeds.
- According to the 20% rule (supplementary principle) the minimum residual value is calculated as the acquisition value minus 20% annual depreciation for remaining equipment.

Ten-year financial overview

Statements of income, MSEK	2000	1999	1998	1997	1996	1995
Operating revenue	47,540	43,746	40,946	38,928	35,189	35,403
Operating income before depreciation	3,723	2,747	4,115	4,118	3,668	4,761
Depreciation	–2,192	–2,087	–2,125	–1,880	–1,851	–1,840
Share of income in affiliated companies	–1	77	–20	88	5	97
Income from the sale of shares in subsidiaries and affiliated companies	1,033	283	1	1	–	6
Income from the sale of aircraft and buildings	490	726	1,014	83	100	83
Operating income	3,053	1,746	2,985	2,410	1,922	3,107
Net financial items	–280	100	–128	–152	–85	– 448
Income before taxes	2,773	1,846	2,857	2,258	1,837	2,659
Balance sheets, MSEK						
Fixed assets	33,420	28,585	26,489	23,000	20,784	19,345
Current assets, excl. liquid assets	6,943	7,024	5,949	4,812	4,036	3,477
Liquid assets	8,964	8,488	8,011	9,817	11,050	10,078
Shareholders' equity	19,537	17,061	16,110	14,241	13,030	10,588
Long-term liabilities and provisions [1]	12,316	10,750	9,819	12,209	13,218	11,750
Current liabilities	17,474	16,286	14,520	11,179	9,622	10,562
Total assets	49,327	44,097	40,449	37,629	35,870	32,900
Cash flow statements, MSEK						
Net financing from operations	3,937	1,862	4,137	4,256	3,814	4,881
Investments	–9,886	–5,982	–6,112	–3,256	–4,202	–1,399
Sale of fixed assets, etc.	5,559	6,601	2,360	252	1,066	619
Payments to parent companies	–770	–957	–1,141	–844	–1,150	–591
Capital contributions from parent companies	–	–	–	–	1,400	–
Financing deficit/surplus	–1,160	1,524	–756	408	928	3,510
External financing, net	1,636	–1,184	–1,050	–1,641	44	– 4,157
Change in liquid assets	476	340	–1,806	–1,233	972	– 647
Liquid assets in sold companies	–	–	–	–	–	–
Change in liquid assets according to balance sheets	476	340	–1,806	–1,233	972	– 647
Key ratios						
Gross profit margin, %	7.8	6.3	10.1	10.6	10.4	13.5
Return on capital employed (ROCE), %	11.0	8.8	13.2	11.6	10.6	15.6
Return on equity after standard tax, %	10.7	7.6	12.9	11.4	10.9	18.5
Equity/assets ratio, %	41	40	40	38	37	32
Market-value based key value drivers, MSEK						
Cash flow return on investments (CFROI), %	18.7	15.1	22.4	24.7	26.4	31.8
Return on capital employed (ROCE, market-based), %	17.5	10.5	17.8	24.1	18.4	16.9
Market value of aircraft fleet	20,915	15,782	14,691	15,284	13,662	13,354
Book value of aircraft fleet	15,394	11,349	10,204	11,314	11,732	12,170
**Calculation of adjusted capital employed* [2]						
Total assets	45,801	42,723	38,874	36,642	34,075	34,915
+ Surplus value of aircraft	5,420	4,911	4,073	3,277	1,583	1,427
+ Present value of operating lease contracts (NPV)	3,765	2,265	1,806	1,770	1,650	1,408
– Interest-bearing assets	–11,395	–9,174	–9,936	–10,982	–10,802	–10,968
– Noninterest-bearing liabilities	–13,399	–12,828	–11,722	–10,070	–9,205	– 8,749
Total adjusted capital employed	30,192	27,897	23,095	20,637	17,301	18,033
**Calculation of EBITDAR*						
EBIT, earnings before net financial items and taxes	3,068	2,163	2,986	2,425	1,922	3,107
+ Depreciation	2,192	2,087	2,125	1,880	1,851	1,840
+ Goodwill amortization	32	29	43	32	27	29
– Income from the sale of fixed assets	–1,538	–1,426	–1,011	–99	–100	–81
+ Operating lease costs, aircraft	1,898	1,346	1,027	859	872	834
Total EBITDAR	5,652	4,199	5,170	5,097	4,572	5,729
**Calculation of EBIT*						
EBIT, earnings before net financial items and taxes	3,068	2,163	2,986	2,425	1,922	3,107
+ Operating lease costs, aircraft	1,898	1,346	1,027	859	872	834
– 40% of operating lease costs	–759	–538	–411	–344	–349	–334
± Change in surplus value of aircraft	1,088	–54	517	2,040	746	–566
Total EBIT, market-adjusted	5,295	2,917	4,119	4,980	3,191	3,041
Other financial data, MSEK						
Financial income	518	868	634	674	745	1,011
Financial expenses	–798	–768	–762	–826	–830	–1,459
Interest-bearing liabilities	16,147	13,246	11,859	12,108	13,376	12,935
Net debt	2,393	1,344	2,079	1,345	1,754	2,544
Interest expenses/average gross debt, %	5.2	5.2	5.9	6.1	6.6	8.3
Interest coverage ratio	4.5	3.4	4.7	3.7	3.2	2.8
Debt/equity ratio	0.12	0.08	0.1	0.1	0.1	0.2

[1] *Including minority interests.* [2] *Average over 5 quarters for the years 1995-2000.*
Definitions and concepts, see page 107.

1994	1993	1992	1991
36,886	39,122	34,445	32,286
3,404	2,032	2,930	2,591
–2,000	–1,782	–1,532	–1,338
–13	–1	–8	–2,109
869	511	7	148
12	45	83	375
2,272	805	1,480	–333
–668	–1,313	–2,329	–942
1,604	–508	–849	–1,275
20,904	24,566	28,790	24,854
3,670	9,973	6,849	6,289
10,725	9,318	9,829	9,371
9,355	8,631	8,958	9,639
15,971	22,741	24,797	20,404
9,973	12,485	11,713	10,471
35,299	43,857	45,468	40,514
2,338	1,377	1,444	1,362
–1,391	–1,141	–3, 338	–5,197
5,305	1,852	552	1,591
–	–	–	–
–	–	–	–
6,252	2,088	–1,342	–2,244
–3,872	–2,469	1,584	227
2,380	–381	242	–2,017
–973	–130	216	–
1,407	–511	458	–2,017
9.2	5.2	8.5	8.0
10.5	8.7	7.8	3.3
10.0	–	–	–
27	21	21	25
25.0	10.5	9.4	2.5
10.3	9.0	3.9	0.1
15,304	17,049	18,374	15,817
13,554	14,716	17,524	14,728
35,299	43,857	45,468	40,514
1,750	2,333	850	1,089
1,641	2,416	634	556
–11,363	–10,515	–11,240	–10,109
–8,379	–10,664	–1,693	–1,465
18,948	27,427	34,019	30,585
2,272	805	1,480	–333
2,000	1,782	1,532	1,338
25	22	17	21
–12	–6	0	–375
450	290	161	127
4,735	2,893	3,190	778
2,272	805	1,480	–333
450	290	161	127
–180	–116	–64	–51
–583	1,483	–239	284
1,959	2,462	1,338	27
933	2,402	1,138	1,398
–1,601	–3,715	–3,467	–2,340
17,417	24,403	26,830	21,645
6,054	13,888	15,590	11,536
7.7	9.9	10.4	9.6
2.0	0.9	0.8	0.5
0.6	1.6	1.7	1.2

SAS 1991-2000

When considering SAS over a ten-year period, several factors have to be taken into account. At the start of the period, the civil aviation market had not yet been deregulated, and SAS looked different then compared with today.

Operating income 1991-2000

At the beginning of the period, SAS was hit hard by the recession, which meant fewer passengers and lower freight volumes. The decline came at a time when the company was in the midst of increasing capacity via major investments. In 1993, price pressure combined with a recession and a weakening Swedish krona led to the Board's decision to focus on the core business and SAS started to phase out its holdings in most subsidiaries. This had a negative impact on operating revenue in 1994 and 1995, while operating income strengthened. The economy recovered and air travel started to increase in 1994. By then, SAS had also implemented a restructuring program and removed unprofitable routes.

1995 was SAS's best year ever in terms of operating income. The decline in earnings in 1996 was mainly due to higher costs. 1997 was a good year but by 1998 earnings, excluding capital gains, started to fall due to increased costs.

After a weak year for airline operations in 1999, in 2000 the SAS Group generated earnings before interest, taxes, depreciation and rentals (EBITDAR) of MSEK 5,652 (4,199). EBITDAR over market-based capital employed (CFROI) was 19% (15%). The minimum return requirement is set at 17% as an average over an investment cycle, where average capital allocation for replacement of the aircraft fleet is taken into account.

CFROI (Cash Flow Return on Investments) is the most important metric for value creation in operations, making it the SAS Group's main focus. It is also the key indicator used by most analysts as a basis for assessing the value of an airline. CFROI reflects the EV/EBITDAR multiple which expresses the value of operations as a multiple of operating cash flow for the year excluding operating aircraft leasing costs.

The average of market prices for the three SAS shares at year-end 2000 plus average net debt during the year, and the present value of operating lease contracts (EV), gives a multiple on EBITDAR of 4.1 based on reported earnings for 2000. Using the same calculation, the average share price during 2000 gives an EV/EBITDAR of 3.7. The EV/EBITDAR multiple of 4.1 is still lower than that of listed airlines in Europe which form the natural comparative base.

Calculation of market-value based key value drivers for 2000

MSEK	2000
Earnings	
EBIT, earnings before net financial items and taxes	3,068
+ Depreciation	2,192
+ Goodwill amortization	32
– Income from the sale of fixed assets	–1,538
+ Operating lease costs, aircraft	1,898
EBITDAR (included in CFROI)	5,652
EBIT, earnings before net financial items and taxes	3,068
+ Operating lease costs, aircraft	1,898
– 40% of operating lease costs	–759
± Change in surplus value, aircraft	1,088
EBIT, market-adjusted (Included in market-based ROCE)	5,295

Adjusted capital employed (average)	
Total assets	45,801
+ Surplus value, aircraft	5,420
+ Present value of operating lease contracts	3,765
– Interest-bearing assets	–11,395
– Noninterest-bearing liabilities	–13,399
Adjusted capital employed (Included in CFROI and market-based ROCE)	30,192

Calculation of CFROI

$$\frac{\text{EBITDAR}}{\text{Market-adjusted capital employed (average over 5 quarters)}} = \frac{\text{MSEK } 5{,}652}{\text{MSEK } 30{,}192} = 18.7\%$$

Calculation of ROCE

$$\frac{\text{EBIT, market-based}}{\text{Market-adjusted capital employed (average over 5 quarters)}} = \frac{\text{MSEK } 5{,}295}{\text{MSEK } 30{,}192} = 17.5\%$$

Data per share

SAS Danmark A/S

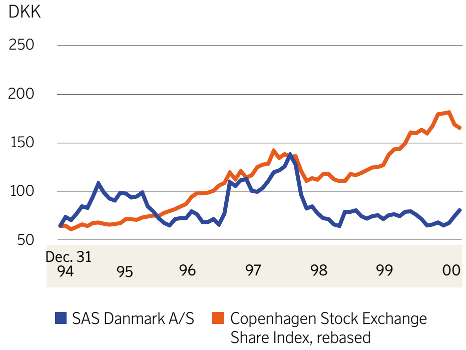
Share price trend and trading volume

The share price trend was mildly positive during the year. At year-end 2000, the share price was DKK 81.50, an increase of 5.8% over the previous year. A total of 34.97 million shares were traded during the year which was on a level with 1999.

Shareholders

The Danish Companies Act requires disclosure of shareholders who own 5% or more of the shares in a company. The Danish State owns 50% of the shares. The PFA Group owns 5.3% of the shares. At year-end 2000, there were 8,527 shareholders.

Share price trend, 1995-2000



Source: SIX Findata

Changes in share capital

MDKK	Bonus issue	Split	New issue	Nom. share capital	Par value DKK	Number of shares (000)
1991	–	–	–	50.8	100	508
1995	152.4	1:4	–	203.2	25	8,128
1996	121.9	1:4	144.9	470.0	10	47,000

Data per share

Key data per share, DKK	**2000**	1999	1998	1997	1996
Earnings	**13.66**	7.34	11.60	8.28	6.96
Cash flow from operations[1]	**14.53**	8.74	16.02	18.72	18.81
Dividend (2000 proposed)	**3.80**	3.50	3.15	3.50	2.60
Dividend as % of earnings	**28**	48	27	42	37
Price-related data, DKK					
Market price at year-end	**81.50**	77	72.80	100	73
Highest market price during the year	**87**	85	141	119	111
Lowest market price during the year	**59**	62.8	70	65	61
Average price during the year	**74.2**	73.7	104	90	82
Market capitalization/shareholders' equity, % at year-end	**88**	95	103	148	118
Dividend yield/average price, %	**5.1**	4.7	3.0	3.9	3.2
P/E ratio, average price	**5.4**	10.0	9.0	10.9	11.8
P/CE ratio, average price	**5.1**	8.4	6.5	4.8	4.4
Market capitalization at year-end, MDKK	**3,831**	3,619	3,422	4,700	3,431
Yearly trading volume, million shares	**34.97**	29.51	42.20	39.96	21.37

[1] *Cash flow from operations less paid tax.*
Definitions and concepts, see page 107.

Source: SIX Findata, Datastream, SAS

Data per share

SAS Norge ASA

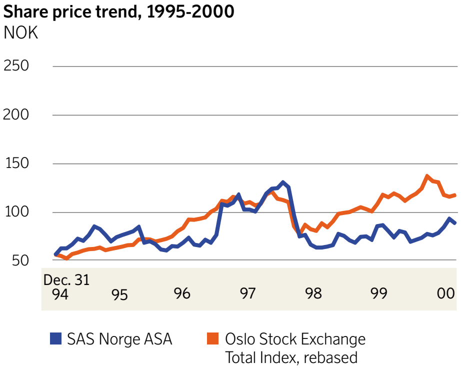
Share price trend and trading volume

The share price trend was positive during the year. At year-end 2000, the share price was NOK 93.50, an increase of 7.5%. A total of 20.06 million shares were traded during the year, which was on a par with the previous year.

Shareholders

At year-end 2000, there were 3,184 shareholders, including the Norwegian State. The 20 largest private shareholders own 29% of the shares. Including the State, the 20 largest shareholders own 79% of the shares. The proportion of foreign shareholders decreased from 14% to 10% (of the privately owned portion).

Share price trend, 1995-2000



Source: SIX Findata

Changes in share capital

MNOK	Bonus issue	Split	New issue	Nom. share capital	Par value NOK	Number of shares (000)
1987	40.9	–	–	235.9	25	9,436
1988	–	–	78.6	314.5	25	12,582
1995	62.9	–	–	377.5	30	12,582
1996	92.6	1:3	–	470.0	10	47,000

Distribution of shares

Dec. 31, 2000	Number of shareholders	% of all share-holders	Total number of shares	% of share capital
1-500	2,246	71	329,013	0.7
501-1,000	345	11	272,491	0.6
1,001-10,000	430	13	1,377,034	2.9
10,001-50,000	84	3	2,192,004	4.7
50,001-100,000	35	1	2,495,706	5.3
100,001-	44	1	40,333,752	85.8
Total	3,184	100.0	47,000,000	100.0

The ten largest shareholders in SAS Norge ASA

Dec. 31, 2000	Number of shares	% of share capital
Norwegian State	23,500,000	50.0
Odin-fondene	2,238,410	4.8
Bankers Trust Company (nominee)	2,025,451	4.3
Folketrygdfondet	1,210,100	2.5
Gjensidige NOR	1,145,016	2.4
Vital Forsikring ASA	1,044,235	2.2
KLP Forsikring	1,023,200	2.1
Aksjefondet Storebrand Livsforsikring	687,526	1.4
Verdipapirfondet Skagen Vest	509,500	1.0
Verdipapirfondet AVANSE	416,476	0.8
Foreign ownership (at Dec. 31, 2000)		10.3

Data per share

Key data per share, NOK	**2000**	1999	1998	1997	1996
Earnings	**12.00**	7.49	11.51	9.36	8.08
Cash flow from operations[1]	**16.89**	10.23	19.06	19.74	19.63
Dividend (2000 proposed)	**4.20**	3.75	3.70	3.70	2.80
Dividend as % of earnings	**35**	50	32	40	35
Price-related data, NOK					
Market price at year-end	**93.50**	87	64	103	69
Highest market price during the year	**93.50**	88	137	123	89
Lowest market price during the year	**70**	59.5	61	65	57
Average price during the year	**79**	72.6	100	88	72
Market capitalization/shareholders' equity, % at year-end	**96**	100	78	139	101
Dividend yield/average price, %	**5.3**	5.2	3.7	4.2	3.9
P/E ratio, average price	**6.6**	9.7	8.7	9.4	8.9
P/CE ratio, average price	**4.7**	7.1	5.2	4.5	3.7
Market capitalization at year-end, MNOK	**4,395**	4, 089	3,008	4,841	3,243
Yearly trading volume, million shares	**20.06**	20.19	28.20	31.35	29.85

1 *Cash flow from operations less paid tax.*
Definitions and concepts, see page 107.

Source: SIX Findata, Datastream, SAS

Data per share

SAS Sverige AB

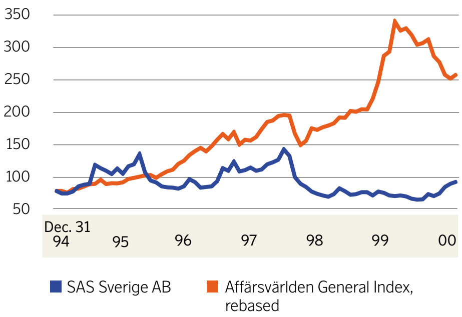
Share price trend and trading volume

The share price trend was positive during the year. At year-end 2000, the share price was SEK 90, an increase of 18.4%. A total of 17.5 million shares were traded during the year, an increase of 17% compared with 1999.

Shareholders

At year-end 2000, there were 3,544 shareholders, a slight decrease from 1999. Ten shareholders own 88.1% of the share capital. Foreign ownership was 18%, an increase of 5.8 percentage points compared with 1999.

Share price trend, 1995-2000



Source: SIX Findata

Changes in share capital

MSEK	Bonus issue	Non-cash issue	Nom. share capital	Par value SEK	Number of shares (000)
1992	–	–	352.5	10	35,250
1993	–	352.5	705.0	10	70,500
1996	–	–	705.0	10	70,500

Distribution of shares (according to VPC)

Dec. 31, 2000	Number of shareholders	% of all share-holders	Total number of shares	% of share capital
1-500	2,854	80.5	424,063	0.6
501-1,000	315	8.9	267,947	0.4
1,001-10,000	298	8.4	880,047	1.2
10,001-50,000	37	1.1	778,958	1.1
50,001-100,000	12	0.3	847,498	1.2
100,001-	28	0.8	67,295,708	95.5
Unknown owners, etc.			5,799	
Total	3,544	100.0	70 ,500,000	100.0

The ten largest shareholders in SAS Sverige AB (according to VPC)

Dec. 31, 2000	Number of shares	% of share capital
Swedish State	35,250,000	50.0
Investor	13,155,923	18.7
Odin-fondene	3,711,340	5.3
Chase Manhattan Bank	3,240,711	4.6
Föreningssparbanken (nom.)	1,431,200	2.0
The Swedish Trade Union Confederation (LO)	1,305,500	1.9
Alecta	1,246,006	1.8
Den norske Bank	1,062,500	1.5
Östersjöstiftelsen	931,950	1.3
Skandia	731,896	1.0
Trygg-Hansa/SEB	634,297	0.9
Foreign ownership (at 12/31/2000)		17.6

Data per share

Key data per share, SEK	**2000**	1999	1998	1997	1996
Earnings	**11.79**	8.41	12.77	10.13	9.42
Cash flow from operations[1]	**16.18**	9.60	19.49	23.15	22.30
Dividend (2000 proposed)	**4.50**	4.00	4.00	4.00	3.00
Dividend as % of earnings	**38**	48	31	39	32
Price-related data, SEK					
Market price at year-end	**90**	76	74.50	115	86
Highest market price during the year	**91.50**	86	143	125	145
Lowest market price during the year	**59**	68	77	83	80
Average price during the year	**73.50**	75.3	106.50	102	101
Market capitalization/shareholders' equity, % at year-end	**85**	80	83	143	118
Dividend yield/average price, %	**6.1**	5.3	3.8	3.9	3.0
P/E ratio, average price	**6.2**	9.0	8.3	10.1	10.7
P/CE ratio, average price	**4.5**	7.8	5.5	4.4	4.5
Market capitalization at year-end, MSEK	**6,345**	5,358	5,252	8,108	6,063
Yearly trading volume, million shares	**17.43**	15.01	5.50	10.25	6.42

[1] *Cash flow from operations less paid tax.*
Definitions and concepts, *see page 107.*

Source: SIX Findata, Datastream, SAS

Financial risks

Financial risk management

The SAS Group, with its international and capital-intensive operations, is exposed to various types of financial risks – currency risks, interest rate risks, credit risks, and liquidity and borrowing risks. These risks are managed centrally by SAS Finance within the framework of a financial policy adopted by the Board, which is designed to control and manage financial risks.

Currency risks

In order to decrease the currency risk, the currency composition of liquid assets is matched against the interest-bearing gross debt.

The currency composition of the interest-bearing net debt is spread to match the currency composition of the net operating cash flow. The major net operating inflow currencies during the year were NOK, SEK, EUR, GBP and JPY.

The currency composition of the net debt is revised on an ongoing basis against a rolling 12-month cash flow forecast. The size of the net debt in relation to total assets is shown in the diagram below to the right.

Net operating outflow currencies are mainly DKK and USD. Between 60 and 90% of the anticipated deficits in these currencies are hedged on an ongoing basis for the next 12 months. Currency hedging is conducted proportionally to forecast operating inflow currencies. A summary of the effect of exchange rate fluctuations on the SAS Group's earnings is provided on page 66.

At the end of 2000, the USD reached its highest level for 17 years against the euro-zone currencies. This development led to SAS, following a Board decision in December, making an exception from its financial policy and abstaining from hedging dollars with forward cover against the operating dollar deficit. It was further decided to hedge dollars for anticipated future aircraft sales and not to hedge prepayments of future aircraft purchases in dollars.

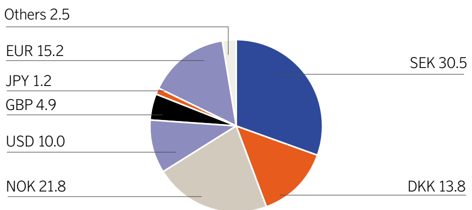
USD vs. EUR, real rate 1970-February 2001

% difference

The real rate trend USD/EUR shows that at year-end 2000, the USD was above a level of two standard deviations (red lines) from the mean over the last 30 years.

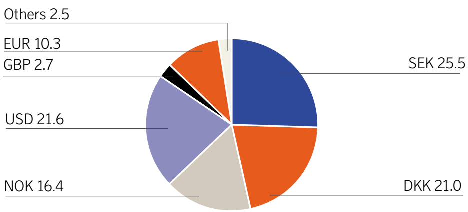
Currency composition, SAS Group's revenues, 2000

%

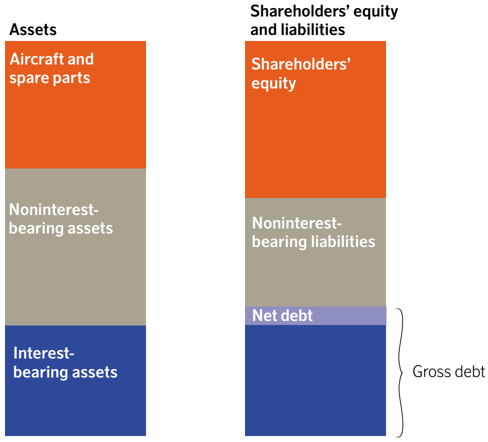


Currency composition, SAS Group's expenses, 2000

%



SAS Group's balance sheet, 2000



Currency and interest rate risks arise on the net debt which comprises a small part of interest-bearing liabilities. These risks are limited and related to operating activities.

Breakdown of net operating cash flow, 2000
MSEK

Surplus currencies		Deficit currencies	
SEK	4,100	DKK	3,000
NOK	2,700	USD	5,300
EUR	800		
Others	3,600		
Total net cash flow			2,900

Interest rate risks

The interest rate risk is controlled by matching the interest rate composition of liquid assets against interest-bearing gross liabilities. The interest rate risk is spread according to the same principle as currency risks.

The fixed interest period on the net debt is kept between one and six years. Various derivative instruments, such as long-term interest rate swaps, FRAs (Forward Rate Agreements) and futures, are used to adjust fixed interest terms. The average interest rate maturity varied in 2000, but averaged around 2.9 years.

Credit risks

Credit risks are attributable to investment of liquid assets and the use of derivatives and arise because of the risk that a counterparty will be unable to fulfill his part of a concluded agreement. For investments, the size of the credit risk consists of the nominal amount, and for derivative instruments a valuation is made in accordance with international market practice.

The financial policy stipulates that transactions should mainly be carried out with institutions with a high creditworthiness. Counterparty limits are determined individually, and monitored and revised on an ongoing basis. ISDA agreements (a form of netting agreement) are made with most counterparties, substantially reducing counterparty risk. Derivatives are mainly used to create the desired currency and interest rate exposure for the net debt. SAS has developed a system for monitoring counterparty risks based on mathematical probability calculations regarding anticipated credit losses.

Liquidity and borrowing risks

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available, and that the refinancing of matured loans will be costly or problematic. When raising new loans, the maturity profile must be spread evenly over future terms (see diagram below).

In order to reduce liquidity risk, the objective is that liquid assets and committed credit facilities should amount to 25% of one year's fixed costs for the SAS Group. This corresponds to SEK 7.5 billion, of which 75% must be in liquid assets, corresponding to SEK 5.6 billion in actual liquidity. At December 31, 2000, the SAS Group's liquid assets amounted to MSEK 8,964 (8,488) and together with committed credit facilities, current liquidity is approximately SEK 15 billion. Liquid assets must primarily be invested in highly liquid instruments or instruments with a short time to maturity. SAS has total unutilized credit commitments of MUSD 684.

Existing committed credit facilities for SAS at December 31, 2000

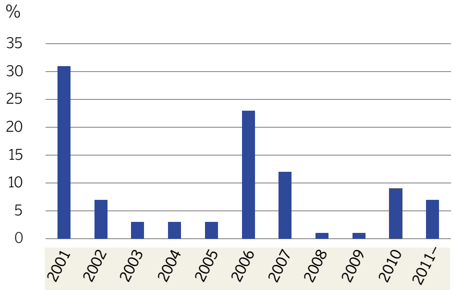
Facility	Amount MUSD	Utilized on Dec. 31 2000	Un-utilized MUSD	Expiry of validity period
Revolving Credit Facility	700	50	650	May 2004
European Investment Bank	400	366	34	Feb. 2002
Total	1,100	416	684	

Financing

Financing mainly takes the form of syndicated bank loans, bond issues, direct loans, debenture loans and leasing. Maturity for the interest-bearing gross debt amounted to approximately 4.4 years at year-end. At December 31, 2000, the SAS Group's interest-bearing liabilities amounted to MSEK 16,147 (13,246). A specification of long-term liabilities is provided in Notes 23-28 on pages 79-80.

Part of SAS's capital procurement involves evaluating and implementing operating leases. This market is constantly developing and the range of products and investors grew during the year.

Maturity structure of gross debt, December 31, 2000



The aim is to spread the gross debt's maturity structure evenly over different terms. Large parts of SAS's finance leasing portfolio mature in 2001. These debts are mainly covered by liquid assets.

Short- and long-term ratings in the airline industry (Moody's)*

	Short-term	Long-term
Lufthansa	–	A2
SAS	**P-1**	**A3**
British Airways	–	A3
American Airlines	P-2	Baa1
Qantas	P-2	Baa1
Delta Air Lines	P-3	Baa3
United Airlines	–	Baa3
Japan Airlines	–	Baa3
Air Canada	–	B1

** At January 20, 2001.*

At the end of the year SAS's existing Euro Commercial Paper program (ECP) was restructured and the program size was increased from MUSD 200 to MUSD 500. This program is mainly used for short-term, interim financing requirements. This is a natural consequence of the fact that SAS is now in a period of investment with an increased borrowing requirement which leads to major liquidity fluctuations.

SAS has also initiated the establishment of a Euro Medium Term Note program for MEUR 1,000, which is a standardized framework agreement which facilitates the issue of bonds in the capital market. This program is expected to be ready in the first quarter of 2001.

Creditworthiness

SAS's creditworthiness is good. The equity/assets ratio has improved in recent years and amounted to 41% on December 31, 2000. SAS's rating with the U.S. rating institute Moody's is A3 for long-term liabilities and P-1 (the highest possible) for short-term liabilities. SAS's creditworthiness is also assessed by the Japanese rating institute Japan Rating and Investment Information Inc. In 2000, their long-term rating for SAS was AA- for long-term liabilities and A-1+ for short-term liabilities.

Value at Risk, VaR

VaR is used increasingly as a complementary measurement of companies' financial risks. SAS is currently evaluating aspects of the value of this risk measurement standard in relation to measurement of the special risk profile for international airlines.

SAS and the euro

EMU and the euro

Within the framework of Star Alliance, SAS has a worldwide cooperation with a number of international airlines. Approximately 15% of SAS's operating revenue stems from the Economic and Monetary Union (EMU) area. At the same time, about 10% of operating expenses stem from the EMU area.

The EU Commission has published reports which indicate, among other things, that tourism in Europe will be favored by the euro, and that greater price transparency will lead to lower prices in the EMU area. This could have both positive and negative effects for SAS.

As regards currency handling, the significant change resulting from the transfer to the euro occurred when it became a transaction currency on January 1, 1999. Conversion of banknotes and coins on January 1, 2002, is not expected to have any effect on SAS with regard to currency risk. Nor does SAS expect the transfer to the euro to have any important fiscal effects for the Group.

Adjustment to the euro

In 1997, SAS started analyzing the needs and effects of the introduction of the euro. A euro program is under way at SAS designed to prepare the Group for the changes that will occur due to the changeover to the euro. At a decentralized level, measures that must be taken as a result of the new currency are being analyzed and identified. Based on this work, action programs and timetables will be drawn up for implementation of adjustment measures.

An internal program is under way to inform and prepare various employee groups ahead of the conversion of notes and coins within the EMU area on January 1, 2002.

During 2001, SAS's operations within the EMU area will be prepared to operate in euros. For operations outside the EMU area, ongoing adjustments of SAS's IT systems to handle the new currency have been made since 1999.

In 2000, SAS initiated a survey of the effects of the introduction of the euro on agreements and other legal documents.

A transfer to full consolidated accounting in euro for SAS will not take place until January 2003 at the earliest. No decision about such a transfer has been made.


SAS's management philosophy, process and unit cost trends

SAS's management philosophy

In 2000, SAS's management philosophy was reformulated to reflect the trend towards more independent units with clear profit responsibility.

The management philosophy is based on profit responsibility encouraging professionalism and motivation. Control and management of SAS must be permeated by common values.

SAS is developing towards a composition of more independent operations each of which must be competitive within its field.

Management by objectives

Management by objectives uses decentralization and delegation of responsibility and decisions. Management by objectives means that the company management states the objectives and each operation sets its own targets which lead to competitiveness in an industry comparison. The operation's targets must contribute to SAS's objectives. Relevant attention must be paid to the Group perspective in order to avoid sub-optimization. There must be a continual improvement of processes, even when processes run through several operations. Operations which can conduct external business with profitability should exploit this potential. Operations should be conducted in the organizational form which best favors competitiveness and value growth.

Process work

Process work at SAS is designed to achieve:

- Increased customer value.
- Better and more reliable output.
- Better use of resources.
- Commitment and involvement of employees.

Processes

Processes are divided into three levels:

- Management Process.
- Customer Service Delivery Process.
- Support Processes.

Twelve main processes

Within these levels, twelve main processes have been identified as making the greatest contribution to SAS's success.

Most of these main processes are found in the Customer Service Delivery Process and cover everything from sales (Sell SAS Products and Services), airport functions (Passenger Ground Service Delivery), making sure the aircraft are ready (Aircraft Handling), and have been given all the service they need (Technical Services) for service on board (Cabin Safety and Service), the flight itself (Fly Aircraft), and traffic control and execution (Traffic Execution). Key processes also include the Business Planning Process, Product Development, and Traffic Planning.

The customer has direct contact with SAS employees in the Sell Products and Services, Passenger Ground Service Delivery, and Cabin Safety and Service processes.

Process work at SAS focuses on identifying, measuring, analyzing, improving and developing these processes by eliminating bottlenecks and problems.

Establishment of profit units

In addition to Group-wide and strategic functions some 30 naturally defined sub-operations were identified at SAS. These are responsible for the business result and, if relevant, return on capital. The requirement is for a clear interface towards other units and a business relationship with customers, suppliers and other stakeholders, both internal and external. Work on negotiating and formalizing business agreements, known as Service Level Agreements, between different units at SAS has been carried out during the year.

Examples of the increased focus on professionalism and changes in organizational forms are preparations for making SAS Cargo a separate company and the establishment of Scandinavian Ground Services (former Station Services Division) and Human Resources as business units.

The plan is also to make the Technical Division a separate business unit, and a clearer customer-supplier relationship with the units within SAS that order their services is being formulated for flight staff in the Operations Division.

Scandinavian IT Group (formerly SAS Data) is showing strong development towards its three core activities, IT operations, consulting with business solutions for the travel industry, and offering commercialized concepts and key competence to the external market within different areas of technology such as mobile solutions.

Unit cost development

Business improvement program

Changes continue to be made to established processes, agreement structures, etc., in order to raise competitiveness. Efforts to improve SAS's competitiveness were intensified in 1999 with the start of an extensive business improvement program. The program is designed to reduce costs by MSEK 3,000 over a two-year period with maintained or improved customer-perceived quality and internal work processes. The program, which has been successful, is expected to have its full effect as planned in 2001. Details of the earnings impact achieved so far are provided below.

Specification of Business Improvement Program

MSEK	Achieved by year-end 2000[1]	Target 2001[1]
Freight handling	**90**	95
In-flight catering and service	**300**	300
IT and communication	**200**	200
Distribution and sales channels	**635**	830
Flight crews	**445**	545
Station operations	**270**	300
Technical maintenance	**235**	310
Administration and other support functions	**275**	300
Total	**2,450**	2,910

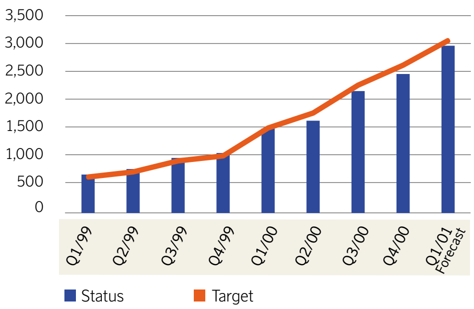
[1] Compared with the 1998 cost base (level).

By year-end 2000, the Business Improvement Program had essentially been completed. As a result, SAS's total costs over a two-year period had been cut by a total of MSEK 2,450. The full effect is expected to be achieved as planned in 2001. Areas which have the greatest impact on earnings where action still needs to be taken are electronic channels, reservations centers, and crew planning.

Jet fuel accounts for the second largest item of SAS's total costs after payroll expenses. The cost of jet fuel rose by MSEK 1,677 in 2000. This dramatic increase, which is outside SAS's control, had a powerful negative impact on SAS's costs and the cost savings achieved are therefore not reflected in the total unit cost trend.

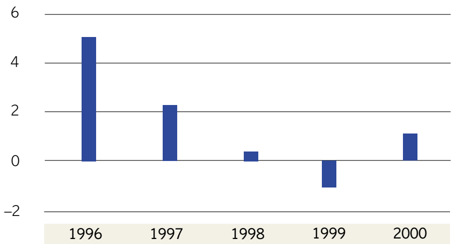
SAS's production and passenger numbers rose 4.4% expressed as a weighted average between RPK/ASK. Using this volume as a base, SAS's unit cost increased, adjusted for currency effects, by 1.1% compared with the previous year. Excluding fuel costs, the unit cost fell 3%. This marked improvement is largely the result of the completed Business Improvement Program and SAS's competitiveness has been further strengthened.

Business Improvement Program, 1999-2001
MSEK



At year-end 2000, the effects of the Business Improvement Program were MSEK 2,450.

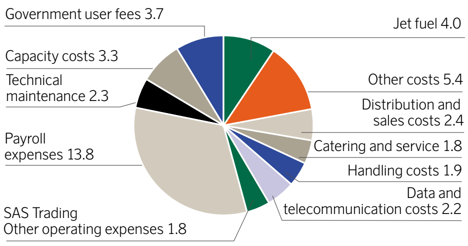
Development of unit cost, 1996-2000 [1]
(net cost/weighted RPK/ASK) %



In 2000, SAS's unit cost rose by 1.1%. Excluding the increased cost of jet fuel, SAS's unit cost fell 3.0%.

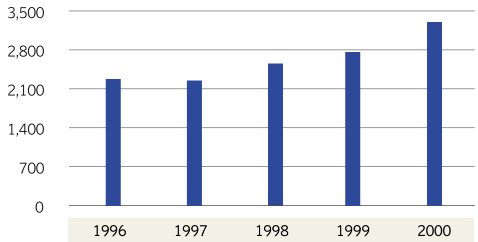
[1] SAS's airline operations excluding Air Botnia and Widerøe.

SAS's total costs, 2000
(including capacity costs) SEK billion



Breakdown of SAS's total costs into key cost types.

Capacity costs, 1996-2000
MSEK



Trend for SAS's capacity costs 1996-2000. Financing of shareholders' equity is not taken into account.

The cost items which had the greatest impact on cost development in 2000, apart from higher fuel prices, include increased costs of commission to sales agents. In addition, the traffic increase during the year led to a higher number of overtime hours. SAS's telephone sales were the subject of improvement measures and the problem of staff shortages and high employee turnover led to increased costs for recruitment and training.

Apart from fuel costs, SAS now has a better cost structure than previously.

SAS's aim is to reduce unit costs nominally over the next few years. This will be possible mainly through continual improvements and efficiency enhancement at SAS and the investment in larger aircraft types with lower unit costs. Electronic channels offer tremendous potential and SAS is making every effort to be at the forefront in the use of IT within sales, reservations, check-in, boarding, and customer relationships.

Unit cost development, 2000[1]

MSEK	Adjusted 1999	**2000**	Share of total difference, %
Sales costs	2,080	**2,319**	(0.8)
Payroll expenses	13,043	**12,794**	0.8
Jet fuel	2,525	**3,766**	(4.1)
Government user fees	3,593	**3,418**	0.6
Other costs	8,797	**8,072**	2.4
Total	30,038	**30,369**	(1.1)
Volume component (weighted RPK/ASK)			4.4

[1] *SAS's airline operations excl. Air Botnia and Widerøe.*

Comparison of unit costs between airlines

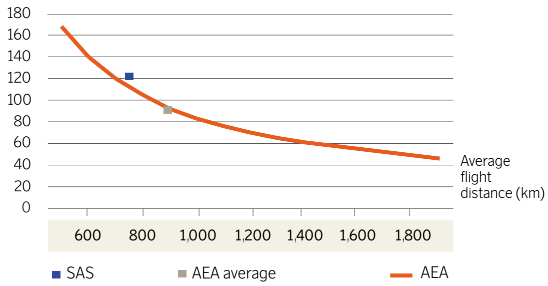
The AEA (Association of European Airlines) performs annual analyses and comparisons of unit costs among its members. The structure of the traffic network, aircraft fleet, and customer/market segments are decisive factors which affect the cost structure. Compared with other European competitors, SAS's structure is unique in the following areas:

- SAS flies shorter distances
- SAS has so far had smaller aircraft
- SAS has the highest proportion of Business Class passengers relative to other airlines in Europe.

SAS flies an average of 730 km per flight (European traffic as well as intra-Scandinavian traffic) while the average among AEA members is approximately 886 km per flight. Shorter flight distances mean more takeoffs and landings and higher costs for passenger/baggage handling, catering, takeoff/landing fees, and rest periods for flight crews. Airlines which mainly conduct intercontinental operations often have a unit cost which is about one-third of the cost for companies that fly shorter routes.

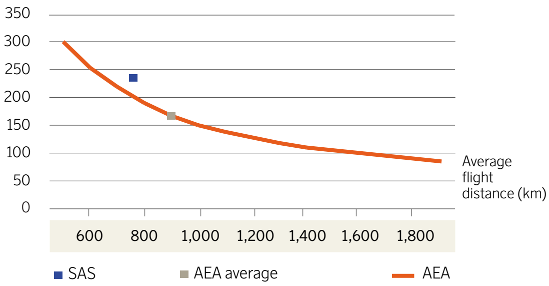
The diagrams below show that SAS has a somewhat higher unit cost, but also a higher yield.

Unit cost variations with flight distance, Europe 1999
Cost/available tonne kilometer, U.S. cents



SAS has far shorter average flight distances than most of its competititors. The fact that SAS still stays above the regression line is due to a higher proportion of business travelers and smaller aircraft types.

Yield variations with flight distances, Europe, 1999
Revenue/revenue tonne kilometer, U.S. cents



SAS has a clearly higher yield than most other European airlines, which is partly due to shorter flights. Adjusted for this, the yield is still higher due to a higher proportion of full-fare passengers, smaller aircraft and active yield management.

SAS business area

Overview – SAS business area

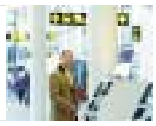
Operations within the SAS business area developed favorably in 2000. Traffic growth was strong and the cabin factor was high. The number of business travelers rose and SAS continued to recover its share of Business Class passengers. A substantial increase in jet fuel prices reduced otherwise good earnings, something which affected the entire airline industry.

Key figures for the SAS business area

	2000	1999
Operating revenue, (MSEK)	**44,481**	40,868
Income before taxes, (MSEK)	**2,168**	1,307
Average number of employees	**27,767**	27,201

SAS Group
(oper. rev.
MSEK 47,540)

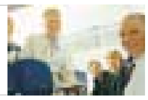
SAS
business area 93%*
(oper. rev. MSEK 44,481)



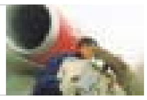
SAS International
Hotels (SIH)
business area 7%*
(oper. rev. MSEK 3,122)

* *Percentages refer to proportion of the SAS Group's operating revenue before Group eliminations.*

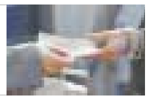
Passenger
transport 75%
(oper. rev. MSEK 33,390)



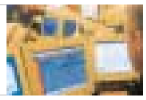
SAS Cargo 5%
(oper. rev. MSEK 2,225)



SAS Trading 5%
(oper. rev. MSEK 2,148)



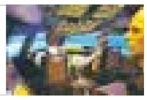
Scandinavian
IT Group 5%
(oper. rev. MSEK 2,121)



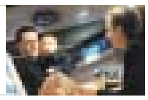
Widerøe's
Flyveselskap 4%
(oper. rev. MSEK 1,851)

Air Botnia 2%
(oper. rev. MSEK 772)

SAS Flight
Academy 1%
(oper. rev. MSEK 606)



SMART 1%
(oper. rev. MSEK 584)



Others[1] 2%
(oper. rev. MSEK 784)

[1] *Including Group eliminations.*

Affiliated companies	SAS's holding, %
British Midland PLC	20%
Spanair	49%
Grønlandsfly	37.5%
Polygon Insurance	30.8%
airBaltic	34.2%
Cimber Air	26%
Skyways Holding	25%

Business environment and the airline industry in general

Civil aviation policy

The deregulation of European civil aviation in the 1990s has meant that in recent years no civil aviation policy factors have restricted free market access for air transport within the EU/EES area. An agreement has also been reached between the EU and Switzerland on including Switzerland in the EU's deregulated market. This agreement is currently awaiting ratification.

Fewer market restrictions in Europe

In recent years, the EU Commission has conducted negotiations with ten Eastern and Central European countries aimed at including these countries in the EU's deregulated civil aviation market. Agreements have now been reached with nine of these countries, while negotiations with the remaining tenth country are continuing. It should be noted that the agreements negotiated with the ten Eastern and Central European countries provide interim solutions which cover the next three to four years. Since the EU has chosen to treat all ten countries collectively, the agreements reached will not be ratified pending a negotiated solution with the tenth country. Ratification can be expected to take place during 2001. This would mean that SAS's European traffic, within a few years and with a few isolated exceptions, could be conducted without any market restrictions determined by civil aviation policy.

"Open skies" agreements

Based on a proposal from the European airline industry, talks are now being held within the EU on the possibility of starting discussions with the U.S. with a view to creating a joint, deregulated civil aviation market and harmonizing the other conditions that apply to civil aviation.

Outside Europe, civil aviation is still regulated by bilateral agreements between governments. In recent years such agreements have increasingly taken the form of "open skies" agreements, which contain a bilaterally agreed deregulation of market access for the airline companies of the countries concerned. The Scandinavian countries, with their common, very liberal aviation policy, have concluded a number of such agreements with other countries in recent years.

The most recent development in this area is that countries which support an "open skies" policy conclude plurilateral agreements. Accordingly, five countries in APEC (Asia Pacific Economic Cooperation) recently signed a common "open skies" agreement, thus forming a single deregulated civil aviation area which covers the five countries.

Even though "open skies" agreements have become more frequent, large parts of air traffic in the world are still characterized by traditional aviation protectionism, where countries through terms in the bilateral civil aviation agreements try to promote the interests of their own airlines. This is the case for the majority of countries served by SAS's intercontinental operations, with the exception of the U.S. A liberalization of these bilateral relations is an essential requirement for the intercontinental expansion that SAS will be implementing in future years.

Competition issues

Bilateral aviation agreements with nationality clauses, i.e. that an airline must be majority owned and controlled by national interests, still provide the formal basis for international air traffic operations outside the EU/EES area. This means that cross-border acquisitions or mergers are in principle impossible between airlines with operations that extend outside this area. Discussions have been initiated, however, within the International Civil Aviation Organization (ICAO) and the European Civil Aviation Conference (ECAC) about replacing the present nationality requirement with rules that provide greater flexibility as regards ownership and control. The next round of negotiations within the World Trade Organization (WTO) will also have this on the agenda. Therefore, cross-border acquisitions or mergers should also be possible in the civil aviation sector in the foreseeable future. One contributory factor to such a development is that the traditional state ownership in the large airlines is gradually decreasing.

Alliances and cooperation

The present nationality requirement has meant that airlines have instead formed more or less extensive alliances designed to create global traffic systems and improve their total offer to customers. Such cooperations require the approval of the competition authorities. The differing views which these authorities have about the effects of such cooperation on competition constitute a problem in this context. Above all, there is a difference in approach between on the one hand the U.S. regulators, who in principle welcome the development of alliances in open aviation markets, and on the other the EU Commission and the European national competition authorities which have a more restrictive attitude.

Infrastructure

Historically, air traffic has doubled every seventh to eighth year. Current industry forecasts indicate a doubling of today's traffic in ten to twelve years. The expansion of civil aviation's infrastructure has not kept pace with traffic development. The lack of capacity in infrastructure is already apparent in Europe today. Since the lead time for building new airports and runways is at least ten years, a serious shortage of capacity can be expected in the near future. The slow pace of airport expansion is above all an issue with political overtones. These include increased environmental impact as well as powerful lobbying against an expansion of air traffic with a consequent prioritizing of other types of transport.

Shortcomings in infrastructure mean that it will become increasingly difficult to obtain the takeoff and landing times, known as slots, which are needed for traffic development. This applies particularly to new players while already existing airlines have their historical slots guaranteed. The EU Commission is therefore considering a review of the directive governing slot allocation at EU airports, among other things by allowing restricted trading in slots.

Crowded skies

In Europe, crowded airspace is an increasingly serious problem. Despite EU membership, each country defends sovereignty over its own airspace, making flight routes longer and complicating air traffic control. The EU Commission has appointed a top-level group to examine the possibility of creating a joint European air traffic control.

For SAS, the situation in its Scandinavian home market is favorable as regards infrastructure. Substantial infrastructure investments have been made or are under way at the airports in Copenhagen, Oslo and Stockholm. The Scandinavian air traffic control system is also well developed and in principle causes no crowding. The favorable infrastructure situation in Scandinavia means that the airports in Copenhagen, Oslo and Stockholm, together with Helsinki have the lowest level of traffic delays according to measurements carried out continuously for the major European airports.

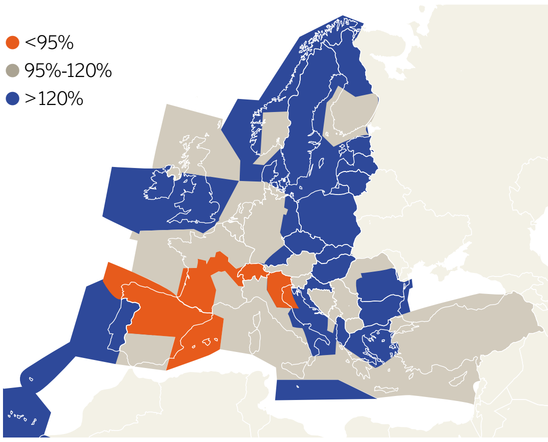
Environment

The substantial increase in air traffic had led to the environmental effects caused by aviation attracting increasing political attention. The ICAO's general assembly in 2001 will have environmental issues related to air transport at the top of the agenda. Preparatory work, which has been under way for some time, includes a discussion on considerably tougher requirements for certification of new aircraft as regards noise. Various models for phasing out today's noisiest aircraft are also being discussed. A number of measures are being considered to reduce emissions to air caused by air transport. These include taxes and charges but also possible trading in emission quotas. Quota trading appears to be the most effective way to reduce these emissions and is preferred by the airline industry.

If the ICAO's general assembly is unable to agree on sufficiently extensive measures, there is a risk that the EU will create its own solutions. Such solutions could lead to a negative competition situation for the European airline industry. In this context, a change in the EU's mineral oil directive cannot be ruled out, with a consequent lifting of the ban on taxing jet fuel which the directive currently contains.

Airspace capacity within Europe – relative to anticipated demand in 2005

(capacity as % of demand)



Source: Eurocontrol CFMU

Red areas show where substantial airspace overcrowding is expected. Blue areas show where airspace capacity exceeds demand by a wide margin.

Market and traffic trends

2000 was a good year for SAS in terms of traffic development.

- Marked increase in both cabin factor and yield.
- Recovery for Business Class traffic.
- Larger market shares in a growing market.

The market for air traffic between Scandinavia and the rest of the world grew by more than 5%, with Sweden showing the strongest increase. All SAS's key international markets and Swedish domestic traffic grew very strongly in 2000. During the year, SAS captured market shares in the business segment and increased its total market share.

Substantial demand in Scandinavia

Scandinavia is a larger air traffic market than might be assumed by its population base and GDP. Large countries in terms of area with in many cases difficult topography and a low population density, create a substantial demand for domestic air transport. The unique concentration of vigorous export companies gives rise to very frequent international business travel most of which has to be by air due to the countries' geographic location. The Scandinavians' linguistic skills and great interest in foreign travel make Scandinavia a very intensive market for leisure air travel. This market provides a solid platform for SAS's traffic system but is naturally also a strong attraction for non-Scandinavian airlines. All the major European airlines now serve several cities in Scandinavia and competition for the most attractive destinations has grown substantially in recent years. This competition is further intensified by the low-cost airlines which, with price as their main competitive tool, focus on the leisure travel market.

In recent years SAS has implemented an extensive improvement program which resulted in a higher level of service and a significant improvement in quality. SAS is now among the most punctual airlines in the world and has for many years received several awards for its product range from industry organizations and magazines. Greater consumer confidence and improved relations with the travel agency sector allowed SAS to capture market shares in a growing market during the year. In 2000, however, SAS was restricted by the capacity of its aircraft fleet.

Production increases

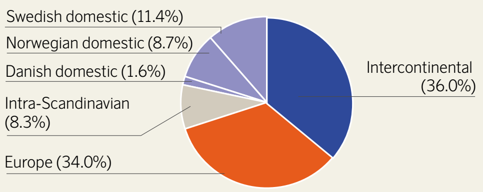
The European airlines' international traffic grew by nearly 8% in 2000. The companies have expanded their production by just over 4%. In the same period, SAS increased its international production by just over 1%, but had a traffic increase of 7%. In order to meet demand where its own capacity was insufficient, SAS in some cases leased in capacity from partners under a so-called wet lease agreement (leasing of aircraft including crew). SAS's planned capacity increases and expansion in 2001-2005 are described in more detail on pages 9 and 10.

Traffic hubs

Like the other major international airlines, SAS builds its traffic system around hubs. This system offers SAS many more alternatives than would be available with direct routes alone. Copenhagen, with its geographic location and population base, is one of the SAS hubs that is best placed to offer a large number of competitive connections. SAS is expanding nonstop flights from Stockholm and Oslo as fast as the market allows profitable operation. Otherwise, passengers are offered a route via Copenhagen. Traffic via Stockholm and Oslo primarily serves points north of the capitals and the regions' own traffic to and from the rest of the world.

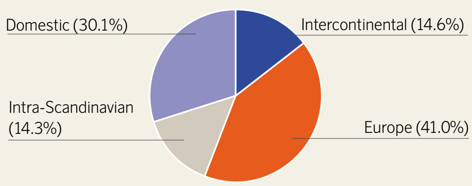
SAS's competitors are interested in serving Scandinavia from their traffic hubs in order to create a flow of feeder traffic in their systems. None of these competitors

Traffic by route sector, 2000
RPK, revenue passenger kilometers



The proportion of revenue passenger kilometers (RPK) for Europe, as well as for Danish, Norwegian and Swedish domestic traffic, together accounted for 55.7% of total traffic.

Passenger revenue, 2000
%



Passenger revenue for Europe, as well as for Danish, Norwegian and Swedish domestic traffic, together accounted for 71.1% of total passenger revenue in 2000.

can offer Scandinavian customers a traffic system with a range approaching that which SAS can offer as a member of the Star Alliance. However, there is very intense competition in individual sub-markets.

SAS divides its passenger traffic operations into six route sectors: intercontinental routes, European routes, intra-Scandinavian routes, Danish domestic traffic including Greenland, Norwegian domestic traffic, and Swedish domestic traffic.

Intercontinental routes

Intercontinental destinations during the year were New York, Chicago, Seattle, Tokyo, Beijing, Bangkok, Singapore, and New Delhi. The market developed very well and the cabin factor was high, on Asian routes extremely high. In the very important transatlantic market, SAS defended its market position, while market shares were lost in Asian traffic. Lack of capacity prevented SAS from being able to fully exploit expansion in the market.

The aircraft fleet for intercontinental traffic consists of 13 Boeing 767s, with an average of 190 seats. These aircraft are too small today to be profitable in SAS's intercontinental traffic. In autumn 2001, SAS will start to replace this aircraft type with new and considerably larger Airbus A330/340s.

Through the purchase of these new aircraft, SAS will increase its capacity on every intercontinental flight by about 40-50%. The purchase will also provide an opportunity to add new destinations over the next two to three years. A first expansion will take place in May 2001 when SAS will start a daily service between Copenhagen and Washington D.C.

Only two intercontinental routes are showing falling passenger numbers, Stockholm-New York and Oslo-New York. The reason for this is that passengers whose final destination is not New York are increasingly choosing to use SAS's routes to Chicago and continue their trip in the U.S. with SAS's Star Alliance partner, United Airlines.

European routes

The largest passenger flows in SAS's European traffic are between Scandinavia and London, Paris, Amsterdam, Brussels and Helsinki, as well as to and via Frankfurt.

Traffic on the European routes rose sharply in 2000. SAS expanded its production in order to meet market growth. In order to be able to extend its traffic system, SAS obtained help from partners via joint ventures and wet leases. SAS's traffic to and from Finland was highly successful. Together with its wholly owned subsidiary Air Botnia, SAS has captured market shares both on Finland-Scandinavia traffic and between Finland and the rest of the world. In Europe, competition from low-cost airlines is intensifying, particularly on routes to London. SAS's new aircraft for European traffic, the Airbus A321, will be introduced on routes to London, Paris and Frankfurt starting in the fourth quarter of 2001. The new larger aircraft will also make it easier to meet competition from these low-cost companies.

In autumn 2000, SAS expanded substantially in Europe. Three new routes were opened during the year: Copenhagen-Birmingham, Oslo-Dublin and Stockholm-Hanover. The last-named route was intended to handle the increased traffic during Expo 2000 and was suspended when the exhibition ended.

SAS's passenger traffic trend[1]

	2000	1999	Change, %
SAS total			
Number of passengers (000)	**23,240**	21,991	+5.7
RPK, millions	**22,647**	21,160	+7.0
ASK, millions	**33,782**	33,205	+1.7
Cabin factor, %	**67.0**	63.7	+3.3*
Yield, adjusted for currency effects, SEK	**1.38**	1.36	+1,9
Business Class, % of RPK	**29.0**	29.1	–0.1*
Intercontinental routes			
Number of passengers (000)	**1,201**	1,128	+6.5
RPK, millions	**8,150**	7,625	+6.9
ASK, millions	**10,110**	10,088	+0.2
Cabin factor, %	**80.6**	75.6	+5.0*
Yield, adjusted for currency effects			+3.1
European routes			
Number of passengers (000)	**7,650**	7,104	+7.7
RPK, millions	**7,702**	7,162	+7.5
ASK, millions	**12,527**	12,163	+3.0
Cabin factor, %	**61.5**	58.9	+2.6*
Yield, adjusted for currency effects			+1.1
Intra-Scandinavian routes			
Number of passengers (000)	**4,255**	4,232	+0.5
RPK, millions	**1,874**	1,801	+4.1
ASK, millions	**3,108**	3,154	–1.5
Cabin factor, %	**60.3**	57.1	+3.2*
Yield, adjusted for currency effects			+1.3
Danish domestic routes, including Greenland			
Number of passengers (000)	**980**	1,031	–5.0
RPK, millions	**372**	380	–2.0
ASK, millions	**550**	603	–8.7
Cabin factor, %	**67.6**	63.0	+4.6*
Yield, adjusted for currency effects			–1.6
Norwegian domestic routes			
Number of passengers (000)	**3,850**	3,802	+1.3
RPK, millions	**1,977**	1,960	+0.9
ASK, millions	**3,466**	3,698	–6.3
Cabin factor, %	**57.0**	53.0	+4.0*
Yield, adjusted for currency effects			+9.9
Swedish domestic routes			
Number of passengers (000)	**5,305**	4,694	+13.0
RPK, millions	**2,572**	2,233	+15.2
ASK, millions	**4,020**	3,499	+14.9
Cabin factor, %	**64.0**	63.8	+0.2*
Yield, adjusted for currency effects			–1.2

** Change in percentage points.*
1 Traffic volume excluding Air Botnia and Widerøe's Flyveselskap.
Definitions and concepts, see page 107.

The Copenhagen-Lisbon and Stockholm-Riga routes were suspended during the year. Stockholm-Riga is now only served by SAS's partner airBaltic.

Intra-Scandinavian routes

The intra-Scandinavian routes are important to SAS's traffic system, partly in order to meet the local market's transportation requirements, and partly to ensure an efficient feeder system to SAS's international destinations, generating more European and intercontinental traffic.

During the year, the intra-Scandinavian routes had very good traffic development and the cabin factor rose. Competition on routes between the Scandinavian capitals, known as the capital triangle, decreased when several competitors withdrew from this market. The capital city routes are full at certain times of the day and restrictions occur. In order to solve this lack of capacity, aircraft reconfigured with more seats were introduced on these routes in autumn 2000. When the new, large European aircraft, the Airbus A321s, are introduced, these will be used for the most popular departures between Copenhagen and the other two Scandinavian capitals.

Braathens closed its route between Oslo and Stockholm at the end of June. In the autumn, SAS increased its production on Stockholm-Oslo by putting in aircraft with more seats.

When the Öresund Bridge was opened at the end of August, the catamaran service between Copenhagen Airport and Malmö was withdrawn.

Domestic routes

Danish domestic traffic including Greenland

SAS's traffic on Danish domestic routes decreased in 2000 slightly more than the market and SAS's share of the Danish domestic market is now just over 50%. Production decreased more than traffic, however, which led to an improved cabin factor. SAS's Danish domestic routes provide important feeder traffic to SAS's traffic system. However, Danish domestic traffic is a shrinking market due to an improved infrastructure for road traffic, mostly through the bridge over the Great Belt. SAS serves two routes within Denmark, Copenhagen-Aalborg and Copenhagen-Aarhus, as well as Greenland on the Copenhagen-Kangerlussuaq route.

The market for traffic to Greenland grew during the year. Grønlandsfly's market entry has not had a negative effect on SAS's passenger numbers.

Norwegian domestic traffic

The Norwegian domestic market fell by 2.5% to 10.5 million passengers. During the year, SAS increased both traffic and market share by 1%. The decline in the number of passengers is partly explained by the fact that 1999 was a year characterized by overcapacity and tough competition over fares and therefore considerable traffic growth in the leisure travel market.

The number of passengers in 2000 rose by approximately 5% compared with 1998. After Color Air ceased its flight operations in autumn 1999, both SAS and its competitor Braathens cut back their production. The total number of departures in this market has been cut by approximately 15%.

SAS implemented a number of product improvements during the year such as seat reservations, automated boarding, more legroom, and considerably improved cabin comfort on the MD-80 aircraft.

For the second consecutive year, SAS received the "Grand Travel Award" as the best domestic airline Norway.

Swedish domestic traffic

Domestic traffic in Sweden has grown strongly since 1997. The number of domestic passengers amounted to about eight million in 2000, thus approaching 1990's record volume of nearly 8.6 million. All major regional markets are served by SAS's partly owned company Skyways and comprise some 20 routes. Other shorter routes are served by a few regional companies. SAS's traffic increased during the year by just over 15% and market share rose by 6%. Braathens' closure of its Norrland routes meant that SAS's Norrland traffic increased considerably more than traffic in the rest of the country.

The new Arlanda Express high-speed train service between Arlanda and downtown Stockholm helped to strengthen SAS's traffic hub Arlanda in relation to Bromma Airport. Demand growth was met with a production increase of 15%, mainly by phasing in larger aircraft.

The fleet was mostly renewed during the year and mainly comprises Boeing 737s and deHavilland Q400s.

SAS's market position in Scandinavia

SAS's share of the total number of airport movements*

Airports	SAS's share	Total number of movements
Copenhagen	55%	5,227
Oslo/Gardermoen	44%	3,945
Stockholm/Arlanda	50%	5,487

** takeoffs/landings (slots) per week*

SAS Cargo

SAS Cargo's revenue increased in 2000 by MSEK 116 to MSEK 2,225. The total flown tonnage amounted to approximately 287,000 tonnes. The effects from implementation of a target-oriented efficiency enhancement and business improvement program corresponded to MSEK 94. Higher demand for air freight was noted in 2000, particularly between Asia and Europe.

The freight terminal at Landvetter outside Gothenburg and the terminal in Copenhagen were modernized and extended. In order to improve freight handling and make it more efficient, SAS Cargo's freight terminals have been concentrated in Copenhagen.

A new freight terminal in Malmö, Sweden, went into operation in July, a new terminal was opened in Stavanger, Norway, in November, and a new freight terminal in Riga, Latvia, started operating in February 2001.

Customers

The transport and logistics industry is currently undergoing substantial changes. Mergers and acquisitions will result in a growing number of global players among freight companies. Decisions are no longer made in Stockholm and Copenhagen but more often in cities such as Bern, Frankfurt, London and New York.

Several competing air freight companies represent a growing and increasingly aggressive threat to SAS Cargo's own home market in the Nordic region. Despite this, SAS Cargo has succeeded in maintaining and to some extent broadening its position and winning new market shares, in countries such as Finland, through strategic partnerships and greater customer orientation.

In the summer, SAS Cargo established a Business Forum with its most important forwarding agents in Denmark, Norway and Sweden. A Customer Advisory Board was set up in Denmark in November 2000. Similar initiatives will be taken in Sweden and Norway in the first quarter of 2001. Furthermore, SAS Cargo's express company Jetpak has entered a strategic alliance with DHL.

Markets

Major changes are under way in the world of international air freight. Previously, the traffic between Scandinavia and the U.S. was the most significant, but now the Far East has taken over the dominant role in the freight sector. Traffic

Freight and mail traffic, 2000/1999

	2000			1999		
	Freight	**Mail**	**Total**	Freight	Mail	Total
	Million tonne km	**Million tonne km**	**Million tonne km**	Million tonne km	Million tonne km	Million tonne km
Intercontinental	**501,024**	**28,904**	**529,928**	775,273	26,329	801,602
Europe	**25,742**	**14,223**	**39,965**	37,738	14,388	52,126
Intra-Scandinavian	**4,846**	**1,086**	**5,932**	26,214	1,672	27,886
Total international	**531,612**	**44,213**	**575,825**	839,225	42,389	881,614
Denmark	**5,285**	**1,343**	**6,628**	6,800	1,805	8,605
Norway	**4,569**	**7,734**	**12,303**	5,928	7,954	13,882
Sweden	**558**	**0**	**558**	3,185	0	3,185
Total domestic	**10,412**	**9,077**	**19,489**	15,913	9,759	25,672
All Cargo	**346,482**	**2,546**	**349,028**	–	–	–
Total	**888,506**	**55,836**	**944,342**	855,138	52,148	907,286

Key indicators, 2000/1999

	2000	1999	Change, %
Revenues, MSEK	**2,225**	2,109	5.5
Cargo contribution, MSEK	**861**	739	16.5
Flown tonnes (000)	**286,785**	284,675	0.7
Tonne km (000)	**944,342**	902,867	4.1
Cargo yield, SEK/tonne km	**2.33**	2.29	1.7

eastwards from the U.S. has reached an all-time low. This is very much related to the trade imbalance with Europe caused by the strong U.S. dollar.

On SAS Cargo's European routes, too, competition with integrated companies and truckers has intensified. In order to counteract this negative trend, action has been taken to extend the product mix through express consignments and thus compensate for the falling tonnage.

Networks

Due to the increased focus on the Far East, SAS Cargo decided in the spring to increase its freight services from Gothenburg, Sweden, to Osaka, Japan, from three to five return flights per week. In the autumn a so-called blocked space agreement was concluded with Singapore Airlines providing space on the company's return freight flights between Copenhagen and Singapore. At the same time, Singapore Airlines increased its flights from two to three departures per week.

On the network side, SAS Cargo has concluded an interline agreement with Maersk Air, which involves building up a joint General Sales Agent business in the Nordic countries. The agreement also includes SAS Air Mail which in future will represent Maersk Air in negotiations with mail companies worldwide.

Extended partnership

One of the goals set for SAS Cargo at the beginning of 2000 was sales and marketing integration with Lufthansa Cargo throughout Europe including the Nordic region. The intention was to raise SAS Cargo's and Lufthansa Cargo's competitiveness, market shares and revenues. This process is partly completed since the companies have moved in under the same roof in most of Europe, apart from Germany and the U.K. Integration in both these countries is expected to be completed in the first quarter of 2001.

New value-driven organization

SAS Cargo changed its organizational structure at the beginning of June 2000 to become more business oriented and adapted to today's demands. The future will be based on decentralization and increased responsibility. This means that the freight terminals, SAS Spedition, and SAS Air Mail have become independent business units within SAS Cargo with their own profit responsibility. Jetpak has become a wholly owned subsidiary of SAS.

Quality and environment

In 2000, SAS Cargo strengthened its competitive parameters compared with other air freight companies. This took the form of ISO 9002 certification of the entire operations in North America and the freight terminals in Landvetter outside Gothenburg, Arlanda outside Stockholm, and Gardermoen outside Oslo. The certification work was managed by Norske Veritas, which expects the freight terminal at Copenhagen Airport will receive its ISO certification in the first quarter of 2001. SAS Cargo intends to ISO 9000 certify its entire operations and to obtain ISO 14001 certification for its operations in Scandinavia at the end of 2001 or early in 2002 at the latest.

In order to meet customer demands for freight handling, quality, price and networks, SAS Cargo continued in 2000 to extend its electronic services within e-commerce and WAP technology, which means that customers can check the status of their consignments at any time via their mobile telephones.

Internally, the IT platforms have been extended and upgraded. A new global netting system was introduced during the year. AirCargoNet allows customers to book and follow consignments electronically. In addition, SAS Cargo introduced its own Intranet and set up an effective quality control system.

Future prospects

The future development of SAS Cargo very much depends on continued preparations to make SAS Cargo a separate company and the cooperation agreements with Lufthansa Cargo and Singapore Airlines proceeding as planned. The assessment is that a continued, intensified integration with other air freight companies will increase SAS Cargo's earnings capacity and strengthen its strategic position.

For SAS Cargo 2001 will bring new and greater demands on the entire organization. When the winter timetable comes into force in autumn 2001, SAS Cargo will enter an exciting phase as a result of SAS investing billions in new long- and medium-haul aircraft. The new aircraft of the type Airbus A340/330/321 will increase freight capacity by approximately 35-45%. This will give SAS Cargo greater opportunities as an international air freight company.

Strategic business units

SAS Trading

The business unit SAS Trading is a world-leading travel retail operator with 55 stores at 34 airports in Sweden, Norway, Denmark, Estonia, Latvia and Poland.

2000, the first full year without duty free sales when traveling within the EU, was characterized by expansion. SAS Trading opened two stores under the name Euro-shop IT. SAS Trading prioritizes continued expansion and development of its operations into a high-class retail trading chain distinguished by a professional approach.

www.scandinavian.net

Scandinavian IT Group

Scandinavian IT Group (SIG), formerly SAS Data, is a wholly owned subsidiary of SAS with operations in Denmark, Norway and Sweden. SIG is one of the largest IT companies in Scandinavia, with the main focus on airline-related IT.

The company develops systems, such as web solutions for booking and reservation of tickets, ticketless travel, and passenger information via mobile telephony.

In 2000, SIG started a strategic process of change whereby operations will be divided into three areas: mobility, airline business solutions, and operation. SIG received a number of orders during the year, including one from Star IT, the central IT organization within Star Alliance, a cooperation which is expected to make a significant contribution to sales and profitability.

www.scandinavianIT.com

Widerøe's Flyveselskap

SAS owns 63.2% of Widerøe's Flyveselskap ASA. The company is the largest regional operator in Norway. Widerøe operates 26 aircraft and serves 37 Norwegian domestic destinations. The company complements SAS's traffic system on routes including Sandefjord/Torp-Stockholm and Copenhagen, Bergen-Stavanger, Stavanger-Aberdeen and Oslo-Gothenburg.

www.wideroe.no

Air Botnia

Oy Air Botnia Ab in Finland has been 100% owned by SAS since 1998. At year-end the company had 270 employees and complements SAS's Scandinavian traffic system. The airline also operates domestic traffic in west Finland. The entire aircraft fleet will be renewed in 2001 with more modern aircraft that meet all known future environmental requirements.

www.airbotnia.fi

SAS Flight Academy

SAS Flight Academy AB, a wholly owned subsidiary of SAS, is a world-leading training center for pilots, air hostesses/stewards, flight technicians and ship's officers.

In addition to SAS, the company's customers include more than 150 airlines and military organizations. The main operations are conducted at Arlanda Airport.

Two new flight simulators were ordered during the year, one deHavilland Q400 and one Airbus A330/340, which will strengthen the position as the leading training center in Europe.

www.sasfa.com

SMART

Scandinavian Multi Access Systems, SMART AB, is owned 95% by SAS and 5% by Amadeus Global Travel Distribution S.A.

SMART is northern Europe's leading company in electronic trading and distribution of travel and has three business areas focused on tour operators, travel agents and companies.

Amadeus is SMART's most important cooperation partner and operates a worldwide, computerized reservations system for the travel industry. SMART is the general agent for Amadeus in all its home markets.

www.smart.se

Key figures 2000

MSEK	Operating revenue	Income before taxes	Operating revenue outside SAS, %
SAS Trading	2,148	75	99
Scandinavian IT Group	2,121	61	4
Widerøe's Flyveselskap	1,851	56	99
Air Botnia	772	–4	99
SAS Flight Academy	606	92	38
SMART	584	4	99

Alliances and partnerships

Industry trends

The ongoing global changes and deregulation in the industry are causing most major international airlines to expand through cooperation, extensive alliances, integration or mergers with other airlines.

According to Airline Business magazine (July 2000) in the airline industry today there are more than 579 bilateral partnerships involving more than 220 major airlines. The extent of cooperation and integration varies from code-sharing, and various types of customer services, marketing, product and system development, to joint ventures and pure mergers.

Making joint use of all partners' networks, market positions, resources and competencies, allows the airlines concerned to offer their customers a better and more comprehensive range of products and services than the individual airlines can offer on their own.

In addition, cost efficiency can be improved through coordination of production and operations, economies of scale, joint purchasing as well as joint IT and product development.

Within the Star Alliance sphere, Canadian Airlines was acquired by Air Canada in 2000 and Ansett Australia was integrated with Air New Zealand. Moreover, United Airlines was negotiating a merger with US Airways at the end of 2000.

During the year, KLM and Alitalia abandoned their merger plans, as did British Airways and KLM.

At the same time, another global alliance was announced in 2000 when Air France and Delta Air Lines launched SkyTeam together with AeroMexico and Korean Air.

Star Alliance continued its global expansion in 2000 and was joined by four new partner companies: Austrian Airlines Group including Lauda Air and Tyrolean Airways, Singapore Airlines, British Midland and Mexicana de Aviación. Star Alliance is increasingly regarded as the most successful, leading and stable global alliance.

Major alliances

The five largest alliances in the airline industry are:

- Star Alliance™, launched in May 1997 as the first real global airline alliance, consists of SAS, Lufthansa, United Airlines, Air Canada, Varig, Ansett Australia, Air New Zealand, Thai Airways International, All Nippon Airways, Singapore Airlines, British Midland, Austrian Airlines Group, and Mexicana de Aviación.
- oneworld™, launched in September 1998, consists of British Airways, American Airlines, Cathay Pacific, Qantas, Iberia, LanChile, and Finnair.
- SkyTeam™, introduced in June 2000, consists of Air France, Delta Air Lines, AeroMexico, and Korean Air. Czech Airlines intends to join the alliance in 2001.
- KLM and Northwest Airlines launched their alliance in 1993. In the U.S., Northwest cooperates with Continental Airlines. An attempt to extend the alliance failed in 2000 when KLM and Alitalia went their separate ways after a very brief partnership.
- QualiFlyer™, launched in March 1998 as a European airline group, consists of Swissair, Sabena, TAP Air Portugal, Turkish Airlines, AOM, Crossair, Air Littoral, Air Europe, LOT Polish Airlines, Volare Airlines, and PGA Portugalia.

SAS's global partner strategy

Star Alliance is the cornerstone of SAS's partnership strategy. The advantages of membership of the alliance have been considerable for SAS in terms of both increased passenger numbers and higher revenues.

STAR ALLIANCE

www.staralliance.com

The world's largest airline alliances in brief

	Annual operating revenue (USD billion)	Passengers/ year (millions)	Share of total world RPK (%)
Star Alliance™	69.6	297.4	21.3
oneworld™	50.0	199.3	16.4
SkyTeam™	29.4	175.0	10.8
KLM/Northwest	16.8	71.6	6.4
QualiFlyer™	16.2	52.3	3.6
Total alliances	182.0	795.6	58.5

Source: Airline Business, July 2000.

Development of Star Alliance

May	1995	SAS and Lufthansa announce a strategic cooperation.
June	1995	SAS and Thai Airways International announce cooperation.
Sept.	1995	SAS and United Airlines announce cooperation.
Oct.	1996	SAS and Air Canada announce cooperation.
Nov.	1996	Cooperation between SAS, Lufthansa and United Airlines approved by the U.S. authorities.
May	1997	Star Alliance formed (SAS, Lufthansa, United Airlines, Air Canada, Thai Airways International).
Oct.	1997	Varig joins alliance.
April	1999	Air New Zealand and Ansett Australia join alliance.
Oct.	1999	All Nippon Airways joins alliance.
March	2000	Austrian Airlines Group joins alliance.
April	2000	Singapore Airlines joins alliance.
July	2000	British Midland and Mexicana de Aviación join alliance.

Star Alliance's mission, vision and objectives

Star Alliance's mission is to contribute to the long-term profitability of its members beyond their individual ability. The vision for Star Alliance is:

To be the leading global airline alliance for the frequent international traveler.

The addition of four new members in 2000 has allowed Star Alliance to successfully further develop its global traffic system. In order to further increase value for the alliance's customers and members, the overall strategy for Star Alliance's future development is to take advantage of the size of the alliance and intensify cooperation.

At the same time as Star Alliance takes advantage of its global route network and services, the alliance will provide added customer value and competitiveness through continued integration between its members' networks, products and services, IT systems and resources.

Strategic development areas and objectives

- *Global network* – by creating a global route network with the best possible connections via several hub airports, Star Alliance can offer customers the most effective and flexible global travel in the market.
- *Simple and smooth travel* – to be able to offer customers easily accessible products and services from one total supplier via the alliance's members before, during and after the trip. Travelers should experience fast and smooth transfers between members' flights.
- *Bonus program* – members who fly with the different airlines within Star Alliance earn bonus points and other benefits on all flights with alliance members.
- *Brand* – Star Alliance is the leading alliance brand and customers should feel secure when they encounter the Star Alliance brand and the alliance's products and services.
- *Sales* – customers are able to buy the alliance's products and services via all members' sales organizations and e-channels, which gives customers easy access to and a single point of contact for all the alliance's products and services.
- *IT* – common IT solutions provide effective support for the alliance's extensive range of products and services.
- *Employee development* – training programs ensure that customers always meet competent and well-trained staff wherever and whenever they come into contact with the alliance.
- *Environmental cooperation* – the Environmental Commitment Statement describes activities related to the environment.

Products and services offered within Star Alliance

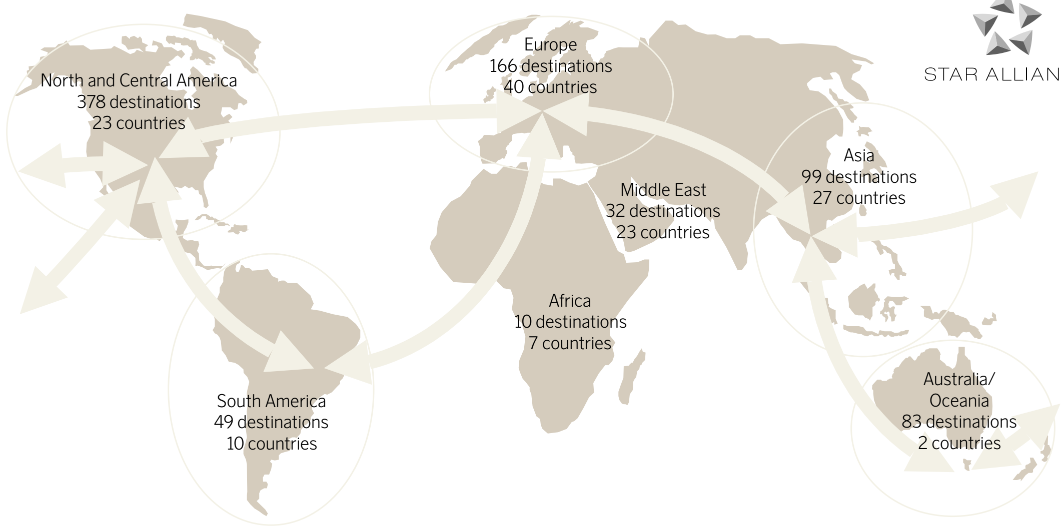
- 12 partner companies[1] which serve more than 815 destinations in more than 130 countries.

[1] *Austrian Airlines Group comprises Austrian Airlines, Lauda Air and Tyrolean Airways. Air New Zealand Group comprises Air New Zealand and Ansett Australia.*

Key figures for Star Alliance, 1999/2000

	Passengers/year (million)	Destinations	Countries	Aircraft	Daily departures	RPK (billion)	Annual operating revenue (USD billion)	Employees
Air Canada	19.2	120	26	246	1,200	38.9	4.4	25,800
Air New Zealand	6.4	48	15	79	470	19.3	1.6	9,560
All Nippon Airways	43.2	62	13	142	471	54.2	8.6	14,639
Ansett Australia	13.4	142	5	126	530	16.9	2.1	14,876
Austrian Airlines Group	8.0	125	67	90	410	11.6	2.0	7,162
British Midland	6.0	32	12	60	306	3.0	0.9	6,309
Lufthansa	43.8	340	91	287	1,349	85.2	8.9	31,305
Mexicana de Aviación	7.1	50	9	54	235	10.8	1.0	6,369
SAS	23.2	92	31	203	1,100	22.9	5.0	27,767
Singapore Airlines	12.8	99	42	91	222	60.3	4.6	28,000
Thai Airways International	16.3	76	35	78	286	37.0	3.0	24,148
United Airlines	87.0	255	26	600	2,475	200.5	18.0	100,414
Varig	11.0	120	20	87	453	25.4	3.0	17,740
Star Alliance	297.4	815+	130+	2,143	9,507	586.0	63.1	314,089

SAS and Star Alliance™ – Global and regional coverage with over 815 destinations and more than 130 countries



- Coordinated timetables for connecting flights and extensive code-sharing.
- Earning and utilizing Star Alliance members respective bonus points.
- Program with alliance-wide identification of priority passengers among the alliance's airlines, including prioritized check-in, baggage handling, waiting-list handling, etc.
- Access to some 500 lounges worldwide for qualifying alliance passengers.
- All the alliances' flights and timetables to be displayed in all major electronic reservations systems.
- Round-the-world tickets.
- Opportunity for free transfer of Star Alliance passengers' tickets from one alliance partner to another.
- Joint ticket offices in a greater number of cities.
- Joint service functions at a number of airports (ticket office, check-in, lounges, and so on).
- Improved through check-in to final destination.
- Development of IT infrastructures within the alliance to support new and improved products and services.
- Functional and cultural training for alliance members' employees involved in customer service.

In order to ensure target-oriented and efficient management and development work within Star Alliance an alliance organization will be set up with Alliance Business Centers in Frankfurt, Los Angeles and Bangkok.

European cooperation agreement

In the first quarter of 2000, SAS, British Midland and Lufthansa signed a joint venture agreement on cooperation over traffic on all the three companies' routes to and from London Heathrow and Manchester. The purpose of this cooperation is to strengthen the position of the three companies and Star Alliance in the U.K. and Europe. This agreement is subject to approval by the EU Commission.

SAS's cooperation with Lufthansa

In 2000, Lufthansa continued to be SAS's single most important partner. Traffic between Scandinavia and Germany has increased which has led to favorable results.

Competition for the intercontinental market from Germany has intensified considerably in recent years. SAS's need for increased intercontinental traffic within the framework of the planned expansion, in particular from north Germany and the Copenhagen hub, will place increased and partly new demands on SAS's and Lufthansa's sales efforts.

Regional partners - Well connected with SAS

In common with several other major European airlines, SAS has a number of regional partners in its local and home markets. What these partners have in common is that regionally they complement and extend SAS's traffic system by flying from Scandinavia and nearby markets to/from SAS's traffic hubs on routes with weak traffic or frequencies which SAS cannot operate profitably with its existing fleet. At the same time, SAS's market and brand position is improved in the markets which are only served by its partners. Through this cooperation, partners' timetables can be adapted to SAS's international and national traffic networks.

The purpose of this cooperation for customers is that they are guaranteed a uniform product throughout the entire travel chain. When customers book a trip with a SAS flight number (SK) they expect that SAS will accept responsibility for the trip living up to SAS's quality requirements, regardless of the operating airline. It is important for SAS to be able to meet these expectations but also that the cooperation with partners and link to SAS are made clear during the trip itself.

By establishing a business concept which is based on customer needs and expectations, the advantages of the cooperation and the connection between SAS and its partner companies are made clear. The business concept "Well connected with SAS" confirms the cooperation between SAS and a number of regional partners as well as giving customers quality assurance. In order to qualify, partners must be able to meet a number of specific product and service standards.

The following partners are "Well connected": airBaltic in Latvia, Air Botnia in Finland, Cimber Air in Denmark, Skyways in Sweden, and Widerøe in Norway.

The designation "Well connected with SAS" is an indication of quality for partners, as well as resulting in improved awareness of the SAS brand. The concept also means that future development of the cooperation between SAS and its partners will be characterized by the ability to give customers a "Well connected" product and efforts to attain the vision:

"Travel with Well connected partners is an extension of the SAS experience."

airBaltic
SAS owns 34.2% of airBaltic which is based in Riga, Latvia. airBaltic is part of SAS's "Baltic hub" strategy and flies to destinations in the Baltic region/Eastern Europe which are not served by SAS.

Air Botnia
Air Botnia is 100% owned by SAS. The company has eleven aircraft at its disposal. The purpose of the company is to strengthen SAS's market position in traffic to/from Finland through flights primarily to SAS's traffic hubs in Stockholm and Copenhagen, but also to other points in Scandinavia. As a complement, Air Botnia also operates a number of domestic routes in western Finland.

Cimber Air
SAS owns 26% of Cimber Air which is a significant regional airline in Denmark. Cimber Air also serves some German domestic routes. The company has 15 aircraft at its disposal and serves 14 destinations. Cimber Air complements SAS's traffic system on the Copenhagen-Luxembourg and Copenhagen-Berlin routes.

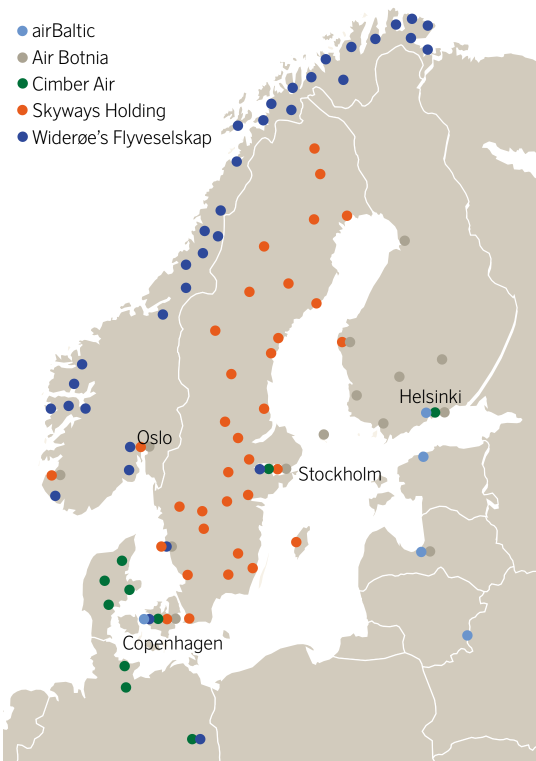
Skyways Holding
SAS owns 25% of Skyways Holding. Skyways operates 47 aircraft and flies to over 37 destinations.

Skyways flies both domestic and international routes and complements SAS's traffic system, for example on the Stockholm-Manchester, Linköping-Copenhagen, Västerås-Oslo and Stockholm-Zurich routes.

"Well connected partners" key figures, 2000

	airBaltic	Air Botnia	Cimber Air	Skyways Holding	Widerøe's Flyveselskap
SAS's holding	34.2%	100%	26%	25%	63.2%
Passengers/year (000)	218	401	897	1,352	1,506
Aircraft	6	11	15	47	26
Destinations	8	14	14	37	37
Daily departures	15	72	110	250	250
RPK (million)	144	218	273	486	377
Annual operating revenue (MSEK)	352	772	780	1,759	1,808
Employees	269	270	345	980	1,067

SAS and its "Well connected partners" serve more than 140 destinations within Scandinavia and neighboring countries



Widerøe's Flyveselskap
SAS owns 63.2% of Widerøe's Flyveselskap. The company is the largest regional airline in Norway. Widerøe operates 26 aircraft and serves 37 Norwegian domestic destinations. Widerøe complements SAS's traffic systems on routes including Sandefjord/Torp-Stockholm, Copenhagen, Bergen-Stavanger, Stavanger-Aberdeen and Oslo-Gothenburg.

European partners
SAS has selected a number of strategic traffic system partners in order to further strengthen and complement its position in markets that are important for SAS's customers and SAS.

Spanair
Spanair, of which SAS owns 49%, is Spain's second largest airline and transports in scheduled traffic some 5 million passengers to/from and within Spain. The company's annual operating revenue is ESP 100 billion. The cooperation includes code share on Spanair's flights to Scandinavia. Spanair has approximately 14% of all landings and takeoffs at Madrid's airport, Barajas.

British Midland
SAS owns 20% of British Midland PLC. British Midland is the second largest operator at London's Heathrow airport with 14% of all landings and departures. The company flies to more than 30 destinations in ten countries, has 6.5 million passengers and 6,300 employees. Annual operating revenue totals GBP 0.6 billion.

At the end of 2000, Lufthansa acquired half of SAS's former 40% holding in British Midland. British Midland has been a Star Alliance member since July 2000.

Grønlandsfly
SAS owns 37.5% of Grønlandsfly. The company conducts air transport operations to, from and within Greenland and operates seven aircraft and 25 helicopters. Grønlandsfly flies to 26 destinations and had nearly 300,000 passengers in 2000, four times the country's population.

Maersk Air
Maersk Air complements and strengthens SAS's traffic system from Copenhagen, with cooperation on eight international destinations, in Southern Europe and elsewhere. Maersk has 1.3 million passengers a year and also operates international flights from Billund and Jutland, including a number of destinations in cooperation with SAS.

Icelandair
Due to its geographic position passengers mainly from the northern part of Europe can be offered fast connections to the U.S. via Iceland. SAS has a code-sharing cooperation with Icelandair over the North Atlantic as well as to destinations in Europe via Copenhagen. Icelandair carries 1.4 million passengers a year and serves 15 destinations outside Iceland.

Estonian Air
Estonian Air has 290,000 passengers a year and complements SAS's traffic system through flights in cooperation with SAS between Estonia and Stockholm and Copenhagen.

Helikopterservice
Helikopterservice serves two points in southern Sweden over Öresund to Copenhagen. The traffic base is mainly business travelers.

Contribution to SAS's earnings
In 2000, the contribution from SAS's partnerships amounted to SEK 1 billion. Most of this amount stemmed from Star Alliance.

Most of the earnings contribution from cooperation with partners comes from increased revenues due to increased traffic. The cost component of the synergies is expected to rise in the next few years. Projects relating to costs are time consuming to implement and are expected, among other things in the IS/IT area, to have an impact in the future.

The alliance has set up a formal organization so that the various projects conducted within the alliance can be efficiently coordinated, structured and formalized.

Operational key figures

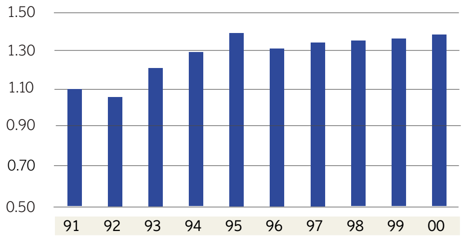
Ten-year overview

Traffic/Production	2000	1999	1998	1997	1996	1995	1994	1993	1992 [2]	1991
Number of cities served [1]	**92**	97	101	102	104	98	96	100	98	82
Number of flights, scheduled	**343,482**	343,611	328,327	320,410	309,636	295,028	297,688	314,940	*	*
Kilometers flown, scheduled (million)	**263.4**	261.1	251.9	244.3	235.7	218.5	217.2	225.6	202.9	190.7
Total airborne hours, scheduled (000)	**417.4**	417.2	403.6	390.4	375.5	352.6	350.2	367.9	326.0	286.6
Number of passengers carried, total (000) [3]	**23,395**	22,225	21,699	20,797	19,828	18,835	18,823	18,619	16,808	13,949
Available tonne kilometers, total (million)	**4,621.5**	4,621.3	4,501.1	4,346.0	4,130.8	3,586.2	3,514.0	3,576.4	3,389.8	3,074.4
Available tonne kilometers, scheduled	**4,584.3**	4,560.9	4,459.0	4,290.6	4,092.6	3,546.2	3,500.8	3,566.6	3,345.0	3,066.9
Available tonne kilometers, other	**37.2**	60.4	42.1	55.4	38.7	40.0	13.2	9.8	44.8	7.5
Revenue tonne kilometers, scheduled (million)	**3,016.7**	2,834.5	2,680.0	2,571.5	2,392.2	2,172.7	2,163.2	2,106.9	1,929.9	1,847.2
Passengers and excess baggage	**2,204.2**	2,041.9	1,877.1	1,827.7	1,754.6	1,670.4	1,666.8	1,637.3	1,488.0	1,394.5
Freight	**758.4**	741.4	755.7	693.7	590.4	452.8	445.9	420.4	391.7	406.4
Mail	**54.1**	51.2	47.2	50.1	48.2	49.5	50.5	49.2	50.2	46.3
Total load factor, scheduled (%)	**65.8**	62.1	60.1	59.9	58.5	61.3	61.8	59.1	57.7	60.2
Available seat kilometers, scheduled (million) [3]	**34,132**	33,288	31,766	31,333	30,646	28,447	28,154	28,581	26,396	24,317
Revenue passenger kilometers, scheduled (million) [3]	**22,922**	21,243	20,883	20,339	19,487	18,506	18,466	18,138	16,554	15,416
Cabin factor, scheduled (%)	**67.2**	63.8	65.7	64.9	63.6	65.1	65.6	63.5	62.7	63.4
Busienss Class, share of revenue passenger kilometers (%)	**29.0**	29.1	31.0	31.7	31.5	32.0	30.7	28.7	27.5	31.9
Average passenger trip length, scheduled (km)	**974**	966	971	986	990	989	983	976	990	1,108
Traffic revenue/revenue tonne kilometers (SEK)	**11.63**	11.42	11.90	11.94	11.77	12.91	12.07	11.24	10.48	10.52
Passenger revenue/revenue passenger kilometers, scheduled (SEK)	**1.38**	1.36	1.35	1.34	1.31	1.39	1.29	1.21	1.06	1.10
Passenger revenue/available seat kilometers, scheduled (SEK)	**0.93**	0.86	0.89	0.87	0.83	0.90	0.85	0.77	0.66	0.70
Airline operating expenses/available tonne kilometers, scheduled (SEK)	**7.96**	7.39	7.17	6.73	6.53	7.17	7.21	6.69	6.18	6.22
Revenue tonne kilometers/employee, scheduled (000)	**126.9**	121.4	127.6	129.4	119.6	119.1	115.9	108.4	93.5	99.3
Revenue passenger kilometers/employee scheduled (000)	**952.6**	906.4	994.1	1,023.6	1,025.9	1,014.0	989.5	933.1	802.0	828.8
Jet fuel price (cents/gallon)	**94**	60	66	75	78	67	66	71	76	82
Punctuality (% within 15 minutes)	**88.0**	83.5	82.7	88.0	87.8	87.6	91.3	90.0	90.6	91.5
Regularity (%)	**98.3**	97.8	98.1	99.0	98.7	97.5	98.7	98.7	99.0	99.2
Breakeven load factor (%)										
SAS	**68.4**	64.7	60.3	56.4	55.5	55.5	59.7	59.5	61.6	61.8
AEA	*	66.8	62.3	65.0	64.0	63.9	65.7	65.5	63.8	62.8
IATA	*	61.4	60.1	61.1	60.8	59.5	61.0	61.8	61.0	62.3
US Majors	*	53.2	52.7	53.1	53.7	52.2	54.6	53.5	56.0	55.8

[1] *Destinations served by SAS aircraft (summer period).*
[2] *Figures include 7 months of Linjeflyg's traffic and production data.*
[3] *Including other traffic/production.*
* *Figures not available.*

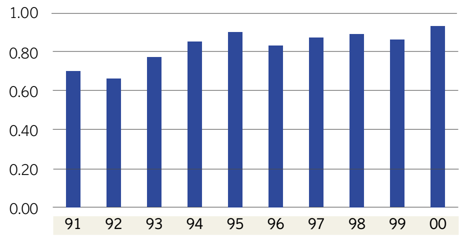
Definitions and concepts, see page 107.

Unit revenue (yield), 1991-2000
Passenger revenue/revenue passenger km., scheduled, SEK



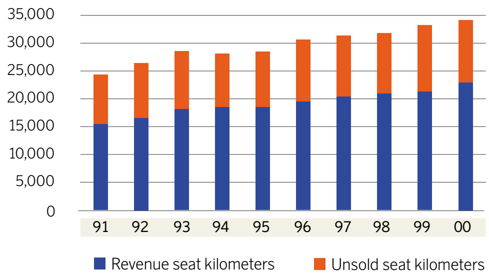
Unit revenue (yield) increased in 1992-1995 and then stabilized 1999/2000 at a level of around SEK 1.40.

Unit revenue (yield)/capacity utilization, 1991-2000
Passenger revenue/available seat km., scheduled, SEK



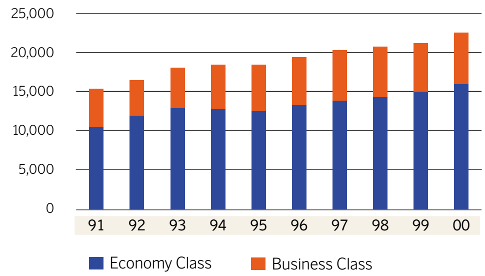
The columns show revenue per available seat kilometer and represent both capacity utilization and yield development.

Production and traffic, 1991-2000
Seat kilometers, million



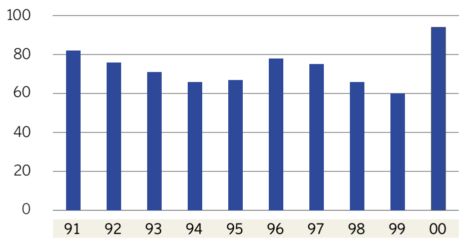
The number of available seat kilometers has increased 39% over the last ten years. The proportion of revenue seat kilometers in relation to the total number of seat kilometers was 67.0% in 2000.

Revenue passenger kilometers, 1991-2000
Passenger kilometers, million



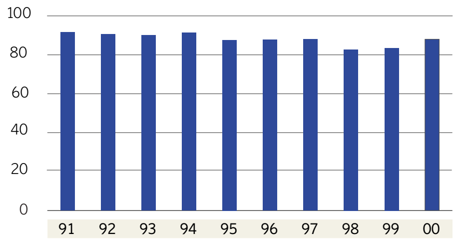
The number of revenue passenger kilometers has increased 47% over the last ten years. The Business Class proportion of revenue passenger kilometers amounted to 29.0% in 2000.

Jet fuel prices (yearly average), 1991-2000
U.S. cents/gallon



The price of jet fuel reached record high levels in 2000. From January 1999 to December 2000, prices rose by approximately 200%.

Punctuality, 1991-2000
% within 15 minutes



Punctuality has improved still further and rose from 82.7% in 1998 to 88.0% in 2000, making SAS the most punctual airline in Europe.

Human resources at SAS

The employee is SAS to the customer

Every time a SAS employee meets a customer, he or she is SAS. In the process of renewal SAS has now completed with the implementation of the SAS 2000+ program for change, meeting customers has become even more important. Positive customer perceptions are based on SAS employees who are competent and able to cooperate in the service chain to give the customer the best possible travel experience.

Through active leadership and employeeship, SAS constantly seeks to improve conditions for this. Activities include performance reviews, dialog meetings, business orientation seminars, working environment improvements, and competence development programs.

SAS's human resources vision

SAS's human resources vision continues to be based on the fact that the employees are the company's foremost competitive advantage.

Recruitment

During the year, SAS actively continued its information and recruitment campaigns among university students. The interest shown at these campaign days and the daily contacts with SAS's student ambassadors show that SAS is an attractive company for young people seeking work after their studies. During the year, economics students in Sweden ranked SAS as the third most attractive future employer.

During the year, SAS has also deliberately developed competence within its own recruitment organization, as regards both flight and ground staff. Special emphasis has been placed on recruiting flexible, service minded, multi-cultural and competent employees, partly to meet different customer needs, but also in order to offer the employee alternative career paths within SAS.

Within the framework of Star Alliance, there has been a marked increase in recruitment to different management positions and project assignments. All vacant positions at a certain level and within special operating areas are now posted on the electronic vacancies system at SAS. Interest in these positions, which can be regarded as both competence and cultural development, increased substantially during the year as the alliance expanded.

The selection program for finding new potential management candidates within SAS (Management Planning and Provision) also continued its positive development. The number of highly qualified, potential candidates who are prepared to continue in their development is growing every year due to this program.

Employee turnover within SAS amounted to 6.6% (7.3) during the year.

The average age of SAS employees in Scandinavia was 40.4 years (40.3).

Development and change

During the year, the focus was on leadership development, particularly on understanding the business and how managers should present this to employee groups.

In the annual employee survey at SAS (PULS) the number of completed surveys, particularly among flight staff, rose during the year. At the same time as the number of completed measurements rose 8%, the result in general improved by 7%, which reflects increased well-being at SAS. The number of completed performance reviews (an annual, lengthy discussion between immediate superior and employee) rose 12% during the year. This shows that a key role is played by interest in the employee role at SAS and how SAS employees want to develop in their work.

Training activities – Expansion

Major training activities were also started during the year to enable flight technicians, pilots and cabin staff to

receive and work with the new aircraft types SAS has introduced and will continue to introduce in 2001, including phasing the new large intercontinental aircraft into the SAS fleet.

Improvements to the working environment

The increased number of new aircraft has led to a pronounced improvement in the working environment for SAS employees in the cabin and hold. SAS's change program 2000+ with all its new work-clothes/uniforms, improved ground vehicles, etc., which are now in place has given many employees better conditions in which to do their work.

Occupational injuries

The high priority for rehabilitation programs at SAS for employees on long-term sick leave continued among the managers and employees concerned with the aim of getting them back to work as soon as possible. SAS's long-term objective is to eliminate sick leave due to occupational injuries.

Number of occupational injuries/H value*, 2000

	Occupational injuries	H value
SAS in Denmark	214	16.6
SAS in Norway	82	8.5
SAS in Sweden	64	4.2
Total	360	9.7

** Number of occupational injuries in relation to number of working hours.*

Union relations

During the year, SAS set up a new management forum between group management and the largest unions in order to bring about a more active discussion between management and unions on key operating issues, which can make SAS a more effective company in a competitive market. Four information and dialog meetings were held in this council during the year.

Project to reduce sick leave

An attendance project was started among flight employees during the year aimed at reducing sick leave among certain cabin groups. Attention focused on this problem has already had an impact. The project examines the employee's entire work situation from recruitment to career changes.

Similar projects designed to reduce sick leave have also been started among certain employee groups on the ground. The results of these projects are also positive, such as increased attendance at the very start of the project. This indicates that there is considerable potential for improvement if a more caring attitude is adopted.

SAS's target for 2003 is to reduce total sick leave by just over one percentage point to 5%, a low figure on the Scandinavian labor market.

Sick leave, %

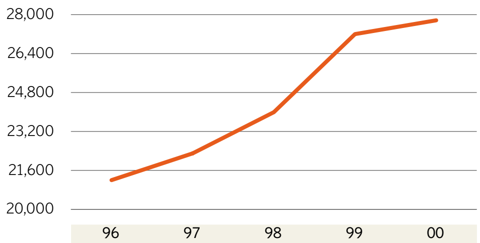
	2000	1999
Operational employees	**7.5**	6.9
Salaried employees	**5.6**	4.8
Cabin employees	**8.1**	7.9
Pilots	**2.8**	3.0
Total	**6.3**	5.8

Breakdown of average number of employees at SAS, 2000, %

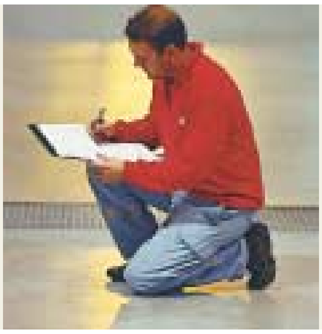
	2000
Marketing & Sales Division	**12.5**
Operation Division	**22.6**
Scandinavian Ground Services	**22.2**
Technical Division	**13.9**
Business Systems Divisions excl. SAS Cargo and SAS Trading	**2.5**
SAS Cargo	**4.4**
SAS Trading	**2.4**
Staff units	**3.7**
SAS's subsidiaries	**15.8**
Total	**100.0**

Average number of employees at SAS, 1996-2000

Average number of employees



The average number of employees increased by 2.1% in 2000 to reach 27,767. The average number of employees in the SAS Group amounted to 30,939.



The SAS brand

The SAS brand is high on the list of strong brands in Scandinavia. A stable brand creates strong customer loyalty and gives a powerful competitive edge, particularly during periods when new marketing and sales channels are being set up and new brands are positioning themselves. For example, the turbulent development of the IT industry has led to uncertainty and difficulties for new entrants to the market. SAS's own company projects and products in the IT-related part of the market have developed well, however, and SAS's brand position has strengthened.

Activities aimed at strengthening the brand

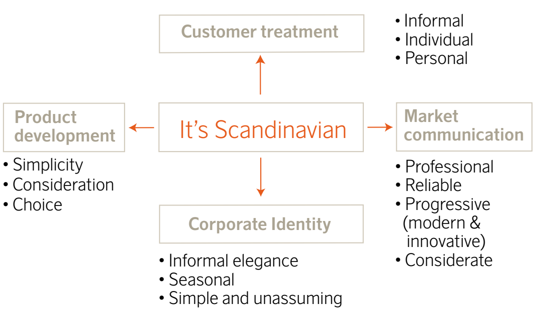
Strategic communication

In 2000, SAS concentrated on consolidating its position as a modern and innovative company, thus strengthening those parts of the brand's personality. Television is used as a medium for strategic market communication in SAS's home markets in Scandinavia.

The focus was on new lounges, new products such as ticketless travel, and new catering concepts. The results of this were positive. SAS strengthened the brand as planned.

The IMPMAP (Implicity Mapping) positioning study shows that SAS has moved in the right direction towards the desired informal, individual and personal position (see SAS Position below).

SAS Positioning – It's Scandinavian



Sponsoring

During the year SAS mainly supported cultural, sporting and "good citizen" activities, including the major golf tournament SAS Invitational and the Stockholm Open and Copenhagen Open tennis championships which attracted considerable attention.

SAS continues its cooperation with four Nordic opera houses and a number of museums. SAS was also one of the main sponsors of City of Culture Bergen 2000. The cooperation with Save the Children has been extended. These activities further strengthened SAS's position and gave the brand a human face.

EuroBonus

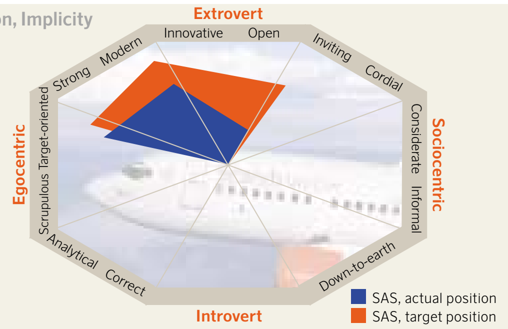
The overriding strategy for SAS EuroBonus is to create and develop lasting and profitable relationships with frequent travelers. The number of members grew to more than 2 million during the year. EuroBonus worked with pattern-building campaigns and was able to improve its service and dialog with customers through further development of the customer database. The addition of new partners to Star Alliance provided members with access to a larger traffic system with EuroBonus benefits. Once again, SAS EuroBonus gained top rankings in customer surveys in 2000 and received the "Freddie Award" for the Best Frequent Flyer Program for the fourth consecutive year.

Key figures for EuroBonus

	2000	1999	Change, %
Total number of members	**2,106,783**	1,806,952	16.6
– of whom in Denmark	**331,042**	286,658	15.5
– of whom in Norway	**679,310**	578,072	17.6
–of whom in Sweden	**478,879**	395,688	21.0
– of whom internationally	**617,642**	546,534	13.0
Proportion of Gold members	**2.8%**	3.4%	–0.6*
Proportion of Silver members	**7.7%**	9.0%	–1.3*

** change in percentage points*

SAS Position, Implicity Mapping



SAS's distribution channels

One key area for an airline's competitiveness is its distribution strategy. Effective distribution helps build up both short- and long-term customer relationships, which in turn affect the development of market shares.

Distribution cost trends at SAS

SAS started work on changing its distribution strategy in 1996. In the base year 1997, total distribution costs in Scandinavia comprised approximately 20% of total passenger revenue. In 2000, these costs were down to approximately 14%. The goal is to reduce this to 10% over the next four years.

This work has resulted in major changes. SAS has developed new products, changed its travel agency commission system, and made its own sales far more effective via call centers.

Travel agencies

Since the introduction in 1997-1998 of a totally new commission system for travel agencies, the situation has stabilized and SAS noted positive development in 2000 in terms of sales, costs and relationships. The change in system meant that relationships with individual and corporate customers, as well as with travel agencies and suppliers were improved.

SAS Direct (call centers)

The restructuring of this channel has led to substantial efficiency enhancement while sales rose significantly during the year. The unit cost development went from approximately 20% in 1997 to 13.6% in 2000. Sales volumes rose from SEK 3.2 billion in 1999 to SEK 3.6 billion in 2000.

New channels

Internet

2000 saw the relaunch of the SAS portal*, www.scandinavian.net. This is a key part of the work of strengthening customer loyalty and increasing sales. SAS also established cooperation with a number of external electronic travel agencies. Reservations via the Internet rose sharply during the year.

WAP/SMS

The new solutions for WAP/SMS make it easy to obtain information about timetables, check arrival and departure times, and make and change reservations.

Electronic sales

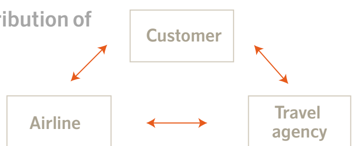
A growing number of SAS customers are electing to make electronic reservations. The proportion of electronic sales in relation to telephone sales rose during the year from 6% to 10%.

New products

In 2000, SAS developed a number of products designed to make things simpler and less costly for the customer. This has given the customer increased value added and reduced distribution costs. Taken as a whole, these new channels and products have a total market share of SAS's sales of over 10% (approximately SEK 3.5 billion) and this share rose in 2000. See Product examples below.

** Denmark: www.sas.dk Norway: www.sas.no Sweden: www.sas.se*

Traditional distribution of airline tickets



Distribution in the 2000s

Product examples

E-ticket • Electronic ticket (paperless travel) requires less handling throughout the distribution chain – customer, travel agency and airline.

TP • Travel Pass, Individual product. The customer either buys travel for a set time or a certain number of trips between two cities or a geographic area and pays in advance. This product is paperless.

TPC • Same as above but for companies. The customer company pays per sector flown and receives statistics per TPC card. This makes travel administration simpler.

SAS's aircraft fleet

Since 1995, SAS has ordered 116 new aircraft with a total value of approximately USD 4 billion Orders have been placed with aircraft manufacturers Boeing, McDonnell Douglas (incorporated in Boeing in 1997), Bombardier and Airbus.

In September 1995, SAS signed a contract with Boeing for the acquisition of 41 "New Generation" 737s. This contract was extended and comprised a total of 58 aircraft at year-end, of which 48 had been delivered. The first delivery took place at the end of 1998. In addition to the 58 aircraft delivered from Boeing, SAS acquired one aircraft via a leasing company. SAS utilized three of its Boeing 737 options in 2000.

SAS Commuter ordered 15 deHavilland Q400s from Bombardier in October 1997. This fast turboprop aircraft will gradually replace all the Fokker F50s and SAAB 2000s which have so far made up SAS Commuter's fleet. Since the original contract was signed, 13 options have been exercised. Eleven Q400s were delivered in 2000. A further 17 will be delivered in 2001 and 2002, most of them in the first year.

In April 2000, SAS signed a contract with Airbus for a total of 22 aircraft. The contract includes new aircraft for SAS's intercontinental routes as well as a new large aircraft for SAS's major European routes.

New aircraft for SAS's intercontinental routes

Airbus A330-300s and A340-300s will replace the Boeing 767-300ERs which have been in SAS's fleet since 1989. Four A340-300s will be delivered in the second half of 2001, and go into operation in August.

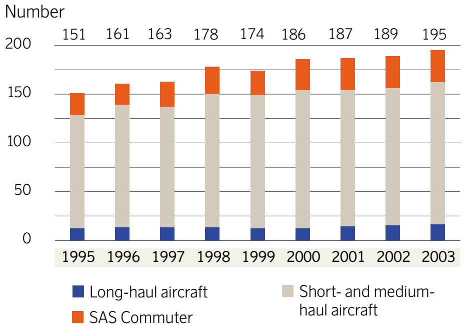
Passenger comfort will be improved with the introduction of the new aircraft. Business Class comfort will be enhanced and a new class introduced, thus increasing freedom of choice. A330-300s and A340-300s have identical fuselages and their cabins will be almost identical. The main distinction between them is number of engines and range. The A340-300 has four engines and is designed to fly very long distances with a full load. The A330-300 has two engines and is optimized for shorter intercontinental flights. The flight crews are trained to fly both A330s and A340s.

The A330-300s and A340-300s provide nearly 40% more seats than the 767-300ERs. The new aircraft have 261 seats compared with the previous 190. Freight capacity will also increase. The effective increase will be approximately 35-45%, but even more in cases where 767s had a limited range.

Ten aircraft are now on firm order and SAS has options for an additional seven.

From May 2001, SAS will lease in an Airbus A330-200 from British Midland, which will allow the new Copenhagen-Washington D.C. route to be opened earlier. British Midland will mainly man the flights with staff from SAS and from the customer's perspective this will be a SAS flight. SAS is leasing in the aircraft for a period of one year.

Aircraft used in SAS's own operations, 1995-2003



SAS had a total of 186 aircraft in its own operations at December 31, 2000.

SAS's aircraft fleet, December 31, 2000

	Owned Dec. 99	Total Dec. 99	Owned Dec. 00	Leased in	Total Dec. 00	Leased out	Order
Airbus A340-300							7
Airbus A330-300							3
Airbus A321-200							12
Boeing 767-300	5	14	4	9	13		
Boeing 737-600	20	29	15	15	30		7
Boeing 737-700	1	1	6	0	6		
Boeing 737-800		0	13	0	13		3
Douglas MD-81	9	19	9	10	19		
Douglas MD-82	13	28	13	15	28		
Douglas MD-83	2	2	2	0	2		
Douglas MD-87	11	18	11	7	18		
Douglas MD-90-30	8	8	8	0	8		
Douglas DC-9-21		4	0	2	2		
Douglas DC-9-41		20	0	19	19		
Douglas DC-9-81		8	0	1	1		
Embraer ERJ 145		0	0	2	2		
Fokker F28	11	11	9	0	9	6[1]	
Fokker F50	13	22	7	12	19	2[2]	
deHavilland Q400		0	5	6	11		17
SAAB 2000		5	0	3	3		
SAAB 340	1	1	0	0	0		
Total	94	190	102	101	203	8	49

[1] *Air Botnia* [2] *airBaltic* *Owned aircraft including finance leasing.*

Configuration 2000 for SAS's European routes

As part of the "Configuration 2000" project, SAS will rebuild 73 MD-80s and MD-90s to give the aircraft more seats. New fittings in the cabin will allow more effective use of existing volume, which will also have less environmental impact. SAS's goal with this project is to give all customers a product that is at least as good as today's, while reducing the unit cost. 18 aircraft were rebuilt in 2000.

Despite "Configuration 2000," studies show that larger aircraft are needed on SAS's European routes. Larger aircraft are required because of the limited number of slots at some airports.

New aircraft for Europe

New routes will be opened in pace with growth in air traffic, but the need of larger aircraft will still be accentuated. SAS therefore decided to acquire twelve A321-200s. The A321s will be equipped with so-called flex seats which allows the cabin size to vary between 160 and 184 seats as required. A typical capacity will be 174 seats. Three A321s will be phased into the fleet in the final quarter of 2001.

Development of the aircraft fleet in 2000

SAS's aircraft fleet increased by 13 units in 2000 and comprised 203 aircraft at year-end, of which 18 were not used in SAS's operations. Eight of these aircraft were leased out and others were overhauled either for sale or return to their owners.

In October, SAS leased in two Embraer 145s from Skyways on a wet lease basis, i.e. manned with Skyways staff. The previous agreement with Skyways comprised just one aircraft. During the year, 30 aircraft were phased in, while 18 were phased out. Apart from two F28-4000s which were sold, all aircraft phased out of the fleet had been leased in: one 767-300, one DC-9-41, two DC-9-21s, seven DC-9-81s, three Fokker F50s, two SAAB 2000s and one SAAB 340.

During the year, SAS took delivery of 19 "New Generation" aircraft: one 737-600, five 737-700s and thirteen 737-800s. In addition, eleven Q400s were delivered to SAS Commuter during the year.

SAS completed sale and leaseback deals during the year for 13 aircraft: one 767-300, six 737-600s, and six Q400s. At year-end, SAS owned 102 aircraft, i.e. approximately half of the 203 in the fleet.

Current studies and future projects

Continued traffic growth could lead to a need for even larger aircraft. For intercontinental flights there are both larger and smaller aircraft in the A340/A330 family than those SAS has now ordered. This flexibility is not available for European routes. There is no larger aircraft in the A320 family than the A321, and no Boeing 737NG is as large as the A321. Should the need for a larger and smaller aircraft arise, in the present situation such an aircraft must be obtained from a different family than today's short- and medium-haul aircraft.

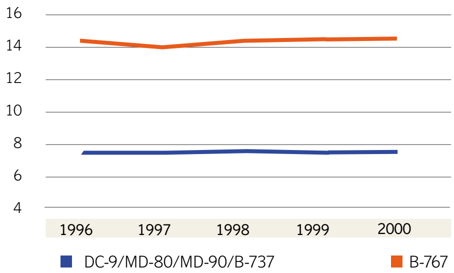
For several years SAS has considered using 70-seat jet aircraft for low traffic, long-distance routes. So far no aircraft has offered the economy that SAS demands. The new 70-seat aircraft which will be launched in the market in 2003, however, look slightly more promising in terms of economy.

Reduced environmental impact

Aircraft which do not meet requirements according to the ICAO's Chapter III may not be used in Europe after April 2002. Back in October 1999, SAS took its last Chapter II aircraft out of service. All DC-9-41s still used in SAS's traffic are hushkitted and re-certified to Chapter III. In the next two years, SAS's last DC-9-41s will be replaced by Boeing 737NGs and in pace with this the fleet's noise impact will be reduced still further.

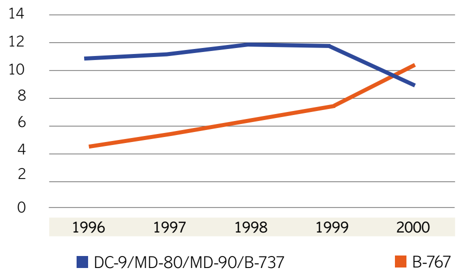
The trend towards larger and more modern aircraft means that fuel consumption is falling in relation to production, which reduces emissions of carbon dioxide (CO_2) per produced seat kilometer. SAS is one of the few companies in the world to have invested half a million dollars per aircraft in low-emission combustion chambers. This combustion chamber means that nitrogen oxide emissions from the Boeing 737-600 are 40% lower than the DC-9-41 it is replacing.

Utilization rate of the aircraft fleet, 1996-2000
Block hours per day



The utilization rate of the aircraft fleet measured in block hours per day has remained constant for the last five years.

Average age of the aircraft fleet, 1996-2000
Years



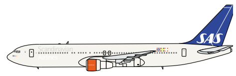
The average age of the aircraft fleet used in operations, including leased out aircraft, was 8.3 (10.3) years in 2000. The average age of owned aircraft is 6.0 (8.0) years.

SAS's aircraft fleet

Boeing 737-600/700/800
Number of aircraft: 30/6/13
Number of seats: 91-103/116-137/179
Number of seats (domestic): 116/137
Max. takeoff weight:
57.6-59.9/61.7/70.6 tonnes
Max. load: 13.0/15.5/19.5 tonnes
Length: 31.2/33.6/39.5 meters
Wingspan: 34.3 meters
Cruising speed: 850 km/h
Range: 1,900/1,400 km
Fuel consumption:
0.045 liters/seat kilometer
Engine: CFM56-7B

MD-87
Number of aircraft: 18
Number of seats: SAS version
110-125
Max. takeoff weight: 61.2 tonnes
Max. load: 14.8 tonnes
Length: 39.8 meters
Wingspan: 32.9 meters
Cruising speed: 815 km/h
Range: 3,500 km
Fuel consumption:
0.047 liters/seat kilometer
Engine: P&W JT8D-217C

SAAB-2000
Number of aircraft: 4
Number of seats: SAS version 47
Max. takeoff weight: 22.8 tonnes
Max. load: 4.9 tonnes
Length: 27.3 meters
Wingspan: 24.8 meters
Cruising speed: 685 km/h
Range: 1,600 km
Fuel consumption:
0.051 liters/seat kilometer
Engine: Allison AE2100A

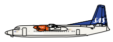


Boeing 767-300 ER
Number of aircraft: 13
Number of seats: SAS version 188-207
Max. takeoff weight: 185 tonnes
Max. load: 37.4 tonnes
Length: 54.9 meters
Wingspan: 47.6 meters
Cruising speed: 860 km/h
Range:10,500 km
Fuel consumption:
0.038 liters/seat kilometer
Engine: P&W 4060

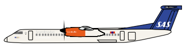
DC-9-21/41/81
Number of aircraft: 2/16/1
Number of seats: SAS version
75/105-122/162
Max. takeoff weight:
44.551.5/142 tonnes
Max. load: 11.4/12.5 tonnes
Length: 31.9/38.3 meters
Wingspan: 28.5 meters
Cruising speed: 815 km/h
Range: 2,600 km
Fuel consumption:
0.068/0.054/0.047
liters/seat kilometer
Engine: P&W JT8D-9/-11

MD-90-30
Number of aircraft: 8
Number of seats: SAS version 141
Max. takeoff weight: 70.8 tonnes
Max. load: 16.0 tonnes
Length: 46.5 meters
Wingspan: 32.9 meters
Cruising speed: 815 km/h
Range: 2,800 km
Fuel consumption:
0.041 liters/seat kilometer
Engine: IAE V2525-D5

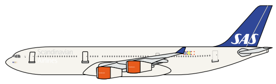
MD-81/82/83
Number of aircraft: 19/28/2
Number of seats: SAS version
130-162/130-156/136
Max. takeoff weight:
63.5/67.8/72.6 tonnes
Max. load: 14.6/17.1/16.4 tonnes
Length: 45.1 meters
Wingspan: 32.9 meters
Cruising speed: 815 km/h
Range: 2,600/3,200/4,300 km
Fuel consumption:
0.045/0.047/0.045 liters/seat
kilometer
Engine: P&W JT8D-217C/-219



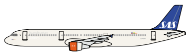
Fokker F50
Number of aircraft: 17
Number of seats: SAS version 46-50
Max. takeoff weight: 20.8 tonnes
Max. load: 4.9 tonnes
Length: 25.3 meters
Wingspan: 29.0 meters
Cruising speed: 520 km/h
Range: 1,400 km
Fuel consumption:
0.038 liters/seat kilometer
Engine: P&W 125 B



deHavilland Q400
Number of aircraft: 11
Number of seats: SAS version 72
Max. takeoff weight: 29.0 tonnes
Max. load: 7.3 tonnes
Length: 32.8 meters
Wingspan: 28.4 meters
Cruising speed: 660 km/h
Range: 1,000 km
Fuel consumption:
0.045 liters/seat kilometer
Engine: P&W 150A



Airbus A340-300/330-300
Number of aircraft: Delivery from
second half of 2001
Number of seats:261
Max. takeoff weight:
275.0/233.0 tonnes
Max. load: 43.0/43.0 tonnes
Length: 63.7/63.7 meters
Wingspan: 60.3/60.3 meters
Cruising speed: 865/865 km/h
Range:12,800/9,700 km
Fuel consumption:
0.034/0.030 liters/seat kilometer
Engine: CFM56-5C4/not decided



Airbus A321-200
Number of aircraft: Delivery from
second half of 2001
Number of seats:160-184
Max. takeoff weight: 85.0 tonnes
Max. load: 19.0 tonnes
Length: 44.5 meters
Wingspan: 34.1 meters
Cruising speed: 840 km/h
Range: 3,000 km
Fuel consumption:
0.036 liters/seat kilometer
Engine: V2530-A5

Flight safety at SAS

Flight safety is the absence of unacceptable risk. Unacceptable risk means the risk of an incident that could lead to a crash.The aim of flight safety work is to detect such risks in operations and take preventive action. Ongoing flight safety work is conducted both at a strategic level in company management and a tactical/operating level by everyone involved in air transport operations.

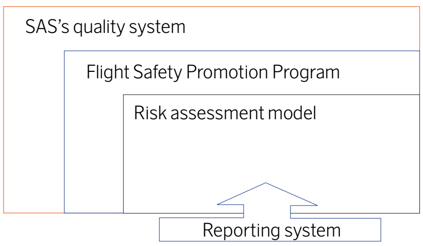
Flight safety work includes the following:
- Training for all employees at all levels.
- Established procedures.
- High demands on equipment.
- Careful selection when recruiting new employees.

At a strategic level flight safety work is conducted within the Flight Safety Promotion Program, which is part of SAS's quality system.

The already very high level of flight safety at SAS as documented in comparative industry studies will be maintained and further strengthened by:
- Establishment of a more effective reporting system.
- Evaluation of the inputs from the reporting system will be made in a risk assessment model which provides a true picture of flight safety performance and shows where future efforts should be made to increase safety still further.

To raise awareness of flight-safety related problem areas, new information channels have been set up, including one aimed directly at all pilots.

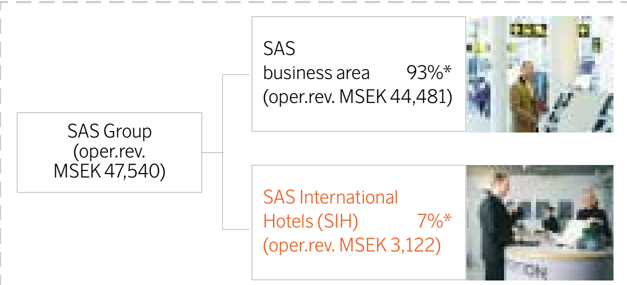
Based on the above and ahead of new challenges in the near future, such as the introduction of three new Airbus types into the fleet, SAS is prepared to continue to give priority to flight safety as its top quality parameter.



SAS International Hotels business area

Strategic acquisitions
Hospitality management
Earnings trend and growth

SAS International Hotels business area



* *Percentages refer to share of the SAS Group's operating revenue before Group eliminations.*

Key figures for SAS International Hotels

	2000	1999
Operating revenue	**3,122**	2,963
Income before taxes	**583**	544
EBITDA	**441**	485
EBITDA[1]	**404**	336
REVPAR[2]	**619**	584
Average number of employees	**3,131**	3,071

1 Pro forma adjusted for sale of properties
2 Including hotels operated under management agreements.

The vision is that the hotel company will become one of Europe's leaders in "hospitality management" with global operations and a number of strong, focused brands.

Continued strong growth and earnings trend

For 2000, SIH reports income before taxes of MSEK 583 (544). Earnings include capital gains from a property sale of MSEK 267 (286). Operating income has thus risen by MSEK 60 to MSEK 316. Earnings before net financial items and depreciation, EBITDA (adjusted for property sales) rose from MSEK 336 to MSEK 404, an increase of 20.2%. EBITDA is regarded as the most important value indicator for hotel companies with pure-play hotel management operations.

Investments totaled MSEK 308 (150) during the year.

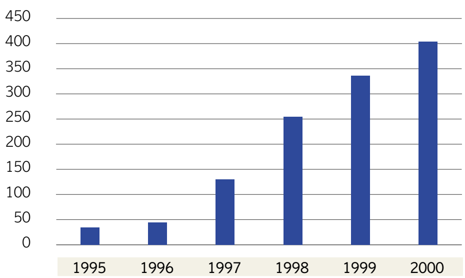
Operating revenue during the year amounted to MSEK 3,122 (2,963), an increase of 5.4%. Approximately 85% of this increase is attributable to an increased number of hotels, while the rest in an effect of a higher average price and more effective revenue control.

In total, the number of hotels increased to 146 (125), seven of which were Malmaison hotels. The occupancy rate in the entire system (excluding hotels with license agreements) was unchanged at 69% (69) and the gross margin (owned, leased and hotels with management agreements) increased to 34% (33).

The average number of employees in the company (owned and leased hotels) rose to 3,131 (3,071). In the entire system (including hotels under management and license agreements) there were approximately 12,000 (11,000) full-time employees.

The streamlining of operations towards pure-play hotel management has meant that the number of SIH-owned properties has gradually been decreased, in sale and leaseback arrangements.

Performance, adjusted EBITDA, 1995-2000*
MSEK



To increase comparability, EBITDA is adjusted for sale of properties. EBITDA increased by 20.2% between 1999 and 2000.
* *Pro forma, adjusted for sale of properties.*

Radisson SAS HOTELS & RESORTS

Malmaison

At year-end, the company owned 2 (4) hotel properties. The Scandinavia Oslo property and the property in Düsseldorf were sold for a capital gain of MSEK 284 and a capital loss of MSEK 19 respectively. Radisson SAS continues to operate hotels via long-term lease and management agreements. Otherwise, a small property was sold with a capital gain of MSEK 2. The total capital tied-up in properties thus decreased during the year to MSEK 916 (1,717).

It is planned to sell the remaining properties, in Oslo and Manchester, in 2001. The strategy of not owning properties, however, does not exclude SIH from taking temporary ownership positions, such as in 1998 in the property at Manchester Airport. The main focus, however, is to conclude operating agreements where SIH undertakes management responsibility with a certain guarantee level and part of the business risk.

Radisson SAS – Malmaison

SAS International Hotels (SIH) conducts hotel operations under the brands Radisson SAS and – since November 2000 – Malmaison.

In 1994, SIH, SAS International Hotels, set up a partnership with Radisson Hotels and Resorts (the Carlson Company), which gave SIH exclusive rights to develop Radisson's brand in Europe, the Middle East and North Africa. From a base of 29 hotels, the aim was to have agreements to operate 100 hotels by the end of 2000. This number was exceeded back in 1998 and the target has successively been adjusted upwards. For several years, Radisson SAS has been one of Europe's fastest growing full service hotel chains and the potential is still very substantial.

Nevertheless, for SIH, having a single brand has imposed restrictions as regards both expansion and value creation. Not all hotel properties are suitable for the Radisson SAS concept. There is also a growing demand for a new type of hotel, which is more based on design and personality than on full service.

A strategic acquisition

Malmaison, which until now has operated exclusively in the U.K., is one of the new hotel concepts which has attracted the greatest attention in recent years. The first Malmaison hotels opened in Glasgow and Edinburgh in 1994 and soon became known for their different design and style. Today, five hotels are in operation and two more are under construction or planned for 2002.

In November 2000, Malmaison Hotels was acquired in partnership with the British property company Marylebone Warwick Balfour Plc (MWB). SIH and MWB each own 50% of the brand, while MWB owns the properties and SIH the management company which operates the hotels. The intention is to expand with this new brand and concept throughout Europe.

One of Europe's leading companies within hospitality management

The involvement in Malmaison Hotels has further clarified the character of operations. The strategy was formulated four years ago when the operational focus was placed on hotel management rather than property management.

The market trend is clearly towards increasingly large players which cultivate the market with a portfolio of brands. The Malmaison deal was important, not because of its size but because of its nature. SIH has now established itself as a multi-brand operator. Part ownership of a brand will allow the hotel company to build up its brand capital.

Having two separate brands and product lines means the company can now add more brands to the portfolio through acquisitions and/or joint ventures.

The company's mission is thus hospitality management through its own and external brands

Positive market trend

The global travel market is dynamic with annual growth of approximately 5%. Demand is also increasing in the hotel market, but like capacity it varies in different geographic markets. The U.K. and the Netherlands are the European leaders in terms of capacity utilization. Denmark, Sweden, Ireland, Germany and Finland are all markets with growing demand.

The market as a whole is expected to see positive development in 2001. This, combined with planned expansion, provides conditions for a continued good earnings trend for the company.

Continued success for SIH

The year saw continued fast growth. The net increase of hotels in operation or under contract was 21 (22) during

the year. A further 20-30 hotels are expected to be incorporated into the chain in 2001.

This rapid growth has great strategic significance. The intention is to achieve a critical mass in terms of brand awareness, geographic coverage, and economies of scale in operation. The strategy is also to expand the home market. At year-end this included, besides Scandinavia and Finland (six new hotels), Germany (one new hotel) as well as, from an establishment perspective, the U.K./Ireland (nine new hotels). The strong establishment in the Polish market is regarded as an important breakthrough and as a new home market (four new hotels).

New hotels were also added in Bahrain, Spain and Bulgaria (Sofia).

In addition to city and airport hotels, Radisson SAS has expanded in the leisure market with a focus on leisure and recreation hotels and facilities under the "Wellness" concept. Marketing has been conducted during the year in close cooperation with SAS Pleasure.

Radisson SAS enjoys a growing brand awareness in its markets, particularly in Europe and the Middle East, and customer satisfaction is measured regularly. During the year the customer loyalty ratio amounted to 94% (94). A customer satisfaction program will be introduced in 2001 linked to a method for measuring customer satisfaction. Employee satisfaction also increased during the year to 79 (77) on a 100-point scale.

A new graphic identity was put in place during the year, designed to reflect three central values in the Radisson SAS brand: Host, Fresh, Easy. Host represents the social experience. Fresh the appeal to the senses, and Easy the functionality. Radisson SAS should be perceived as warm, welcoming and hospitable, fresh-looking and easy to get along with. A number of product-related projects were carried out in line with this such as "15 on the phone" – a program to improve the quality of interaction in telephone contacts – and a new and more informal uniform for the staff.

Radisson SAS Manchester Airport Hotel was named "Best New Business Hotel in the World" by Business Traveller magazine during the year.

Environmental work

SAS International Hotels has chosen a broad perspective of responsible enterprise with a special focus on energy efficiency.

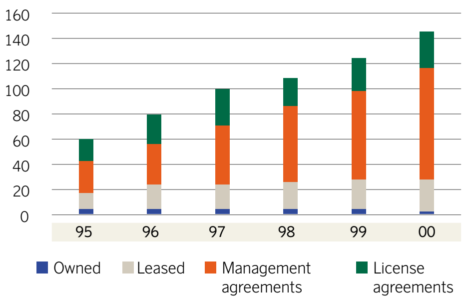
Malmaison

Malmaison's concept is to offer a satisfactory hotel experience without the service elements which most guests do not want, such as complete porter services, turning down the beds in the evenings, and 24-hour room service. "Great style, great food & great value" are the three cornerstones in "the Mal experience," which has received many awards and a lot of media attention. During the year two surveys named Malmaison as "Best UK Hotel Group."

Malmaison caters for new customer groups. They can be affluent 50+ or ambitious 30–, united by appreciation of good design, a personal atmosphere, a high standard of room comfort, well-cooked but not too complicated brasserie food, and friendly bars. The hotels have between 80 and 180 rooms. Malmaison's concept places high demands on architecture. The hotels are either housed in converted old buildings with character or in totally new properties.

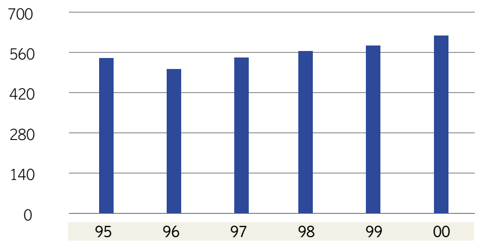
Five hotels were operated in 2000, all in large cities in the U.K., although not in London. One hotel in London and one in Birmingham will open in 2002. By 2003, it is planned to have a total of 15 hotels in operation. This expansion is expected to continue outside the U.K. as well. Malmaison is considered to have the potential to be one of Europe's strongest brands in its segment.

Hotel development, 1995-2000
Number of rooms



Only 2 hotel properties are now owned, one in Oslo and one in Manchester. These are scheduled to be sold in 2001.
At year-end, the total number of hotels was 146.

REVPAR* development, 1995-2000
Revenue per available room



REVPAR shows the average rate per available room and thus reflects occupancy and revenue per room. REVPAR increased in 2000 from SEK 584 to SEK 619.

**Including hotels operated on a management basis.*

Environmental work

SAS's environmental work

New aircraft reduce environmental costs

SAS's aggregate ecoefficiency is measured with the help of a weighted environmental index using 1996 as the base year. In 2000 this index improved by six points, from 88 to 82. This was mainly due to the phase-in of new Boeing 737s, which among other things led to a reduction of MSEK 11 in the environmental charges SAS pays in Sweden in 2000.

Flight operations

The absolute bulk (approximately 90%) of SAS's environmental impact is generated in flight operations, and is primarily related to fuel consumption. The more fuel used, the more carbon dioxide emissions produced. In a global perspective, aircraft emissions contribute to climate change. At the local level, aircraft noise is the most pressing environmental problem.

In 2000 the environmental index for flight operations improved by six points to from 86 to 80, mainly due to ongoing modernization of the aircraft fleet and higher capacity utilization.

Despite production growth of 5.1% measured in RTK, overall fuel consumption (and therefore also CO_2 emissions) decreased by 1.6%. Fuel efficiency thus improved by 1.5% to 45.9 (46.7) kg/100 RTK.

Carbon dioxide emissions were reduced to 4,095 (4,164) tonnes. In spite of growth in overall production, nitrogen oxide emissions decreased to 14.35 (14.52) ktonnes and hydrocarbon emissions were also reduced, to 1.55 (1.84) ktonnes.

In its negotiations with the aircraft and engine manufacturers for the new Airbus aircraft, SAS has ensured that the aircraft will be equipped with the best commercially available environmental technology upon delivery.

Cabin operations

In cabin operations, the data necessary for calculation of the environmental index was not available due to SAS's changeover to a new caterer in August 2000.

Ground operations

In 2000 the environmental index in ground operations improved by 5 points, from 103 to 98, as a result of reduced consumption of energy and glycol.

All operators at Copenhagen Airport have been ordered to propose a solution for correcting problems with wastewater by mid-year 2001.

In June 2000, SAS Commuter paved the way as the first airline operator at Copenhagen Airport to open a purification plant for treatment of wastewater. The investment costs for the facility amounted to MSEK 3.3.

At Oslo's Gardermoen Airport, SAS has started construction of a larger purification plant for process water. The total cost of the plant is estimated at MSEK 7.6.

In 2000 SAS changed over to a triazol-free deicing fluid.

Infringements, incidents, disputes

Infringements, incidents

In 2000 SAS essentially complied with all applicable concessions in its operations. However, a few incidents involving deviation from flight routes or violation of night-time takeoff and landing restrictions led to an increase of around MSEK 1 in landing charges.

Disputes

In a complaint filed in 1997, the Danish Civil Aviation Authority claimed that SAS had violated local regulations on braking with the help of jet engines. The complaint was withdrawn during 2000 following concern that the evidence would not hold up in court.

The Danish Supreme Court has settled a dispute between SAS and another party over a land clean-up at Copenhagen Airport, where SAS has built a new component workshop. The dispute between SAS and the earlier land owner concerns responsibility for the necessary decontamination measures.

Apart from this, no environmental disputes related to SAS's operations are in progress.

Insurance, preparedness, preventive measures

SAS's insurance covers the company's liability for environmental damage in the event of accidents and sudden occurrences. SAS has contingency plans and preparedness for action in the event of crashes, accidents and incidents that can lead to contamination. SAS conducts operations and carries out systematic maintenance in a manner designed to prevent and minimize the risk of contamination.

Environment and economy

In 2000, the earlier rising trend for environmental charges was broken and these decreased by 17% to MSEK 914 (1,096), corresponding to 2.1 (2.7)% of operating revenue. For SAS, the total sum of environmental taxes and charges included in the aviation industry's regulatory framework is expected to exceed MSEK 1000 per year in 2001-2002.

Changes in environmental charges, taxes and regulations

The relatively dramatic decrease in environmental charges is mainly attributable to the fact that the Norwegian civil aviation authority changed its former seat charge to a terminal charge with no environmental connection. Another explanation is that SAS paid significantly lower charges for NO_x emissions in Sweden during 2000 than previously. Aside from Switzerland, Sweden is the only country with emissions-related landing charges. Following the phase-in of new aircraft types in domestic traffic, SAS has reduced its emissions charges by MSEK 11 in 2000 compared with the previous year. Charges are expected to be reduced by MSEK 22 in 2001.

Norway is the first, and so far the only, country to levy a combined charge on emissions of CO_2 and sulfur of SEK 0.30 per liter of jet fuel, a charge applied only on domestic routes.

In December 1999 EFTA's surveillance authority, ESA, ruled that the Norwegian system of differentiated seat charges was contrary to EU law and ordered Norway to introduce a uniform seat charge on domestic and international flights. This will be done with effect from April 1, 2001.

With effect from October 2000, the Swedish Civil Aviation Authority introduced a new system of noise-related charges based on a model developed by the European Civil Aviation Coalition, ECAC. This model is adapted to the individual noise characteristics of each aircraft and the noise sensitivity of various airports.

In Sweden, the noise charge is used to cover the Civil Aviation Authority's costs for noise-related measures.

During 2001, the UN's civil aviation organization ICAO is expected to decide on new certification standards that further restrict aircraft noise levels (Chapter IV).

Chapter IV standards are proposed to apply to certification of all new aircraft with effect from January 1, 2006.

To SAS's knowledge, there are no other changes in environmental regulations such as concessions, permits or dispensations that could be of material significance for the company's operations and results.

Items affecting the income statement and balance sheet for 2000

Items affecting the income statement

MSEK	**2000**	1999	1998	1997
Environmentally related earnings and cost reductions	**104**	60	19	40
Environmentally related costs	**30**	65	65	73
Environmentally related charges and taxes	**914**	1,096	872	532

Items affecting the balance sheet

MSEK	**2000**	1999	1998	1997
Environmentally related investments and costs	**110**	92	112	25
Environmentally related contingent liabilities	**–**	–	–	–

For reasons of space, the related definitions, explanations and limitations are provided only in the separate environmental report for 2000.

Environmental management

Fully integrated management systems are one of the cornerstones of SAS's operational control. Every manager with decision-making authority and budget responsibility is required to include an environmental impact assessment in the basis for all decisions. In a longer perspective, SAS's ambition is for the environmental management system to meet the criteria for ISO 14001. The divisions are making varying progress, depending on the demands they meet from customers and the market. SAS Cargo has the most demanding customers and has therefore made the most significant advances.

A web-based environmental training program was developed in 2000 and will be launched on SAS's intranet in the second quarter of 2001. In the spring of 2001, SAS's technical division will carry out a gap analysis to determine where they stand in relation to ISO 14001.

SAS's environmental report for 1999 received top points in the accounting firm of Deloitte & Touche's ranking. It was also the winner in its category in the Swedish Environmental Report of the Year competition and received honorable mention in the Norwegian counterpart.

SAS International Hotels

During the year, a project was launched to see environmental work in the wider perspective of "corporate responsibility." The company's responsibilities to various stakeholder groups have been defined and a coordinator has been appointed to supervise the project at the group management level.

In the more traditional environmental work, an ambitious energy conservation program was initiated and 70 hotels have participated in an energy audit. In these hotels, energy costs make up 3.6% of total expenses. The underlying conditions with regard to energy use, water consumption and CO_2 emissions have been analyzed and specific reduction targets have been set, accompanied by an action plan for each hotel taking part in the program. The goal of the program is to reduce costs by a total of MEUR 2.5 and to achieve significant environmental gains.

Further details about development of SAS's ecoefficiency, environmental work and its effects on the financial results are provided in the separate environmental report for 2000, in the environmental section of SAS's website (www.scandinavian.net) and in special material directed to various target groups.

Financial report

Chairman's statement

The airline industry has undergone extensive changes over the last ten years or so. The main reasons are the deregulation of the industry with consequent intensifying completion, at the same time as the passenger base increased substantially. New and not so new elements can be detected in this development such as outright low-cost operators, changed travel patterns, and not least the dramatic growth of global alliances. Naturally enough the agenda for SAS's Board of Directors during this period has been affected by these circumstances. It is therefore with satisfaction that we can observe that a number of strategic decisions are now having an effect.

Ever since SAS's formation its key task has been to give companies and individuals good air transport communications to, from, between and within the Scandinavian countries. This means that we must deliver a high quality product that is perceived as worth its price. Meeting one of these criteria is not difficult, but meeting both is a demanding task. Nevertheless, this is essential in open competition. According to our customers, we are steadily getting better at achieving our first goal. A number of circumstances contribute to this. They include a largely renewed aircraft fleet – with more to follow – improved punctuality and regularity, a new cuisine, and above all a greatly expanded route network, both with SAS as the operating airline and in cooperation with Star Alliance partners. Employees' efforts are of paramount importance in a business where customer contacts are so close – almost intimate. We are also succeeding with the second requirement, competitive prices. Here, on the other hand, the trick is to achieve this with good profitability, in other words low costs. Ever since deregulation started gaining momentum, this has been SAS's weak point. This has been the case even if we make adjustments for SAS's unusually large proportion of Business Class passengers and, compared with most of our competitors, short flight distances. Both these circumstances lead to a high unit cost. General cost cutting measures, combined with new, more efficient aircraft and increased passenger numbers, particularly in Business Class, have led to a favorable development of SAS's unit costs – particularly in 2000. This is still the case despite the very high increase in fuel costs during the year, although this, at least temporarily, will offset a large part of the cost reductions. Against this background I feel justified in saying that SAS performed well in 2000, even though profits did not reflect this, mainly due to those fuel prices.

As already mentioned, a key issue for the Board has been the renewal and expansion of the aircraft fleet. Measured in number of seats, SAS will grow by 50% over the next few years. We expect to fill large numbers of these seats as a result of market growth, but plans also include an increase in our market shares. It will be of particular interest to shareholders to know that these additional aircraft, which cost approximately 30 billion Swedish kronor, are being obtained without any dramatic increase in SAS's debt. This is due partly to the fact that we will be well paid for the aircraft we are replacing, and partly to creative financing with considerable flexibility. In order to achieve good profitability on these major investments it is necessary to bring unit costs down to the same level as our foremost competitors. For this reason the improvement program which covers all parts of SAS must continue to receive positive support from all employees.

A question which has been examined by the Board over several years is the one called "Primus," the aim of which is to achieve a SAS with only a single share instead of the present three – one in Denmark, one in Norway, and one in Sweden. It now appears the time is right to go to the shareholders in the three countries later this year with a proposal to form a holding company which acquires the shares in the present parent companies. There is a great deal to be gained from this for all stakeholders. SAS will become a regular company, easy to understand and transparent. As in every other company, it will be easy to use the shares to reward employees and as a means of payment for possible acquisitions. The shares should have good liquidity and therefore many more investors will be interested in them. All this should result in a more accurate valuation of SAS. There is every sign that the transformation of the airline industry will continue. How and to what extent are difficult to predict. However, it is certain that in a phase of structural changes the winners will be found among companies that are profitable, correctly valued, and capable of taking the initiative. Positions that SAS is now well on its way to achieving.

SAS is about to see a change of president. After seven years in the position, Jan Stenberg will hand over to Jørgen Lindegaard later this spring. This chairman's statement is itself a tribute to Jan's efforts and their results. Jan Stenberg is a person with a pronounced feeling for strategic direction and the ability to predict trends. He handles macro developments with an elegance that is only possible from a keen analytical mind and extremely good negotiating skills. One result of this has been the fact that SAS played a more significant role in the creation and function of Star Alliance than that motivated by SAS's size. Jan Stenberg's time as President of SAS has been characterized by extensive changes both within SAS and in its business environment. Under Jan's skilled leadership SAS has strengthened its position in this process of change. In all contexts, Jan Stenberg has won respect for his competence rather than for his well-chosen words.

On behalf of the Board of Directors, I would like to thank Jan Stenberg for his very valuable work, and at the same time I would like to extend a welcome to Jørgen Lindegaard.

Stockholm, March 2001

Bo Berggren
Chairman of the Board

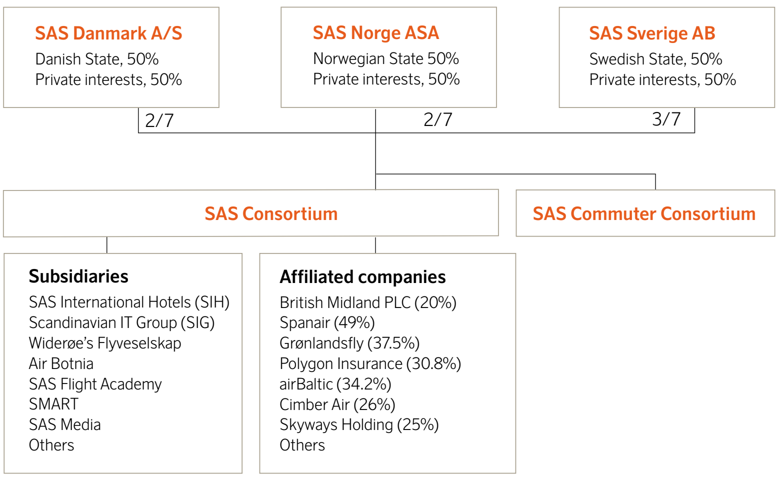
The legal structure of the SAS Group

The SAS Group includes the SAS Consortium, including wholly and partly owned subsidiaries. Subsidiaries in which SAS owns more than 50% are consolidated in the SAS Group's accounts. Affiliated companies in which SAS owns 20-50% are reported according to the equity method. The SAS Consortium conducts passenger and freight traffic, as well as in-flight and airport sales. SAS includes the SAS Consortium and its subsidiaries with the exception of SAS International Hotels. SAS also includes the sister consortium SAS Commuter and its subsidiaries and affiliated companies, whose assignment is to operate regional air services in Scandinavia and Northern Europe. SAS International Hotels includes wholly and partly owned subsidiaries and affiliated companies.

The SAS Consortium
The three listed companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB are parent companies in the SAS Consortium and the SAS Commuter Consortium. The first consortium agreement was signed in 1946 and applied to air traffic over the North Atlantic. The current agreement is valid until 2020.

SAS Danmark A/S and SAS Norge ASA each have a 2/7 share in the Consortium, while SAS Sverige has a 3/7 share. The parent companies have transferred the traffic rights and responsibility for the flight operations to SAS. At the end of each fiscal year the consortia's earnings, as well as their assets and liabilities, are reported in the three parent companies' accounts in the proportions 2-2-3.

Subsidiaries and affiliated companies
The SAS Group includes a number of subsidiaries and affiliated companies in which SAS has strategic holdings designed to support and develop its own airline operations. These include British Midland, which conducts regional traffic from, to and within the U.K., and Spanair, which conducts domestic scheduled traffic in Spain, as well as international traffic to and from Spain. In order to underline its ambition to continue to be the leading airline around the Baltic Sea, SAS has stakes in airBaltic, Cimber Air, Grønlandsfly, Skyways and Widerøe's Flyveselskap, and owns the Finnish company Air Botnia.



Report by the Board of Directors

Report by the Board of Directors and the President of the SAS Group for the fiscal year January 1 – December 31, 2000

The SAS Group's financial statements are prepared in accordance with International Accounting Standards (IAS). (Figures in parentheses refer to 1999.)

Since the SAS Consortium and the SAS Commuter Consortium report their holdings in subsidiaries and affiliated companies according to the equity method, the combined earnings and shareholders' equity for the two consortia correspond with those of the SAS Group. There is therefore no reason to include the consortia in the annual report.

Widerøe's Flyveselskap ASA and Oy Air Botnia Ab are reported as subsidiaries as of January 1, 2000. They were previously reported according to the equity method. The figures for 1999 have been adjusted for comparability.

Market and competition

The market for air services to and from Scandinavia continued to grow in 2000. International traffic between Scandinavia and the rest of the world increased by approximately 4%. The greatest increase was in traffic to and from Sweden, where economic growth, low inflation and low interest rates favor travel.

SAS's traffic growth was considerably higher in 2000 than in the previous year. Passenger traffic increased by 7% (1.6%). During the year Business Class traffic rose by 9% and Economy Class by 6%. The proportion of Business Class traffic remains at the previous year's level, 29%.

In 2000, air traffic within the Association of European Airlines, AEA, increased by 7.9% in Europe. SAS's traffic in Europe rose 6.8%.

The positive traffic trend during the year, combined with a very modest increase in capacity, meant that SAS's cabin factor increased by 3.3 percentage points. Competition remains intense and is increasingly characterized by the ability, within the framework of the major alliances, to create optimal traffic systems which give customers what suits them best and raise cost efficiency by exploiting synergy gains. At the same time as competing product offers and low-cost players have forced down prices, the airline industry must compensate for the dramatic rise in jet fuel costs.

In general, SAS is defending its position in the air travel market between Scandinavia and the rest of the world. On the major European routes SAS is winning shares in Business Class. On the intercontinental routes, particularly to and from Asia, the cabin factor was very high. Lack of capacity prevented SAS from being able to fully exploit expansion in the market, which led to a loss in market share. Deliveries of the new Airbus fleet, which will start in 2001, will improve SAS's opportunities to gain a greater advantage from the traffic growth on European and intercontinental routes.

The positive trend for Swedish domestic traffic continued in 2000. SAS, including its partners, increased its market share to 74% (69%). The total market rose 5% and SAS's traffic was up 15.2% compared with the previous year.

The Norwegian domestic market decreased by 2.5%. SAS's traffic increased by 0.9%. Danish domestic traffic decreased by 2%.

The development of partnerships both within Star Alliance™ and with partners outside the alliance continued during the year. The global alliance of which SAS is a member, Star Alliance, was joined during the year by Singapore Airlines, Austrian Airlines Group, British Midland and Mexicana de Aviación.

Flight safety

SAS's tools for measuring flight safety, the Flight Safety Index, as well as Technical Incidents, showed a continuous falling trend during the year and lay within norms. The areas Ground Damage, Load Control and Dangerous Goods are monitored and worked on continuously.

During the year extensive investments were decided and implemented in enhanced ground proximity warning systems (EGPWS) and navigational aids (Head up display). The rebuilding of cabins, mainly Business Class seats in Boeing 767s, involved reinforcing the floor structure to remain within stress margins.

A new and comprehensive variance reporting system has been developed to improve evaluation of flight safety. Based on data from this system and other sources, new methods are being developed to predict and prioritize the need for improvements.

Environmental impact

Flight operations account for the largest and most significant part of SAS's environmental impact. Consumption of jet fuel, a non-renewable energy source, produces exhaust fumes which have a global effect on the climate and ozone layer. The greatest potential for environmental improvement lies in continuous renewal of the aircraft fleet, making environmental aspects a key element in SAS's choise of aircraft and engines. The significant environmental impact of cabin, ground and hotel operations is caused by energy and water consumption and by waste.

SAS has been measuring its relative environmental impact for several years with the help of an environmental index. Since the base year 1996, the index has improved by 18 points. SAS's objective is a relative improvement of 3 points each year.

The flight operations are based on internationally type-approved aircraft where environmental approval is an integral part of the Scandinavian registration system. Environmentally based national and local permits, rules and regulations provide a framework for aircraft use. The trend is towards stricter environmental framework conditions for the airline industry. SAS is not aware, however, of any changes to these conditions which could have significant operational and financial consequences.

During the year, SAS has not be the cause of any notifiable pollutant emissions or incidents with significant financial or environmental consequences.

Affiliated companies

Affiliated companies are companies in which the SAS Group's stake is between 20 and 50%. These include British Midland PLC (20%), Spanair S.A. (49%), Commercial Aviation Leasing Ltd (50%), Polygon Group Ltd (30.8%), airBaltic Corporation S/A (34.2%), Skyways Holding AB (25%) and Cimber Air A/S (26%).

British Midland's earnings amounted to MGBP 3 (8). After goodwill amortization of MSEK 24 (23) and an MSEK 34 (18) adjustment from the previous year, SAS's share of income was MSEK 29 (39).

airBaltic reports negative earnings for 2000 of MLVL –1.7 (–4.5). During the year a number of earnings improvement measures were adopted which combined with positive traffic development and the takeover of the Riga-Stockholm route led to a marked improvement in earnings. SAS's share of income is MSEK –9 (–23).

Spanair's earnings amounted to MSEK 15 (29), a decline due, among other things, to the high fuel price and a negative currency effect. Revenues increased by 22% during the year and the number of passengers rose 23% to 7.1 million. The number of passengers in the scheduled operations increased more than in charter operations and accounted for 70% of the total during the year. SAS's share of income amounts to MSEK 7 (14).

SAS's share of income in Polygon Insurance Company Ltd was MSEK –87 (–7). The result for the year includes an adjustment from the previous year of MSEK –49 (3).

The SAS Group's operating income includes shares in affiliated companies' income before taxes totaling MSEK –1 (77), of which goodwill amortization accounts for MSEK –32 (-29). Equity in affiliated companies amounted to MSEK 977 (818) at December 31, 2000.

Work of the Board of Directors

The SAS Consortium's Board of Directors consists of nine members, six of whom have one personal deputy, elected by the parent companies' Annual General Meetings; and three members, with six deputies, appointed by the employees. The President attends board meetings in a reporting capacity. In addition, SAS's Chief Financial Officer always attends as do certain other senior executives from SAS management when they have significant matters to report to the Board. The company's chief legal counsel serves as secretary to the Board. The Board normally meets six times a year and more often if required. In the 2000 fiscal year the Board had seven meetings. The work of the Board follows an annual agenda with special themes and fixed decision points, such as approval of the year-end report, interim reports and budget. The Board also reaches decisions on matters of principle or of major financial significance, such as the company's overall strategy, extensive structural and organizational changes, and major investments. The work of the Board is otherwise governed by the rules of procedure for the Board of Directors and the instruction for the President as prescribed by the Board.

SAS Group Summary Statement of Income – quarterly figures

	1998		1999					**2000**				
MSEK	Oct.-Dec.	Full year Jan.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Full year Jan.-Dec.	**Jan.-Mar.**	**Apr.-Jun.**	**Jul.-Sep.**	**Oct.-Dec.**	**Full year Jan.-Dec.**
Operating revenue	10,909	40,946	10,103	11,704	10,400	11,539	43,746	**10,756**	**12,275**	**11,700**	**12,809**	**47,540**
Payroll expenses	–3,595	–13,080	–3,652	–3,888	–3,610	–3,675	–14,825	**–3,739**	**–3,792**	**–3,697**	**–3,700**	**–14,928**
Other operating expenses	–6,503	–23,751	–6,330	–6,839	–6,244	–6,761	–26,174	**–6,922**	**–7,232**	**–6,934**	**–7,801**	**–28,889**
Operating income before depreciation	811	4,115	121	977	546	1,103	2,747	**95**	**1,251**	**1,069**	**1,308**	**3,723**
Depreciation	–537	–2,125	–481	–515	–545	–546	–2,087	**–470**	**–463**	**–510**	**–749**	**–2,192**
Share of income in affiliated companies	–13	–20	33	39	45	–40	77	**62**	**4**	**–18**	**–49**	**–1**
Income from the sale of shares in subsidiaries and affiliated companies	1	1	150	2	134	–3	283	**0**	**0**	**17**	**1,016**	**1,033**
Income from the sale of aircraft and buildings	177	1,014	16	44	43	623	726	**17**	**266**	**–21**	**228**	**490**
Operating income	439	2,985	–161	547	223	1,137	1,746	**–296**	**1,058**	**537**	**1,754**	**3,053**
Income from other shares and participations	1	1	221	0	0	196	417	**0**	**11**	**0**	**4**	**15**
Net financial items	–62	–129	–71	–40	–118	–88	–317	**–7**	**–27**	**–208**	**–53**	**–295**
Income before taxes	378	2,857	–11	507	105	1,245	1,846	**–303**	**1,042**	**329**	**1,705**	**2,773**

SAS Group Statement of Income (Note 1)

MSEK	Note	2000	1999
Operating revenue	2	**47,540**	43,746
Payroll expenses	3	**–14,928**	–14,825
Other operating expenses	4	**–28,889**	–26,174
Operating income before depreciation		**3,723**	2,747
Depreciation	5	**–2,192**	–2,087
Share of income in affiliated companies	6	**–1**	77
Income from the sale of shares in subsidiaries and affiliated companies		**1,033**	283
Income from the sale of aircraft and buildings	7	**490**	726
Operating income		**3,053**	1,746
Income from other shares and participations	8	**15**	417
Interest income and similar income items	9	**503**	451
Interest expenses and similar income items	10	**–798**	–768
Income before taxes		**2,773**	1,846
Subsidiaries' and affiliated companies' taxes	11, 22	**–306**	–159
Minority shares		**5**	–1
Income before taxes relating to the SAS Consortium and the SAS Commuter Consortium		**2,472**	1,686

Income by business area

MSEK	2000	1999
SAS		
Income before depreciation	**3,304**	2,292
Depreciation	**–2,042**	–1,903
Share of income in affiliated companies	**–47**	50
Income from the sale of shares in subsidiaries and affiliated companies	**1,052**	–3
Income from the sale of aircraft and buildings	**204**	724
Income from other shares and participations	**15**	418
Net financial items	**–318**	–271
SAS – Income before taxes	**2,168**	1,307
SAS International Hotels		
Income before depreciation	**396**	459
Depreciation	**–148**	–183
Income in affiliated companies	**45**	26
Capital gains	**267**	288
Net financial items	**23**	–46
SIH–Income before taxes	**583**	544
Other operations/Group eliminations	**22**	–5
Income before taxes	**2,773**	1,846

Currency effects on the SAS Group's income

Operating revenue as well as operating expenses and financial items are affected significantly by exchange rate fluctuations. Only approximately 31% of operating revenue and 26% of operating expenses are denominated in Swedish kronor.

The aggregate effect of changed exchange rates on the SAS Group's operating income for 2000 compared with 1999 was positive and amounted to MSEK 203. This is mainly a consequence of the strong U.S. dollar and a weaker Danish krone than in 1999. The difference between the years in the effect of exchange rate differences on the net financial debt was positive at MSEK 54.

The total effect on income before taxes was therefore an exchange gain of MSEK 257.

MSEK	
Operating revenue	231
Operating expenses including translation of working capital	–28
Operating income	**203**
Financial items	54
Income before taxes	**257**

Comments on the Statement of Income

The SAS Group's operating revenue rose by MSEK 3,794 or 8.7% to MSEK 47,540. MSEK 3,115 of this increase was higher passenger revenue, MSEK 448 increased operating revenue in other areas, and MSEK 231 currency effects. SAS's passenger traffic measured in RPK, revenue passenger kilometers, increased by 7.0% compared with 1999. Unit revenue, yield, increased by 1.9% adjusted for currency effects.

Operating expenses rose by MSEK 2,818 or 6.9%. The number of employees in the SAS Group rose 2.1% and payroll expenses were MSEK 103 or 0.7% higher than in 1999. Other operating expenses increased by 10.4%. The operating expenses in SAS's airline operations rose by MSEK 2,601 or 6.7%.

The price of jet fuel in Europe, where SAS has the greater part of its consumption, was 71% higher in 2000 than in the previous year. Since SAS hedges part of its anticipated consumption on a rolling 12-month basis, a significant part of the price increase on jet fuel could be avoided. SAS's fuel costs amounted to MSEK 3,959 (2,282) during the year, an increase of 73%. Of this, the increased price of jet fuel accounts for 56 percentage points and volume and currency effects total 17 percentage points.

Selling costs rose from MSEK 2,064 to MSEK 2,443, which was due, among other things, to a raising of agents' commission compared with 1999. The costs of aircraft leasing rose 41% due to sale and leaseback transactions.

SAS's production increased by 1.7% and the unit cost fell 3.0%, excluding the fuel price effect.

Operating income before depreciation amounted to MSEK 3,723 (2,747), an increase of 26% after inclusion of a positive currency effect on operating income of MSEK 203. The gross profit margin increased from 6.3% to 7.8%.

Share of income in affiliated companies amounted to MSEK –1 (77). This decrease in earnings mainly arose in Polygon Group Ltd due to a deficit in the insurance business. Goodwill depreciation is included in a total amount of MSEK 32 (29).

Income from the sale of shares in subsidiaries and -affiliated companies, MSEK 1,033 (283), mainly comprises a capital gain of MSEK 1,031 from the sale in December of 20% of the shares in British Midland PLC.

During the year aircraft sales were carried out with capital gains of MSEK 206 (824). Sales and generated gains: two Fokker F28s, MSEK 27, one SAAB 340, MSEK 27, and four deHavilland Dash-8s, MSEK 11. In addition, sale and leaseback in the form of operating leasing of six Boeing 737s provided MSEK 121, six deHavilland Q400s, MSEK 51, six Fokker F50s, MSEK 16, and one Boeing 767, MSEK 190.

SAS is currently replacing parts of its aircraft fleet and Douglas DC-9s, Boeing 767s and Fokker F50s will be successively replaced over a four-year period by Airbus 321s, Airbus 330/340s and deHavilland Q400s.

This will result in additional costs for phasing in the new aircraft types in the form of training for crews and technical staff, etc. SAS will also incur additional costs for phasing out the aircraft which must be returned to their owners or sold, and for retaining crews for the aircraft types being phased out. The additional costs incurred in 2000 reduced capital gains by MSEK 218.

Thirty MD-80s, nine Boeing 737s, one SAAB 340 and five Fokker F 28s were sold in 1999.

The capital gain from the sale of buildings amounts to MSEK 284 (–98). Capital gains in 2000 mainly pertained to the sale of the Radisson SAS Scandinavia Hotel in Oslo, MSEK 286.

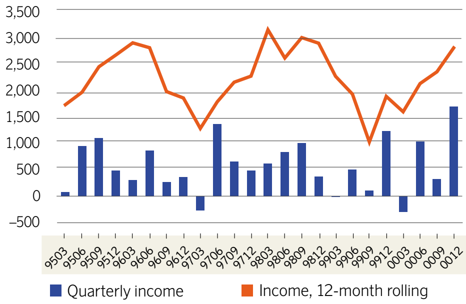
Income from other shares and participations, MSEK 15 (417), includes the sale of shares in Dar-es-Salaam Airport Handling Co Ltd, MSEK 11, and Hawaiian Airlines, MSEK 4.

The SAS Group's net financial items amounted to MSEK –295 (–317). Net interest was MSEK –278 (–273). The currency effect was MSEK 15 (–39).

Income before taxes amounted to MSEK 2,773 (1,846).

MSEK 155 (12) of subsidiaries' total tax expense was provision for deferred tax.

Income before taxes
MSEK



SAS Group Balance Sheet (Note 1)

ASSETS

MSEK	Note	2000	1999
Fixed assets			
Intangible fixed assets	12	**692**	650
Tangible fixed assets	12		
Land and buildings		**5,051**	5,964
Aircraft		**14,259**	10,791
Spare engines and spare parts		**1,727**	1,459
Workshop and aircraft servicing equipment		**292**	292
Other equipment and vehicles		**1,794**	2,102
Construction in progress		**118**	298
Prepayments for tangible fixed assets	13	**3,575**	2,554
		26,816	23,460
Financial fixed assets	12		
Equity in affiliated companies	14	**977**	818
Long-term receivables from affiliated companies	15	**339**	360
Shares and participations	16	**186**	82
Pension funds, net	21	**3,578**	2,498
Other long-term receivables	22	**832**	717
		5,912	4,475
Total fixed assets		**33,420**	28,585
Current assets			
Expendable spare parts and inventories	17	**1,288**	1,061
Prepayments to suppliers		**6**	2
		1,294	1,063
Current receivables			
Accounts receivable		**3,243**	3,001
Receivables from affiliated companies		**83**	113
Other receivables	18	**1,087**	1,303
Prepaid expenses and accrued income		**1,236**	1,544
		5,649	5,961
Short-term investments	19	**8,143**	7,056
Cash and bank balances		**821**	1,432
Total current assets		**15,907**	15,512
TOTAL ASSETS		**49,327**	44,097

SHAREHOLDERS' EQUITY AND LIABILITIES

MSEK	Note	2000	1999
Shareholders' equity	20		
Capital account		**17,966**	15,179
Other equity		**1,571**	1,882
		19,537	17,061
Minority interests		**131**	134
Provisions			
Pensions and similar commitments	21	**83**	133
Deferred tax liability	22	**409**	289
		492	422
Long-term liabilities	23		
Subordinated debenture loan	24	**840**	772
Bond issues	25	**0**	226
Other loans	26	**10,306**	8,292
Long-term liabilities to affiliated companies	27	**42**	0
Other liabilities		**505**	904
		11,693	10,194
Current liabilities			
Current portion of long-term loans		**2,119**	1,253
Loans	29	**2,757**	2,552
Prepayments from customers		**58**	56
Accounts payable		**2,736**	2,371
Liabilities to affiliated companies		**9**	101
Taxes payable		**86**	55
Unearned transportation revenue	30	**2,115**	2,109
Proposed transfer to parent companies		**–**	770
Other liabilities		**1,481**	1,606
Accrued expenses and prepaid income		**6,113**	5,413
		17,474	16,286
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**49,327**	44,097
Pledges to secure own liabilities and provisions	31	**936**	1,320
Other pledges and collateral	31	**28**	66
		964	1,386
Contingent liabilities	32	**878**	1,237
Leasing commitments	33		

Comments on the Balance Sheet

Assets

The SAS Group's total assets increased by 11.9% during the year to MSEK 49,327.

The increase in intangible assets, MSEK 42, stems among other things from IT development costs of MSEK 275 and depreciation, etc., of MSEK 233.

Land and buildings decreased by MSEK 913, mainly due to the sale of the hotel in Oslo and airport buildings.

The book value of aircraft increased by MSEK 3,468. This change includes an increase due to investment in Boeing 737s and deHavilland Q400s, including prepayments made earlier totaling MSEK 7,219. Some aircraft are owned by SAS's subsidiaries. Deductible items are depreciation for the year of MSEK 870, residual value of sold aircraft, etc., MSEK 2,468, and reclassification from long-term liabilities to reserve for engine maintenance, MSEK –413.

Long-term prepayments to suppliers of flight equipment increased by MSEK 1,021 during the year. Advances to Boeing and Bombardier were utilized in an amount of MSEK 1,527 in connection with deliveries during the year. Prepayments of MSEK 2,267 were made for future deliveries of Boeing 737s and Airbus 321/330/340s. Capitalized financial expenses and translation differences were added with MSEK 195 and MSEK 77 respectively.

Equity shares in affiliated companies rose by MSEK 159 to MSEK 977. Investments totaling MSEK 390 were made during the year. Shares of income after taxes were negative at MSEK 2. Equity shares decreased by MSEK 249 due to divestment of 20% of the shares in British Midland PLC. In addition, equity shares increased by MSEK 20 due to exchange rate fluctuations, etc.

SAS treats all its defined benefit pension plans in accordance with IAS, which means that pension commitments are calculated based on PBO (Projected Benefit Obligation) and that all funded assets are taken into account. Application of these principles, among others, resulted at December 31, 2000, in net pension assets of MSEK 3,578 (2,498) (see further Accounting and valuation principles page 73 and Note 21).

At year-end, short-term liquid assets amounted to MSEK 8,964 (8,488) or 18.2% (19.2%) of total assets.

In January 2001, SAS – through its subsidiary Nordair A/S – invested MSEK 165 corresponding to 12.2% of the shares in Expo Investment Partnership L.P., which owns 6.7% (after full conversion) of the shares in Air Canada.

Shareholders' equity

Shareholders' equity increased by MSEK 2,476 (951) to MSEK 19,537 (17,061). In addition to income for the year after taxes, the change was due to positive translation differences in foreign subsidiaries and affiliated companies as well as changes in equity shares in affiliated companies. The equity/assets ratio was 41% (40%) at year-end and return on equity after standard tax amounted to 11% (8%).

The proposed transfer to SAS's parent companies is not entered as a liability at December 31, 2000. Calculated in a similar manner, the equity/assets ratio was 41% at December 31, 1999.

Liabilities

MSEK 16,147 (13,246) of total liabilities were interest-bearing.

The interest-bearing net debt at December 31, 2000, amounted to MSEK 2,393 (1,344). The SAS Group's average net debt during the year was MSEK 3,900 (4,900). The debt/equity ratio at December 31, 2000, was 0.12 (0.08).

The SAS Group has available loan facilities, signed 1996-1998, amounting to MUSD 684. In addition, SAS has unutilized commercial paper programs of MSEK 2,491 and MUSD 121 at its disposal.

Provision for marginal costs associated with the provision of free travel in exchange for redemption of points earned by EuroBonus members amounted to MSEK 678 (535) at December 31, 2000.

Total capital employed amounted to MSEK 35,815 (30,441) at year-end. Average capital employed during the year was MSEK 32,401 (29,896). Return on capital employed was 11% (9%).

The SAS Group's balance sheet illustrated as a glass mobile.

This work of art was created by high school students Åsa Bjerregaard and Katarina Värn from Kristofferskolan in Stockholm. SAS has bought the mobile, thus supporting SOS Children's Villages.

SAS Group Cash Flow Statement

MSEK	**2000**	1999
THE YEAR'S OPERATIONS		
Income before taxes	**2,773**	1,846
Depreciation	**2,192**	2,087
Income from the sale of fixed assets	**–1,538**	–1,426
Adjustment for items not included in cash flow, etc.	**–535**	–334
Cash flow from operations	**2,892**	2,173
Change in:		
Expendable spare parts and inventories	**–227**	–71
Operating liabilities	**438**	–823
Change in working capital	**834**	583
Change in working capital	**1,045**	–311
Net financing from the year's operations	**3,937**	1,862
INVESTMENTS		
Aircraft	**–5,684**	–2,932
Spare parts	**–504**	–363
Buildings, equipment and other facilities	**–687**	–1,064
Shares and participations, goodwill, etc.	**–744**	–490
Prepayments for flight equipment	**–2,267**	–1,133
Total investments	**–9,886**	–5,982
Sale of fixed assets	**5,539**	6,550
Translation differences, etc.	**20**	51
Net investments	**–4,327**	619
Payments to parent companies	**–770**	–957
Financing deficit/surplus	**–1,160**	1,524
EXTERNAL FINANCING		
Borrowing, amortization and early redemption including translation differences, net	**3,060**	429
Other financial receivables/liabilities, net	**–1,426**	–1,618
Change in minority interest	**2**	5
External financing, net	**1,636**	–1,184
CHANGE IN LIQUID ASSETS ACCORDING TO BALANCE SHEET	**476**	340
Liquid assets, January 1	**8,488**	8,148
Liquid assets, December 31	**8,964**	8,488

Comments on the Cash Flow Statement

The SAS Group's cash flow before changes in working capital and investments amounted to MSEK 2,892 (2,173). Working capital decreased by MSEK 1,045. In the previous year, working capital rose by MSEK 311.

Investments including prepayments to aircraft suppliers amounted to MSEK 9,886 (5,982). SAS accounted for MSEK 9,578 (5,832) of investments and SAS International Hotels for MSEK 308 (150). This includes delivery payments of MSEK 5,684 for 19 Boeing 737s and eleven deHavilland Q400s as well as prepayments to aircraft suppliers in a net amount of MSEK 2,267.

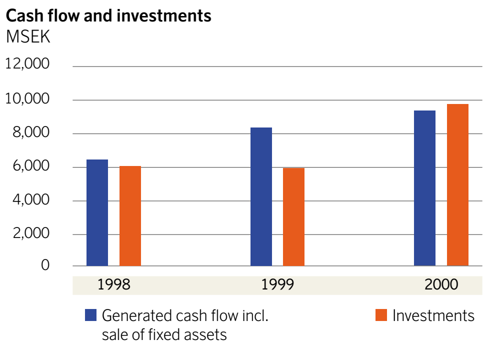
Investments in shares and participations include the affiliated companies Spanair, Newco Airport Services and Malmaison, MSEK 350. MSEK 275 was invested in intangible assets during the year.

The sale of fixed assets generated MSEK 5,539 (6,550) of which sales proceeds from the sale of aircraft amounted to MSEK 3,086 (4,989). Sale of shares and participations provided MSEK 1,562 (1,533), of which the sale of shares in British Midland accounted for MSEK 1,302 and a hotel in Düsseldorf for MSEK 244. In addition, properties were sold for MSEK 891 (28), of which Radisson SAS Scandinavia in Oslo provided MSEK 705.

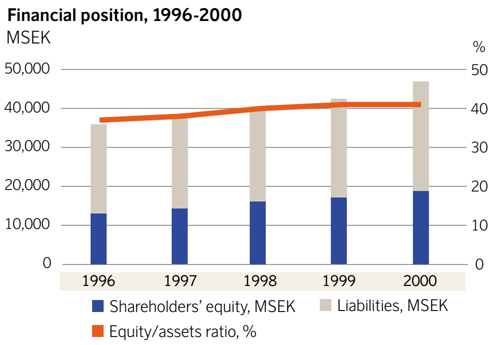
Cash flow after net investments thus amounted to MSEK –390 (2,481). After payment of MSEK 770 (957) to the parent companies, the financing deficit was MSEK 1,160 (surplus 1,524).

Financial liabilities rose by MSEK 3,060 in 2000, and mainly consisted of a net of just over MSEK 3,300 in new borrowing as well as amortization and redemption of loans for MSEK 550. Other financial assets increased by MSEK 1,426, mainly due to increased long-term investments in pension plans.

Taken overall, the SAS Group's liquid assets increased by MSEK 476.



Cash flow including sale of fixed assets has exceeded investments over the past two years. Although investments rose MSEK 3,904 compared with 1999 due to the started renewal of the aircraft fleet, cash flow was on a par with investments.



Shareholders' equity increased in 2000 and amounted to MSEK 19,537 at December 31, 2000. The equity/assets ratio has strengthened from 38.5% to 41% over the past five years.

Transfer to parent companies

The Board of Directors and the President propose to the SAS Assembly of Representatives that an amount of MSEK 740 be transferred to the parent companies.

Forecast for the full year 2001

Since the airline industry achieved a better balance between supply and demand in 2000, a positive yield development is anticipated in 2001. SAS's positive unit cost trend in 2000 is expected to persist as a result of both continued efficiency enhancement of operations and the effects of the ongoing renewal of the aircraft fleet.

There is uncertainty, however, about the development of the U.S. economy and the consequences of this for SAS's core markets in Europe. Based on its own sales forecasts, however, SAS expects a continued favorable traffic and revenue development in the current year. Passenger traffic is expected to increase by 9%, which is higher than general market growth.

After a successful year for SAS's operations, although with historically high fuel costs, the Board expects a significant improvement in operating income for the full year 2001. In addition, capital gains are expected to amount to at least MSEK 500.

Despite continued high investments, the increase in the net debt will be modest.

This assessment is based on a scenario with continued moderate economic growth in SAS's main markets in Europe. Equally, the forecast is based on the exchange rate situation as it is known today as well as anticipated stability in the financial markets.

Stockholm, February 13, 2001

Bo Berggren	**Harald Norvik**	**Erik Sørensen**
Urban Jansson	**Bjørn Eidem**	**Anders Eldrup**
Leif Kindert	**Ingvar Lilletun**	**Helmuth Jacobsen**

Jan Stenberg
President and CEO

Accounting and valuation principles

General

The SAS Group's financial statements are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC). Changed accounting principle, see Note 1.

Consolidated accounts

Definition of Group and affiliated companies:

The financial statements of the SAS Group include the SAS Consortium, its subsidiaries and affiliated companies, and the SAS Commuter Consortium.

Revenues and expenses in companies acquired or sold during the year are included in the SAS Group's statement of income only for the time they belonged to the SAS Group.

Holdings in affiliated companies in which the SAS Group's ownership is at least 20% and no more than 50%, are reported according to the equity method.

Principles of consolidation

The consolidated financial statements are prepared according to the purchase method, whereby subsidiaries' assets and liabilities are reported at fair market value according to an acquisition analysis. If the acquisition value of shares in a subsidiary exceeds the calculated market value of the company's net assets according to the acquisition analysis, the difference is reported as consolidated goodwill. Accordingly, the SAS Group's balance sheet includes equity in acquired companies only to the extent it has arisen after the date of acquisition.

The book value of shares in affiliated companies is reported in accordance with the equity method. This means that the SAS Group's share of the affiliated companies' equity comprises its share of shareholders' equity, taking into account deferred tax rates according to the tax rates in the countries concerned and any residual surplus or deficit values.

The SAS Group's share of affiliated companies' income before taxes, adjusted for any depreciation or dissolution of acquired surplus or deficit values, is reported in the SAS Group's statement of income as shares of income.

Translation of financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries are translated into Swedish kronor using the current method. This entails all subsidiaries' assets and liabilities being translated at the closing rate, while all income statement items are translated at the average rate of exchange for the year. Translation differences are posted directly to the SAS Group's shareholders' equity.

Receivables and liabilities in foreign currency and financial instruments

Current and long-term receivables and liabilities in currencies other than the consolidation currency (SEK) are stated in the balance sheet translated at closing rates. Both realized and unrealized exchange gains and losses on receivables and liabilities are posted to income. See also Note 9.

SAS uses various financial instruments to manage the company's total currency and interest-rate exposure. The use of these instruments must be seen in the context of the aforementioned receivables and liabilities. The following accounting and valuation principles are applied:

Forward exchange contracts: Financial forward exchange contracts are valued at their market value on the balance sheet date. Unrealized exchange gains or losses are posted to income. The difference between the forward rate and the current rate on the date the contract is entered into (forward premium) comprises an interest rate difference, which is reported under net interest income. This item is accrued over the term of the contract.

Currency swap contracts: Currency swap contracts are valued at market exchange rates on the balance sheet date. Unrealized exchange gains or losses are posted to income. The net income effect of interest income and interest expenses associated with the currency swap contract is accrued over the term of the contract and included in income.

Currency options: Financial currency options are valued at their market value on the balance sheet date. Unrealized exchange gains or losses are posted to income.

Interest rate swap contracts: The net effect of interest income and expenses under interest rate swap contracts is posted to income as incurred.

See further Note 28 – Financial instruments.

Expendable spare parts and inventories

Expendable spare parts and inventories are stated at the lower of acquisition or actual value. Appropriate deduction is made for obsolescence.

Fixed assets and depreciation

Fixed assets are booked at acquisition cost less accumulated depreciation. Depreciation is carried out according to plan based on the estimated useful economic life of the asset.

A straight-line depreciation method over 20 years with 10% residual value is applied to aircraft as of January 1, 1999. Straight-line depreciation over 15 years with 10% residual value was previously applied.

Interest expenses on prepayments for aircraft not yet delivered are capitalized. If it is decided to postpone deliveries of aircraft for which prepayments have been made, capitalization of interest expenses ceases. On commissioning of the aircraft, depreciation of the capitalized interest begins, in accordance with the main principle for aircraft.

Workshop and aircraft servicing equipment plus other equipment and vehicles are depreciated over a period of 5 years. The annual depreciation of buildings varies between 2 and 20%.

Significant amounts relating to IT development are capitalized and depreciated over 3 to 5 years.

Amortization of goodwill attributable to long-term investments of strategic importance to SAS's operations takes place over a period of up to 20 years. Depreciation of other intangible assets occurs over the estimated useful economic life of the asset.

Major modifications and improvements to fixed assets are capitalized and depreciated over their estimated useful economic lives.

Investments in own and leased premises are in principle amortized over their estimated useful economic lives, but not over a period exceeding the leasing period for leased premises.

Pension commitments

SAS's pension commitments are mainly secured through various pension plans. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries.

For pension plans where SAS has accepted responsibility for defined contribution solutions, the obligation to the employees ceases when the contractual premiums have been paid.

For other pension plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid. SAS calculates its pension commitments for the defined benefit plans based on the method defined in FASB87 and supported in IAS 19. Both the Accumulated Benefit Obligation (ABO) and the Projected Benefit Obligation (PBO) are calculated. Under ABO, the commitments are based on current salary, while under PBO the obligations are calculated based on estimated final salary. An estimate of accumulated pension assets is made at the same time. The commitments are stated in the accounts on the basis of PBO.

Pension costs for the year comprise the present value of pension earnings for the year, plus interest on the obligation at the beginning of the year, less return on funds invested. Amortization of actuarial gains and losses and plan amendments are added to this total for certain pension plans. Such computation differences are amortized using two different methods. Plan amendments are amortized over the average remaining working lives of employees participating in the pension plan. SAS also uses an alternative method for allocating deviations between anticipated and actual results for calculated pension obligations and funds invested. Cumulative actuarial gains and losses of up to 10% of the greater of pension obligations and pension assets are exempted. When the cumulative actuarial gains and losses exceed this 10% limit, amortization starts of the excess amount over 5 years.

In 1999, an allocation in the form of so-called client company pension funds in Alecta pensionsförsäkring (formerly Försäkringsbolaget SPP) in Sweden of MSEK 3,063 was identified for the SAS Group. This allocation did not in itself affect the SAS Group's income for 2000 since SAS has reported pension commitments in accordance with IAS since 1996.

Traffic revenue

Ticket sales are reported as traffic revenue on completion of the air journey.

The value of tickets sold and still valid but not yet used on the balance sheet date is reported as unearned transportation revenue. This item is reduced either when SAS or another airline completes the air journey or when the passenger requests a refund.

A portion of unearned transportation revenue covers tickets sold that are expected to remain unutilized. An estimate of unutilized tickets' anticipated share of the unearned transportation liability is produced annually. This reserve is reported as revenue the following year in accordance with established principles.

EuroBonus

SAS makes ongoing provisions as EuroBonus points are earned for the marginal costs associated with the provision of free travel in exchange for redemption of the points earned by EuroBonus members.

Maintenance costs

Routine aircraft maintenance and repair costs are charged to income as incurred.

Accrual accounting was carried out for future external costs for engine maintenance of the Douglas MD-80 type through 1999. Provisions for future engine maintenance are made for Boeing 767s, Boeing 737s and Douglas MD-90s, and provisions for future maintenance costs are made for Fokker F50s.

In accordance with IAS37, these provisions have been reclassified as accumulated depreciation of aircraft with effect from January 1, 2000. When maintenance costs arise, these will be charged against the acquisition value of aircraft and written off based on useful economic life.

Exchange rates for key currencies

			Closing rate		Average rate	
			2000	1999	**2000**	1999
Denmark	DKK	100	**118.64**	115.05	**113.32**	118.52
Norway	NOK	100	**107.16**	106.05	**104.11**	106.01
USA	USD		**9.50**	8.53	**9.16**	8.26
U.K.	GBP		**14.20**	13.80	**13.86**	13.37
Switzerland	CHF	100	**580.42**	533.60	**542.50**	550.71
Japan	JPY	100	**8.28**	8.34	**8.50**	7.28
EMU countries	EUR		**8.85**	8.56	**8.44**	8.82

Notes

Expressed in millions of Swedish kronor (MSEK) unless otherwise stated.

Note 1 – Changed accounting principle

In accordance with International Accounting Standard (IAS) 37, no provision for future external costs for maintenance of aircraft and engines is made with effect from 2000. Accrued maintenance costs at December 31, 1999, of MSEK 413 are reclassified as a reduction of the aircrafts' book value and will therefore not affect shareholders' equity. In line with the above-mentioned accounting standard, as of December 31, 2000, proposed transfers to SAS's parent companies are not booked as a liability. No adjustments have been made to 1999 figures.

Note 2 – Operating revenue

	2000	1999
Traffic revenue:		
Passenger revenue:	**33,390**	30,275
Freight	**2,251**	2,077
Mail	**307**	301
Other traffic revenue	**1,263**	1,338
Other operating revenue		
Technical maintenance	**786**	804
Ground services	**887**	772
Distribution system services	**825**	905
Other operating revenue	**2,623**	2,049
SAS Trading	**2,148**	2,347
SAS total	**44,480**	40,868
SAS International Hotels	**3,122**	2,963
Other subsidiaries	**64**	64
Group eliminations	**–126**	–149
Operating revenue	**47,540**	43,746

Passenger revenue by geographic area

	2000	1999
Intercontinental	**4,876**	4,212
Europe	**13,692**	12,207
Intra-Scandinavian	**4,771**	4,555
Domestic	**10,051**	9,301
Total	**33,390**	30,275

Note 3 – Payroll expenses

The average number of employees in the SAS Group's different business areas in 2000 was 30,939 (30,310), of whom 27,767 (27,201) were employed at SAS and 3,131 (3,071) at SAS International Hotels.

A breakdown of the average number of employees by country is provided in the table above to the right.

The average number of employees in Denmark was 9,025 (9,320), in Norway 9,370 (9,011), and in Sweden 10,006 (9,476).

Note 3, cont.

The SAS Group's total payroll expenses amounted to MSEK 13,882 (13,761), of which social security expenses comprised MSEK 1,903 (1,760) and pensions MSEK 137 (432).

Average number of employees

	2000		1999	
	Men	**Women**	Men	Women
Denmark	**5,854**	**3,171**	5,907	3,413
Norway	**5,392**	**3,978**	5,178	3,833
Sweden	**5,524**	**4,482**	5,251	4,225
U.K.	**261**	**387**	288	429
Germany	**200**	**190**	180	172
France	**29**	**68**	28	60
Japan	**23**	**49**	26	39
Finland	**234**	**333**	200	288
Belgium	**40**	**36**	41	32
USA	**122**	**211**	105	161
Other countries	**136**	**219**	176	278
Total	**17,815**	**13,124**	17,380	12,930
Total men and women	**30,939**		30,310	

Remuneration to senior executives

In 2000, SEK 3,120,000 was paid to members of the SAS Consortium's Board of Directors, of which SEK 336,000 to the Chairman of the Board, a total of SEK 652,000 to the two Vice Chairmen and a total of SEK 1,302,000 to other Board members, including employee representatives. In addition, a total of SEK 830,000 was paid to deputy members of the Board. These fees are determined by the SAS Assembly of Representatives.

During 2000, no member of the Board was employed in the SAS Group, with the exception of the employee representatives and their deputies.

Salary and the value of benefits paid in 2000 to the President of the SAS Consortium, who also services as chief executive officer, totaled SEK 6,966,000, of which SEK 1,000,000 related to a bonus for 1999.

The President's retirement age is 62. The pension is based on salary at retirement and comprises 38.86% of pensionable salary expressed at the 2000 level between the ages of 62 and 65, and 36.56% from the age of 65. Other senior executives at SAS are entitled to a pension at the age of 60 and earn on a straight-line basis up to retirement age. The pension level for a Swedish employee with fully earned entitlement amounts to 70% of pensionable salary up to 30 base amounts (SEK 1,098,000) and 35% of salary in excess of that amount. Alternatively, a pension plan is provided based on premiums paid. The same basic pension system structure applies to Danish and Norwegian senior executives, adjusted to Danish and Norwegian conditions, respectively.

Severance pay is payable to the President and other SAS senior executives in the event employment is terminated by SAS for reasons other than breach of contract or neglect of duty. The amount corresponds to two annual salaries and up to 50% is reduced by the remuneration received from a new employer during the same period.

Neither the President nor other senior executives are entitled to fees for directorships in the SAS Group or in companies in which SAS has ownership interests or with which SAS cooperates.

Note 4 – Other operating expenses

	2000	1999
Leasing costs	**1,898**	1,346
Selling expenses	**2,443**	2,064
Jet fuel	**3,959**	2,282
Government user fees	**3,740**	3,796
Catering costs	**1,791**	1,772
Handling costs	**1,926**	1,935
Technical aircraft maintenance	**2,285**	2,134
Data and telecommunication costs	**2,182**	2,204
Other operating expenses, SAS Trading	**1,822**	1,906
Other operating expenses, SIH	**1,568**	1,410
Other	**5,275**	5,325
Total	**28,889**	26,174

Note 5 – Depreciation

	2000	1999
Goodwill and intangible assets	**205**	28
Aircraft	**870**	950
Spare engines and spare parts	**154**	132
Workshop and aircraft servicing equipment	**96**	63
Other equipment and vehicles	**579**	583
Buildings and fittings	**287**	330
Land improvements	**1**	1
Total	**2,192**	2,087

Note 6 – Share of income in affiliated companies[1]

	2000	1999
British Midland PLC [2]	**29**	39
Polygon Group Ltd [3]	**–87**	–7
Cimber Air A/S	**–13**	9
Spanair S.A. [4]	**7**	14
Skyways Holding AB	**–2**	6
Grønlandsfly A/S	**–12**	8
airBaltic Corporation S/A	**–9**	–23
Airnet I/S	**2**	3
Commercial Aviation Leasing Ltd	**10**	–
Accrual of internal profit for Commercial Aviation Leasing Ltd	**40**	–
Casino Denmark A/S	**20**	15
SNR Amsterdam Hotel CV	**16**	11
Others	**–2**	2
Total [5]	**–1**	77

[1] *Share of income in affiliated companies is reported before taxes.*
[2] *Share of income includes amortization of goodwill by MSEK 24 (23) and adjustment of last year's income figure by MSEK 34 (18).*
[3] *Share of income includes adjustment of last year's income figure by MSEK –49 (3).*
[4] *Based on annual financial statements as per October 31, 2000.*
[5] *Includes amortization of goodwill (incl. British Midland PLC) totaling MSEK 32 (29).*

In some cases, SAS's share of income in affiliated companies is based on preliminary unaudited accounts from the companies.

Note 7 – Income from the sale of aircraft and buildings

	2000	1999
SAS – sale of Boeing 767	**190**	–
SAS – sale of Douglas MD-80	**–19**	431
SAS – sale of SAAB 340	**27**	27
SAS – sale of Boeing 737	**121**	306
SAS – sale of Fokker F50	**16**	–
SAS – sale of Fokker F28	**27**	65
SAS – sale of deHavilland Q400	**51**	–
SAS – sale of deHavilland Dash 8	**11**	–5
SAS – phasing in costs, new aircraft types	**–127**	–
SAS – phasing out costs in connection with sale of aircraft	**–91**	–
SAS – sale of buildings	**–2**	–100
SIH – sale of buildings	**286**	2
Total	**490**	726

Note 8 – Income from other shares and participations

	2000	1999
Capital gain from the sale of shares	**15**	417
Total	**15**	417

Note 9 – Interest income and similar income items

	2000	1999
Interest income	**476**	414
Exchange rate differences, net	**15**	0
Other financial income	**12**	37
Total	**503**	451

Note 10 – Interest expenses and similar income items

	2000	1999
Interest expenses	**754**	687
Exchange rate differences, net	**0**	39
Other financial expenses	**44**	42
Total	**798**	768

Note 11 – Subsidiaries' and affiliated companies' taxes

	2000	1999
Subsidiaries' current tax expense	**150**	126
Affiliated companies' current tax expense	**1**	21
Deferred tax expense in subsidiaries in respect of temporary differences	**155**	12
Total	**306**	159

Note 12 – Fixed assets

Intangible and tangible fixed assets

	Intangible fixed assets	Land and buildings	Aircraft[1]	Spare engines and spare parts	Workshop & servicing equipment for aircraft	Other equipment and vehicles	Con-struction in progress	Prepay-ments fixed assets	Total tangible fixed assets
Opening acquisition value	930	7,862	15,977	2,364	840	5,528	298	2,563	35,432
Investments	275	16	5,684	504	100	329	242	2,267	9,142
Capitalized interest	–	–	–	–	–	–	–	195	195
Sales/disposals	–45	–1,384	–3,137	–151	–12	–458	–	–	–5,142
Reclassifications	6	356	1,605	–	4	20	–422	–1,527	36
Exchange rate differences	1	21	16	1	–	48	–	77	163
Closing accumulated acquisition value	1,167	6,871	20,145	2,718	932	5,467	118	3,575	39,826
Opening depreciation	–280	–1,898	–5,186	–905	–548	–3,426	–	–9	–11,972
Depreciation for the year	–205	–288	–870	–154	–96	–579	–	–	–1,987
Sales/disposals	10	381	600	69	10	363	–	–	1,423
Reclassifications	–	–2	–421	–	–6	7	–	9	–413
Exchange rate differences	–	–13	–9	–1	–	–38	–	–	–61
Closing accumulated depreciation	–475	–1,820	–5,886	–991	–640	–3,673	–	0	–13,010
Closing planned residual value 2000	**692**[3]	**5,051**	**14,259**[2]	**1,727**	**292**	**1,794**	**118**	**3,575**	**26,816**
Closing planned residual value 1999	650	5,964	10,791	1,459	292	2,102	298	2,554	23,460

[1] The insured value of aircraft on December 31, 2000, amounted to MSEK 41,764. This includes the insured value of leased aircraft in the amount of MSEK 18,902.
[2] Estimated market value, excluding options, in Swedish kronor exceeded the book value by MSEK 5,013 (3,667) at year-end 2000.
[3] Includes MSEK 179 in capitalized costs during the year for systems development.

Financial fixed assets

	Equity affiliated companies	Long-term receivables affiliated companies	Shares and participations	Pension funds, net	Other long-term receivables	Total financial fixed assets
Opening acquisition value	818	360	156	2,498	1,082	4,914
Contributions	390	–	104	1,080	401	1,975
Share of income	–2	–	–	–	–	–2
Sales	–249	–	–1	–	–	–250
Amortization	–	–56	–	–	–166	–222
Dividend	–5	–	–	–	–	–5
Reclassifications	–	–7	–3	–	–67	–77
Exchange rate differences	52	42	5	–	7	106
Other	–27	–	–	–	–	–27
Closing accumulated acquisition value	977	339	261	3,578	1,257	6,412
Opening depreciation	–	–	–71	–	–	–71
Reclassifications	–	–	–	–	–	–
Exchange rate differences	–	–	–2	–	–	–2
Closing accumulated depreciation	–	–	–73	–	–	–73
Opening write-down	–	–	–3	–	–365	–368
Write-down for the year	–	–	–	–	–60	–60
Reversed write-down	–	–	–	–	2	2
Reclassifications	–	–	1	–	–	1
Exchange rate differences	–	–	–	–	–2	–2
Closing write-down	–	–	–2	–	–425	–427
Closing residual value 2000	**977**	**339**	**186**	**3,578**	**832**	**5,912**
Closing residual value 1999	818	360	82	2,498	717	4,475

Of previous years' aircraft acquisitions, 16 Douglas MD-80s, 1 Boeing 767, 6 Douglas MD-90s and 1 Fokker F28 were acquired, formally via finance lease contracts, with terms of 10-17 years.

On behalf of SAS, a number of banks have agreed to pay all accruing leasing fees and an agreed residual value for 3 of the Douglas MD-80s and 1 Fokker F28 aircraft at the expiry of each leasing period. SAS has irrevocably reimbursed the banks in an amount corresponding to full settlement for these payments. The total nominal value of the banks' payment commitment on behalf of SAS on December 31, 2000, was MSEK 322 (607).

With regard to other leased aircraft, the terms of the leasing contracts (particularly pertaining to SAS's call options during the contract period and at the expiry of the leasing contract, as well as the economic risk SAS has regarding the value of the aircraft) are such that the agreements, from SAS's point of view, are comparable to a purchase.

The 24 (28) finance leased aircraft are reported in the balance sheet in the amount of MSEK 2,713 (3,089).

SAS's aircraft holdings can be specified as follows:

	2000	1999
Owned	**11,546**	7,702
Finance leased (prepaid)	**166**	262
Other finance leased	**2,547**	2,827
Book value	**14,259**	10,791

Note 13 – Prepayments for tangible fixed assets

	2000	1999
Airbus	**2,307**	–
Boeing	**475**	1,321
Bombardier	**705**	1,219
Others	**88**	14
Total	**3,575**	2,554

Note 14 – Equity in affiliated companies

	SAS Group's holdings, %	2000	1999
British Midland PLC	20.0	**249**	461
Polygon Group Ltd	30.8	**131**	213
Cimber Air A/S	26.0	**116**	122
Spanair S.A.	49.0	**292**	130
Skyways Holding AB	25.0	**111**	114
Grønlandsfly A/S	37.5	**59**	70
airBaltic Corporation SIA	34.2	**–4**	6
Tradevision AB	30.0	**15**	
Newco Airport Services S.A.	45.0	**122**	1
Commercial Aviation Leasing Ltd	50.0	**138**	115
Elimination of internal profit for Commercial Aviation Leasing Ltd		**–357**	–396
Airnet I/S	50.0	**14**	12
Casino Denmark A/S	50.0	**34**	22
SNR Amsterdam Hotel CV	50.0	**23**	14
Malmaison WB SAS Hotels A/S	50.0	**86**	–
SAS Royal Viking Hotel	25.0	**10**	–
TTB Leisure Luxury Hotels	50.0	**8**	–
Others		**10**	14
Shareholding reserve		**–80**	–80
Total		**977**	818

Equity in affiliated companies includes acquired surplus value of MSEK 27 (76) in British Midland PLC, MSEK 78 (82) in Skyways Holding AB, and MSEK 72 (74) in Cimber Air A/S.

Note 15 – Long-term receivables from affiliated companies

	2000	1999
airBaltic Corporation SIA	**32**	74
Commercial Aviation Leasing Ltd	**307**	286
Total	**339**	360

Note 17 – Expendable spare parts and inventories

	2000	1999
Expendable spare parts, flight equipment	**861**	694
Expendable spare parts, other	**206**	141
Inventories	**221**	226
Total	**1,288**	1,061

Note 18 – Other receivables

Tax receivables of MSEK 30 (19) are included among other receivables in the SAS Group.

Note 19 – Short-term investments

On December 31, 2000, short-term investments consisted for the most part of special bank deposits and investments in government securities. Investments in government securities are valued at the lower of acquisition value and actual value. Short-term investments also include MSEK 160 (151) in blocked deposits in a tax deduction account in Norway.

Note 20 – Shareholders' equity

January 1, 2000	17,061
Change in translation differences, etc.	49
Change in share of equity in affiliated companies, etc.	–45
Income after taxes 2000	2,472
December 31, 2000	**19,537**

Note 16 – Shares and participations

	Domicile	Number of shares/ participations	%		Par value in 000s	Book value
Shares and participations						
Copenhagen International Hotels K/S	Copenhagen	1,343	11.3	DKK	134,000	49.8
ZAO	St. Petersburg	11,602,000	26.7	RUB	10	37.7
International Computer Service and Advice for Travel	Antwerp	8,166	10.0	BEF	8	30.0
Feri Otelcilik Ve Turizm AS	Istanbul	270,000	10.0	TRL	500	20.3
Aeroxchange Ltd	Dallas	18,868	9.0	USD	0	17.8
RDS Hotellis AS	Tallinn	570	14.1	EEK	570	16.8
Oslo Plaza Hotel AS	Oslo	3,100	10.0	NOK	3,100	7.5
SITA Foundation	Amsterdam	520,101	0.3			1.0
European Aviation College SA	Matacan	14,426	15.0	EUR	144	0.9
Vimich Hotel Kg	Hamburg	1	5.0	DEM	0	0.7
Arlanda Flygbränslehantering AB		720	16.8	SEK	720	0.7
Others						3.0
Total shares and participations						**186.2**

Note 21 – Pension funds, net/provisions for pensions and similar commitments

	2000	1999
Pension funds, net	**3,578**	2,498
Total	**3,578**	2,498
Provision for pensions, PRI	**20**	20
Pension liability, other	**5**	24
Other pension and employee commitments	**58**	89
Total provision for pensions and similar commitments	**83**	133

SAS reports pension commitments according to PBO (Projected Benefit Obligation).

When calculating SAS's pension commitments, the year's pension earnings and returns, the following long-term economic assumptions apply to the SAS Group which represent a weighted average:

Discount rate	6.8%
Long-term rate of return	8.8%
Inflation rate	3.0%
Future salary adjustments	3.0%
Future adjustments of current pensions	3.0%

In the financial statements, the commitments in the SAS Group are included as specified in the table below the item "unrecognized amounts" includes deviations from estimates, actuarial gains and losses and plan amendments. These are allocated according to two methods. Plan amendments are spread over the average remaining working lives of employees participating in the plan. Actuarial gains and losses are amortized over five years when they exceed 10% of the greater of pension obligation or pension assets.

Most pension plans in Scandinavia are defined benefit. Most pension plans are secured through insurance companies. The collective pension plans for salaried employees in Sweden and for employees in Norway are secured through defined benefit pension plans with insurance companies. For employees in Denmark, SAS mainly has defined contribution solutions.

The normal retirement age for SAS flight personnel is 60. According to agreements with SAS pilots in Denmark, Norway and Sweden, and with cabin crew in Sweden and Norway, voluntary early retirement with pension is allowed from the age of 55 at the earliest. SAS has also undertaken to pay a pension up to normal retirement age, 60, to pilots who have lost their licenses. The retirement age for cabin crew employed in Sweden is insured at 65, but once they reach the age of 50, the retirement age is reduced to 60. The estimated present value of all these obligations is included in SAS's calculated total pension commitment.

	2000	1999
Pensions earned during the year	**–1,727**	–1,651
Return on invested funds for the year	**2,028**	1,686
The year's amortization of estimate deviations and plan amendments	**293**	205
Impact on income for the year, net, pertaining to defined benefit pension plans	**594**	240

Status at December 31	2000	1999
Invested funds	**24,111**	20,982
Pension commitments according to PBO	**–18,288**	–15,898
Difference between invested funds and PBO	**5,823**	5,084
Unrecognized amounts: plan amendments, and deviations from estimates including real return	**–2,245**	–2,586
Booked assets	**3,578**	2,498

Note 21, cont.

Several of SAS's pension plans contain surplus assets. This contributed to the fact that the year's return on invested funds exceeds the cost of pension earnings calculated in accordance with applicable parameters. In addition, in some pension plans the real return was higher than SAS's estimated long-term return of 8.8% which is reflected in the item unrecognized estimate deviations.

Provision for other pension/employee commitments, MSEK 58 (89), includes long-term commitments undertaken by SAS in connection with action programs in previous years.

Note 22 – Deferred tax receivable/tax liability

	2000	1999
Deferred tax receivables in the balance sheet:		
Valued fiscal losses	**50**	94
Receivables	**18**	10
Total	**68**	104
Deferred tax liabilities in the balance sheet:		
Fixed assets	**251**	248
Provisions	**58**	11
Tax allocation reserve	**50**	30
Other temporary differences	**50**	–
	409	289
Deferred tax liability, net	**341**	185

Reconciliation of deferred tax liability/receivable, net:	
Liability, net, at December 31, 1999	185
Change according to statement of income	155
Exchange rate differences, etc.	1
Liability, net, at December 31, 2000	341

Note 23 – Maturity of long-term liabilities

Long-term liabilities that fall due more than five years after the balance sheet date

	2000	1999
Subordinated debenture loans	**840**	772
Other loans	**4,596**	3,300
Other liabilities	**30**	40
Total	**5,466**	4,112

Note 24 – Subordinated debenture loans

A subordinated debenture loan of 200 million Swiss francs was issued during the 1985/86 fiscal year. There is no set maturity date for this loan. SAS has an exclusive right to call in this loan every fifth year. The interest rate is fixed for 10-year periods and amounts to 3.625% per annum from 1996. In previous years, SAS has repurchased bonds for a nominal value of 55.3 million Swiss francs, after which the loan amounts to 144.7 million Swiss francs.

Note 25 – Bond issues

SAS's bond issues amounted to MSEK 541 (755), of which the current portion is MSEK 541 (529).

Specification of individual loans

Issued amount	Interest rate	Maturity	Outstanding debt in MSEK
10,000 M Japanese yen	6.100%	91/01	541
Total			541
Less amortization in 2001			–541
Total			**0**

The above loan is switched to other currencies and other fixed-interest periods through currency and interest-rate swap contracts and forward exchange contracts. The currency exposure of the debt has therefore changed, see Note 28.

Note 26 – Other loans

	2000	1999
Loans from SAS's parent companies*	**1,585**	1,445
Finance leases	**3,891**	3,912
Other loans	**6,999**	3,702
Total prior to amortization	**12,475**	9,059
Less amortization, 2001 and 2000	**–2,169**	–767
Other loans according to the balance sheet	**10,306**	8,292

**The underlying loan agreements regarding loans from SAS's parent companies are long-term. However, each parent company is free to utilize these funds during the term of the loan.*

Currency exposure, see Note 28.

Note 27 – Long-term liabilities to affiliated companies

	2000	1999
Casino Copenhagen K/S	**42**	–
Total	**42**	–

Note 28 – Financial instruments

On December 31, 2000, the SAS Group had outstanding currency swap contracts for a nominal value equivalent to MSEK 624. Some of the result was realized during the year and the remaining market value provided a net exchange loss of MSEK 15.

Outstanding financial forward exchange contracts amount to a gross nominal value equivalent to MSEK 13,600. Market valuation provides a net loss of MSEK 120. All exchange gains/losses for the above valuation are posted to income.

Outstanding forward exchange contracts and options intended to secure future commercial flows and investments amount to a nominal value of MSEK 13,900. The income effect is reported on the payment date of each contract. A valuation at market exchange rates on December 31, 2000, shows a positive net value of MSEK 150, which is not included income.

Financial currency exposure takes into account exposure from all liquid asset investments, short- and long-term borrowing, and the financial instruments mentioned above, with the exception of forward exchange contracts for commercial flows. Currency exposure is subject to constant change.

On December 31, 2000, the SAS Group's approximate net financial currency exposure against the consolidation currency SEK was as follows:

Note 28, cont.

	Value in MSEK
US dollar	–1,550
Norwegian kroner	–1,300
Japanese yen	–600
British pounds	–500
Euro	–300
Hong Kong dollar	–150
Swedish kronor or currency without exposure	2,000
Total net debt	**–2,400**

Note 29 – Short-term loans

Overdraft facilities amount to MSEK 436 (259), of which MSEK 87 (140) has been utilized.

Note 30 – Unearned transportation revenue, net

Unearned transportation revenue consists of tickets sold and still valid but unused, see accounting principles, page 74.

The estimated reserve in the unearned transportation revenue liability on December 31, 2000, amounted to MSEK 434 (418).

Note 31 – Assets pledged, etc.

	2000	1999
Pledges to secure own liabilities and provisions:		
Real estate mortgages	**235**	445
Aircraft mortgages	**691**	864
Chattel mortgages	**2**	3
Receivables	**8**	8
Other assets pledged:		
Chattel mortgages	**–**	3
Receivables	**28**	63
Shares in subsidiaries	**0**	–
Total	**964**	1,386

Note 32 – Contingent liabilities

	2000	1999
Contingent liabilities, other	**878**	1,237
Total	**878**	1,237

Contingent liabilities include a gross amount of MSEK 205 (392) attributable to swap transactions. SAS enters into currency and interest rate contracts on an ongoing basis. The values shown here are attributable to loans after swap transactions whose book value on the balance sheet date was lower than the value of the original loans and the accrued value of currency and interest rate contracts.

SAS International Hotels AS has issued, in a supplement to the management agreement, a guarantee on behalf of Radisson SAS Palais Hotel, Vienna, for the fulfillment of the lease, as well as for rebuilding and renovation at the expiry of the lease. The tenant of Radisson SAS Palais Hotel, Vienna, has issued a counter-guarantee that covers these commitments.

Under the management agreements for 21 hotels, the SAS International Hotel Group guarantees a minimum annual cash flow until 2005-2024. For several of the agreements, the guarantee is limited to a maximum sum over the contract period, and in certain cases also to a maximum amount per annum. Guarantee payments of MSEK 16 were remitted in 2000.

Additionally, due to its size the SAS Group is involved in disputes, some of which will be settled in court. In cases where a probable risk of loss is judged to exist, provisions are made on an ongoing basis.

Note 33 – Leasing commitments

The different business areas in the SAS Group have entered into the following leasing commitments, with specification of the total annual rent for:

MSEK	2001	2002	2003	2004	2005	2006–>
Aircraft	1,826	1,498	1,269	996	880	2,370
Hotel properties	588	607	616	626	593	6,873
Other properties	357	346	315	266	240	1,889
Machinery and equipment	19	11	7	4	0	0
Total	**2,790**	**2,462**	**2,207**	**1,892**	**1,713**	**11,132**

The lease contracts run for between one and thirty years, and individual assets with an annual leasing cost in excess of MSEK 0.5 have been included.

The above table includes the following major items:

The sale and leaseback agreement involving 30 Douglas MD-80 aircraft concluded with GECAS in December 1999 is expected to yield an annual leasing cost of approximately MSEK 417.

In conjunction with the sale and leaseback of Boeing 767-300s in the period 1994-2000, nine aircraft are leased back on an operating lease under the terms of lease contracts that run for 12-30 months with an option to extend for one to two years. The cost for 2001 is MSEK 618. The leasing cost for 2002 is MSEK 362.

SAS and Linjeflyg (“SAS”) on the one hand and the Swedish Civil Aviation Administration on the other hand concluded an agreement in March 1988 regarding full compensation to the Civil Aviation Administration in conjunction with the construction of Terminal 2 at Arlanda. The preconditions for this agreement were changed by the deregulation of domestic aviation on June 30, 1992. An agreement in principle between SAS and the Civil Aviation Administration was reached on November 25, 1992, under which SAS will pay a fixed charge to the Civil Aviation Administration during the period 1993-2005, in addition to a variable charge per passenger. The total leasing commitment for the period 1997-2005 amounts to MSEK 258. SAS claims that all airlines should bear their share of the Civil Aviation Administration’s capacity costs for Terminal 2 in a competitively neutral manner, i.e. that all airlines should pay the same cost per passenger. Attempts to renegotiate this agreement have so far been fruitless and SAS has therefore taken legal action. A ruling by the Norrköping District Court in December 1999 fully supported SAS’s claims. However, the Civil Aviation Authority has lodged an appeal against this ruling.

Audit Report

For Scandinavian Airlines System (SAS) Denmark-Norway-Sweden

We have audited the annual accounts, the consolidated accounts and the accounting records for SAS for 2000. These accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts and the consolidated accounts, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts.

The annual accounts for the SAS Group and the SAS Consortium are based on the accounting principles set forth in the section of the Annual Report entitled “Accounting and valuation principles.”

In our opinion, the annual accounts give a true and fair view of the financial position of the SAS Group and the SAS Consortium at December 31, 2000, and of the results of operations for the fiscal year then ended, in accordance with the principles set forth above.

Stockholm, March 5, 2001

Jan Åke Magnuson **Olav Revheim** **Stig Enevoldsen**

Authorized Public Accountants

SAS Danmark A/S

Report by the Board of Directors

SAS Danmark A/S (CVR no. 56 99 49 12) conducts air traffic operations within the SAS and SAS Commuter (the SAS Group) consortia in cooperation with SAS Norge ASA and SAS Sverige AB. The ownership stakes are 2/7, 2/7 and 3/7 respectively. Information about the SAS Group's operations is provided on pages 64 to 81.

SAS Danmark A/S's capital invested in the SAS Group is stated in Swedish kronor. In the annual accounts the invested capital is translated into Danish kroner at the closing rate. Exchange rate differences, both gains and losses, are posted in the balance sheet and impact on both fixed assets and shareholders' equity.

The exchange rate for the Swedish kronor at December 31, 2000, was DKK 84.51 compared with DKK 86.95 in the previous year. This resulted in an exchange loss of MDKK 145.4 in the book value of SAS Danmark A/S's invested capital in the SAS Group.

Business concept

SAS Danmark A/S's business concept is to exercise active ownership in the SAS Consortium. The overall goal is the long-term development of SAS through active participation on the Board of Directors.

Activities

SAS Danmark A/S's activities comprise administration and management of the company's participating interests in the SAS Consortium.

Accounting principles

The accounting principles are unchanged from last year.

Earnings

The 2/7 share of the SAS Group's income before taxes amounted to MDKK 699.3 (445.1).

SAS Danmark A/S's operating expenses were MDKK 5.6 (4.8). Net financial items amounted to MDKK 26.6 compared with MDKK 18.0 in 1999.

SAS Danmark A/S's other operations report income of MDKK 21.0 compared with MDKK 13.2 in 1999.

SAS Danmark A/S's total income before taxes was MDKK 720.3 (458.3).

SAS Danmark A/S's income after taxes amounted to MDKK 641.5 (345.0).

Environmental report

For information about SAS's environmental work, please refer to the SAS Group's Annual Report and the SAS Group's separate environmental report.

Shareholders

At year-end 2000, approximately 8,500 shareholders were registered, accounting for 84% of the share capital.

The following shareholders are covered by the Danish Companies Act, Section 28a and b:

- The Danish State, 23,500,000 shares or 50% of the share capital.
- The PFA Group, 2,491,776 shares or 5.3% of the share capital.

Dividend policy

The Boards of SAS's parent companies intend to apply a coordinated dividend policy to ensure that the dividend on all three SAS shares is the same size when converted to the same currency.

When calculating the annual dividend, account is taken of the SAS Group's earnings trend, financial position and capital requirements, as well as of relevant macroeconomic conditions.

The aim of the dividend policy is for the dividend over one business cycle to be in the region of 30-40% of the SAS Group's income after deduction for estimated taxes.

Proposed dividend

At the next Annual General Meeting, the Board will propose a dividend of DKK 3.80 (3.50) per share (par value DKK 10). The dividend will be paid on April 24, 2001. With effect from 2000, the proposed dividend is not booked as a liability.

Forecast for the full year 2001

Regarding the outlook for 2001, please refer to the information provided by the SAS Group.

Discharge from liability

SAS's Assembly of Representatives has discharged the Board of Directors and the President of the SAS Consortium from liability for the 2000 financial year.

Statement of Income

MDKK	Note	2000	1999
Share of income in the SAS Group[1]	1	**699.3**	445.1
Other operations			
Operating expenses		**3.2**	2.3
Payroll expenses	2	**1.7**	1.7
Contribution to DDL's Hjælpefond		**0.7**	0.8
Total costs		**5.6**	4.8
Income from other operations before financial items		**–5.6**	-4.8
Financial income	3	**27.8**	19.3
Financial expenses	4	**–1.2**	–1.3
Net financial items		**26.6**	18.0
Income for the year from other operations		**21.0**	13.2
Income for the year before taxes		**720.3**	458.3
Taxes	5	**–78.8**	–113.3
Net income for the year		**641.5**	345.0

[1] *Share in the SAS Group before subsidiaries' and affiliated companies' taxes.*

Cash Flow Statement

MDKK	2000	1999
Income for the year before taxes	**720.3**	458.3
Value adjustments	**–0.1**	0.3
Change in working capital	**–127.2**	–48.6
Funds provided internally before taxes	**593.0**	410.0
Tax paid	**78.4**	–32.6
Cash flow from the year's operations	**671.4**	377.4
Share of income in the SAS Group	**–699.3**	–445.1
Transfer from the consortia	**191.1**	214.3
Investments, net	**–508.2**	–230.8
Dividend	**–164.5**	–148.1
External financing, net	**–164.5**	–148.1
Change in liquid assets	**–1.3**	–1.5
Liquid assets, January 1	**3.0**	4.5
Liquid assets, December 31	**1.7**	3.0

Balance Sheet

ASSETS

MDKK	Note	Dec. 31, 2000	Dec. 31, 1999
Fixed assets			
Financial fixed assets			
Share in the SAS Group	6	**4,717.3**	4,238.4
Total fixed assets		**4,717.3**	4,238.4
Current assets			
Prepaid tax	7	**67.7**	92.0
Balances	8	**644.6**	708.4
Securities	9	**1.1**	1.0
Liquid assets	10	**1.7**	3.0
Total current assets		**715.1**	804.4
TOTAL ASSETS		**5,432.4**	5,042.8

SHAREHOLDERS' EQUITY AND LIABILITIES

MDKK	Note	Dec. 31, 2000	Dec. 31,1999
Shareholders' equity			
Share capital		**470.0**	470.0
Share premium reserve		**411.2**	411.2
Other reserves		**3,451.8**	2,922.8
Total shareholders' equity	11	**4,333.0**	3,804.0
Provisions			
Deferred tax liability	12	**1,098.0**	1,073.0
Total provisions		**1,098.0**	1,073.0
Current liabilities			
Other liabilities		**1.4**	1.3
Dividend		**–**	164.5
Total current liabilities		**1.4**	165.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,432.4**	5,042.8

Accounting principles

SAS Danmark A/S's financial statements are prepared in accordance with the provisions of the Danish Annual Accounts Act, applicable Danish accounting recommendations and the requirements made by the Copenhagen Stock Exchange regarding annual reports for Danish listed companies.

The accounting principles are unchanged compared with the previous year.

SAS Danmark A/S's participation in the SAS Group is reported in accordance with the equity method. This means that the participation is reported in the balance sheet at SAS Danmark A/S's relative share of the SAS Group's equity and that SAS Danmark A/S's share of the SAS Group's income is included in the statement of income as share of income in the SAS Group before taxes and share of taxes in subsidiaries and affiliated companies. The share of equity and income is calculated against the background of the SAS Group's financial statements, which are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC).

SAS Danmark A/S's share of income in the SAS Group is translated at the average exchange rate for the year. The average exchange rate for the Swedish krona in 2000 was SEK 100 = DKK 88.26 (84.40). SAS Danmark A/S's share of the SAS Group's equity is translated at the closing rate where SEK 100 = DKK 84.51 (86.95). Translation differences are included in shareholders' equity.

Securities are stated at the official stock exchange listed prices on the balance sheet date. Exchange gains or losses are reported in the statement of income under financial items.

Debts are stated at nominal amounts.

Assets and liabilities in foreign currencies are translated into Danish kroner at the closing rate. Exchange rate differences are reported in the statement of income.

Corporate tax is charged to income in the amount attributable to income for the year. The expensed tax includes tax payable on the year's taxable income and revaluation of deferred tax.

Calculation of provision for deferred tax is based on temporary differences due to revenue and expenses not being included in the statement of income and taxable income over the same period. Deferred tax is calculated on current and fixed assets using a tax rate of 30%.

The cash flow statement is prepared according to the indirect method and shows cash flow from operations, investments and financing as well as the company's liquid assets at the beginning and end of the year.

Cash flow from operations includes income for the year before taxes adjusted for value adjustments not included in cash flow, change in working capital and paid corporate tax. Cash flow from investing activities includes payments from the consortia adjusted for the year's share of income in the SAS Group. Cash flow from financing activities includes payment of dividends. Liquid funds include bank balances.

Five-year summary

MDKK	2000*	1999	1998	1997	1996
Income					
Share of income in the SAS Group	**699**	445	688	552	448
Income before taxes	**720**	458	705	567	462
Net income for the year	**642**	345	545	389	346
Balance Sheet					
Fixed assets	**4,717**	4,239	3,619	3,513	3,215
Current assets	**715**	804	692	733	731
Total assets	**5,432**	5,043	4,311	4,246	3,946
Shareholders' equity	**4,333**	3,804	3,318	3,170	2,900
Long-term liabilities and provisions	**1,098**	1,073	844	911	864
Current liabilities	**1**	166	149	165	182
Total shareholders' equity and provisions	**5,432**	5,043	4,311	4,246	3,946
Share data					
Dividend, total	**–**	165	148	165	122
Market price at year-end, DKK [1]	**81.5**	76.7	72.8	100	73
Equity per share, DKK [1]	**92.2**	80.9	70.6	67.4	61.7
Liquidity ratio [3]	**510.8**	4.8	4.6	4.4	4.0
Equity/assets ratio, % [2]	**79.8**	75.4	77.0	74.7	73.5
Return on capital employed, %	**17.7**	12.9	21.8	18.8	19.2
Return on shareholders' equity, %	**15.5**	9.3	16.0	12.2	13.7

[1] *Market price at year-end and equity per share are based on the current par value of the company's shares, DKK 10.*
[2] *Shareholders' equity in relation to total assets.*
[3] *Current assets in relation to current receivables.*
* *Figures for 2000 exclude the proposed dividend.*

Notes

Note 1 – Share of income in the SAS Group

MDKK	2000	1999
Income from 2/7 of MSEK 2,773	**699.3**	445.1

Note 2 - Number of employees and payroll expenses

MDKK	2000	1999
SAS Danmark A/S has had 2 employees		
Salaries	**1.0**	1.0
Social security expenses and pension costs	**0.1**	0.1
Fees to the Board	**0.3**	0.3
Fees to the SAS Consortium's Assembly of Representatives (Danish members)	**0.3**	0.3
Total payroll expenses	**1.7**	1.7

Note 3 – Financial income

MDKK	2000	1999
Interest income from SAS	**27.6**	19.1
Other interest income	**0.2**	0.2
Total financial income	**27.8**	19.3

Note 4 – Financial expenses

MDKK	2000	1999
Financial expenses	**1.2**	1.3
Total financial expenses	**1.2**	1.3

Note 5 – Taxes

MDKK	2000	1999
Tax on income for the year	**0**	33.0
Correction of previous year's tax expense	**–3.1**	–7.3
Change in deferred tax	**74.0**	49.0
Change in deferred tax due to tax rate change	**–68.0**	
Subsidiaries' taxes	**75.9**	38.6
Total	**78.8**	113.3

Note 6 – Share of equity in the SAS Group

MDKK	Dec. 31, 2000	Dec. 31,1999
Invested capital, January 1	**4,238.4**	3,618.8
Translation difference	**–118.0**	392.1
Income for the year after taxes MSEK 2,472	**596.9**	227.5
Invested capital at year-end	**4,717.3**	4,238.4

Note 7 – Prepaid tax

MDKK	Dec. 31, 2000	Dec. 31, 1999
Prepaid tax 2000	**67.7**	125.0
Tax on income for the year	**0**	–33.0
Prepaid tax at year-end	**67.7**	92.0

Note 8 – Balances

MDKK	Dec. 31, 2000	Dec. 31, 1999
Settlement with SAS Finance	**0**	191.1
Capital account with SAS Finance (per agreement)	**636.8**	516.1
Other balances	**7.8**	1.2
Total balances	**644.6**	708.4

Note 9 – Securities

MDKK	Dec. 31, 2000	Dec. 31, 1999
Shares in Københavns Lufthavne A/S	**1.1**	1.0

Note 10 – Liquid assets

MDKK	Dec. 31, 2000	Dec. 31, 1999
Bank balances	**1.7**	3.0
Total liquid assets	**1.7**	3.0

Note 11 – Shareholders' equity

MDKK	Dec. 31, 2000	Dec. 31, 1999
Share capital		
Outstanding shares 47,000,000 at par value DKK 10		
Total share capital	**470.0**	470.0
Share premium reserve	**411.2**	411.2
Other reserves		
January 1	**2,922.8**	2,437.1
Translation difference, share of SAS Group	**–144.5**	404.2
Translation difference in deferred tax	**32.0**	–99.0
Transfer from income	**641.5**	180.5
Total other reserves	**3,451.8**	2,922.8
Total shareholders' equity	**4,333.0**	3,804.0

Note 12 – Deferred taxes

MDKK	Dec. 31, 2000	Dec. 31, 1999
Deferred tax, January 1	**1,073.0**	844.0
Translation difference on deferred tax	**–32.0**	99.0
Increase in deferred tax according to the balance sheet	**57.0**	130.0
Total provisions	**1,098.0**	1,073.0

Note 13 – Fees to auditors elected by Annual General Meeting

Fees expensed by Deloitte & Touche in 2000 for auditing amounted to DKK 30,000 and for other services DKK 394,000. Expensed fees for KPMG C. Jespersen in 2000 for auditing amounted to DKK 30,000 and for other services DKK 20,000.

Note 14 – Related parties

SAS Danmark's related parties comprise the company's Board and Management, see page 87, the Danish State which holds 50% of the company's shares, see page 82, and SAS in which the company has a direct ownership influence through the Assembly of Representatives, see pages 12-13.

Apart from transactions resulting from the work of the Board, there have been no transactions between the company and its management during the year, nor have there been transactions between the company and the Danish State apart from paying out dividends and paying in corporate tax.

The company's dealings with the SAS Group comprise payment of share of income from the consortia, see Note 6, and lending on market terms to SAS Finance (a division of the SAS Consortium), see Notes 3 and 8. In addition, business between the company and the SAS Group's operations has been insignificant.

Proposed disposition of earnings

The Board of Directors of SAS Danmark A/S proposes to the Annual General Meeting that the Danish parent company's income after taxes of MDKK 641.5 be allocated as follows:

Dividend	MDKK	178.6
Allocation to other reserves	MDKK	462.9
Total	MDKK	641.5

The Board of Directors hereby presents the financial statements for the period January 1 to December 31, 2000, for the approval of the Annual General Meeting.

Copenhagen, March 8, 2001

Management

Jan Stenberg
President

Board of Directors

Erik Sørensen **Anders Eldrup**

Anders Knutsen **Bjørn Westh**

Audit Report

We have audited the annual report for 2000 submitted by the management of SAS Danmark A/S.

The audit

We have planned and performed our audit in accordance with generally accepted auditing standards as applied in Denmark so as to obtain reasonable assurance that the financial statements are free of material misstatement. Based on an evaluation of materiality and risk, we tested, during the audit, the basis and documentation for the amounts and disclosures in the financial statements. Our audit included an assessment of the accounting policies applied and estimates made. In addition, we evaluated the overall adequacy of the presentation in the financial statements.

Our audit did not result in any qualifications.

Opinion

In our opinion, the financial statements have been prepared in accordance with the accounting provisions of Danish legislation and give a true and fair view of assets and liabilities, financial position and income for the year.

Copenhagen, March 8, 2001

Deloitte & Touche
State Authorized Public Accountants

Stig Enevoldsen **Henrik Z. Hansen**
State Authorized Public Accountant

KPMG C. Jespersen
State Authorized Public Accountants

Lars Andersen
State Authorized Public Accountant

Annual General Meeting

The Annual General Meeting will be held on April 18, 2001, at 4:00 p.m. at the Radisson SAS Scandinavia Hotel in Copenhagen.

Board of Directors and Management

Board of Directors

Representing private shareholders:

Erik Sørensen, (Chairman)
Managing Director of Chr. Hansen Holding A/S, Member of the Boards of ISS-International Service System A/S and Maersk Medical A/S.

Anders Knutsen
Managing Director of Bang & Olufsen a/s. Chairman of the Board of Mobilix A/S. Vice Chairman of the Board of Danisco A/S and Member of the Board of Topdanmark A/S.

Representing the Danish government:

Anders Eldrup, (Vice Chairman)
Permanent Secretary, Ministry of Finance, Vice Chairman of the Board of Dansk Olie og Naturgas A/S.

Bjørn Westh, former government minister
Member of the Board of Statens og Kommunernes Indkøbs Service A/S and Dalum Papir A/S.

Management

Jan Stenberg, President
Chief Executive Officer of Scandinavian Airlines System and President of SAS's parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.

SAS Norge ASA

Report by the Board of Directors

SAS Norge ASA is a partner in the SAS Group with an ownership stake of 2/7.

Under a consortium agreement with SAS Danmark A/S and SAS Sverige AB, SAS Norge ASA conducts air traffic operations through the Scandinavian Airlines System (SAS) and SAS Commuter consortia.

The consortia's net income is shared between the parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB in the proportions 2/7, 2/7 and 3/7 respectively.

Together with SAS Danmark A/S and SAS Sverige AB, SAS Norge ASA is jointly and severally responsible for the commitments of SAS and SAS Commuter.

SAS's annual report and financial statements with accompanying notes are an integral part of the annual report of SAS Norge ASA and the two reports must be seen in one context.

Business concept

SAS Norge ASA's business concept is to exercise active ownership in the SAS Consortium. The overall goal is the long-term development of SAS through active participation on the Board of Directors.

Activities

SAS Norge ASA is based in Bærum Municipality, has two employees, and is purely a holding company. Activities comprise administration and management of the company's ownership interests in the SAS Group.

Earnings

Income after taxes amounted to MNOK 564, compared with MNOK 352 in the previous year.

The financial statements are presented on the assumption that the company will continue to operate.

Information regarding the company's operations, financial position, market development, important events and other factors of importance for a valuation of the company is provided in specific sections of the SAS Group's Annual Report.

Information regarding work environment and external environment is provided in the SAS Group's Annual Report and the separate environmental report.

Shareholders

As per December 31, 2000, SAS Norge ASA's share capital amounted to MNOK 470 represented by 47,000,000 shares with a par value of NOK 10 each.

Half of the shares, the class A shares, are owned by the Norwegian State. The other half, class B, were owned by 3,183 other shareholders at December 31, 2000. Only the class B shares are listed on the Oslo Stock Exchange. The Norwegian State is the only shareholder who owns more than 20% of the company's share capital. The proportion of foreign shareholders was 10% (14%).

Dividend policy

The Boards of SAS's parent companies intend to apply a coordinated dividend policy to ensure that the dividend on all three SAS shares is the same size when converted to the same currency.

When calculating the annual dividend, account is taken of the SAS Group's earnings trend, financial position and capital requirements, as well as of relevant macroeconomic conditions.

The aim of the dividend policy is for the dividend over one business cycle to be in the region of 30-40% of the SAS Group's income after deduction for estimated taxes.

Proposed dividend and disposition of earnings

The SAS Assembly of Representatives has approved the SAS Group's Annual Report for 2000 and the distribution of the surplus proposed by the Board of Directors of the SAS Consortium.

Against this background, the Board of Directors of SAS Norge ASA proposes to the Annual General Meeting that the surplus for the year be distributed as follows:

Proposed dividend	MNOK	197
To equity method reserve	MNOK	612
Transferred from other shareholders equity	MNOK	–245
	MNOK	564

The proposed dividend is NOK 4.20 per share compared with NOK 3.75 in the previous year.

With effect from 2000, the proposed dividend is not booked as a liability.

Forecast for the full year 2001

Regarding the outlook for 2001, please refer to the information provided by the SAS Group.

Bærum December 31, 2000 / March 8, 2001

Mads Henry Andenæs

Kari Gjesteby

Bjørn Eidem
Vice Chairman

Harald Norvik
Chairman

Jan Stenberg
President

Statement of Income

MNOK	Note	2000	1999
Share of income in the SAS Group[1]		**761**	497
Income from own operations	4	**–3**	–3
Operating income		**758**	494
Interest income and similar income items		**3**	3
Income before taxes		**761**	497
Taxes	2	**–197**	–145
Income after taxes		**564**	352
Disposition of earnings			
Dividend		**197**	176
Allocation to equity method reserve		**612**	307
Transferred from shareholders' equity		**–245**	–131
		564	352

[1] *Share in the SAS Group before subsidiaries' and affiliated companies' taxes.*

Cash Flow Statement*

MNOK	2000	1999
Operations during the year		
Payment for goods and services	**–2**	–2
Remuneration to employees, pension funds, social security expenses, taxes, etc.	**–1**	–1
Interest paid	**3**	4
Taxes paid	**0**	–107
Cash flow from the year's operations	**0**	–106
Financing		
Balances, SAS	**–4**	25
Dividend payment	**–176**	–174
Transfer from SAS	**207**	255
Net financing	**27**	106
Liquid assets, January 1	**1**	1
Change in liquid assets	**27**	0
Liquid assets, December 31	**28**	1

** Refers to SAS Norge ASA's own operations.*

Balance Sheet

ASSETS

MNOK	Note	Dec. 31, 2000	Dec. 31, 1999
Fixed assets			
Other fixed assets	1	**2**	2
Share of equity in the SAS Group		**5,209**	4,597
Total fixed assets		**5,211**	4,599
Current assets			
Receivable from SAS		**–**	208
Short-term investments		**29**	–
Cash, bank, postal giro		**1**	1
Total current assets		**30**	209
TOTAL ASSETS		**5,241**	4,808

SHAREHOLDERS' EQUITY AND LIABILITIES

MNOK	Note	Dec. 31, 2000	Dec. 31,1999
Shareholders' equity	3		
Share capital (47,000,000 shares, par value NOK 10)		**470**	470
Restricted equity		**470**	470
Equity method reserve		**919**	307
Other shareholders' equity		**3,187**	3,300
Unrestricted equity		**4,106**	3,607
Total shareholders' equity		**4,576**	4,077
Provisions			
Deferred tax	2	**638**	552
Total provisions		**638**	552
Current liabilities			
Taxes payable	2	**27**	–
Allocated dividend		**–**	176
Other current liabilities		**–**	3
Total current liabilities		**27**	179
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,241**	4,808

Bærum December 31, 2000
March 8, 2001

Mads Henry Andenæs **Bjørn Eidem** **Kari Gjesteby** **Harald Norvik**

Jan Stenberg
President

Comments on the financial statements

Accounting and valuation principles
SAS Norge ASA's financial statements are prepared in accordance with Norwegian accounting standards and generally accepted accounting practice. Starting in the 2000 fiscal year, proposed dividends are not booked as a liability. This conforms with the SAS Group's accounts which are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC). The SAS Group's financial statements form an integral part of the annual report for SAS Norge ASA.

The accounting principles applied and the notes that refer to items in the SAS Group's financial statements are not repeated in the following.

Otherwise, the most important accounting and valuation principles are described below.

Principles of consolidation
SAS Norge ASA's financial statements include 2/7 of the SAS Group and the company's own business activities. The company's participating interests in the SAS Group are treated in the accounts according to the equity method as participating interests in joint ventures. This means that 2/7 of the respective statement of income and balance sheet is incorporated in the accounts.

Internal transactions and balances are eliminated upon consolidation.

The SAS Group's accounts are kept in Swedish kronor (SEK). The closing rate is used in translating all balance sheet items. The items in the statement of income are translated at the average rate of exchange. The average rate used for 2000 was SEK 100 = NOK 96.05 compared with SEK 94.33 in the previous year. The closing rate for 2000 was SEK 100 = NOK 93.32 compared with NOK 94.30 at year-end 1999.

Five-year summary

MNOK	**2000***	1999	1998	1997	1996
Income					
Share of income in the SAS Group	**761**	497	736	571	499
Income before taxes	**761**	497	736	570	510
Net income for the year	**564**	352	541	440	380
Balance sheet					
Fixed assets	**5,211**	4,599	4,292	3,797	3,496
Current assets	**30**	209	277	309	264
Total assets	**5,241**	4,808	4,569	4,106	3,760
Shareholders' equity	**4,576**	4,077	3,852	3,472	3,211
Long-term liabilities and provisions	**638**	552	438	334	280
Current liabilities	**27**	179	279	300	269
Total shareholders' equity and liabilities	**5,241**	4,808	4,569	4,106	3,760
Key ratios					
Earnings per share, NOK	**12.00**	7.49	11.51	9.36	8.09
Equity per share, NOK	**97.36**	86.74	81.96	73.87	68.32
Equity/assets ratio, %	**87.3**	84.8	84.3	84.6	85.4
Return on capital employed, ROCE, %	**17.6**	12.5	19.1	16.4	15.9
Return on equity, %	**13.0**	8.9	14.8	13.2	11.6

** Figures for 2000 exclude the proposed dividend.*

Notes

Note 1 – Fixed assets

The item includes shares, etc., (NOK 326,000) and fixed assets (NOK 1,527,000) directly owned by SAS Norge ASA.

Note 2 – Taxes

In accordance with the Norwegian accounting standard for reporting taxes, negative temporary differences are offset against positive differences.

Taxes payable	**2000**	1999
Reported income before taxes	**761**	497
Share of income taxed in other companies	**33**	–77
Reported income before taxes	**794**	420
Permanent differences	**7**	7
Dividend	**–234**	–14
Changes in temporary differences		
Fixed assets	**330**	–63
Profit and loss account	**– 42**	–326
Other temporary differences	**–758**	–269
Taxable income	**97**	–245
Estimated taxes payable (28%)	**27**	0

Temporary differences, December 31	**2000**	1999
Shares	**89**	89
Fixed assets	**604**	931
Profit and loss account	**891**	863
Other temporary differences	**693**	334
Deferred deficit	**–**	–245
Basis for deferred tax	**2,277**	1,972
Deferred tax in balance sheet (28%)	**638**	552

Specification of tax expenses	**2000**	1999
Estimated taxes payable	**27**	0
Change in deferred tax	**86**	102
SAS Group's taxes	**84**	43
Tax expense for the year in the statement of income	**197**	145

The preliminary RISK amount at January 1, 2001, is calculated as NOK –2.70 per share. The final RISK amount on January 1, 2000, has been set at NOK –3.75 per share.

Note 3 – Shareholders' equity

MNOK	Share capital	Equity method reserve	Other reserves	Total
At January 1, 2000	470	307	3,300	4,077
Net income for the year	–	612	– 48	564
Translation difference	–	–	–65	–65
At December 31, 2000	**470**	**919**	**3,187**	**4,576**

Note 4 – Fees to senior executives

TNOK	President	Elected representatives*
Salary/remuneration	0	490
Other	0	0

The CEO of SAS is also President of SAS Norge ASA and does not receive any emolument other than the remuneration which he receives from SAS.

** Includes fees paid to the Board of SAS Norge ASA and Norwegian members of the SAS Assembly of Representatives.*

Auditors

Fees to the company's auditors are expensed at NOK 25,000 for auditing and NOK 159,000 for other services.

Pension commitments

The company's pension commitments are covered by a group pension plan and encompass two employees and three retirees (net pension funds, NOK 1,157,000).

Note 5 – Ownership structure

Information about the company's major shareholders and their holdings, as well other share information, is provided on page 23.

Audit Report

To the Annual General Meeting of SAS Norge ASA

We have audited the financial statements of SAS Norge ASA as of December 31, 2000, showing a profit of MNOK 564. We have also audited the information in the report of the Board of Directors concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income. Financial statements comprise the statement of income, the balance sheet, the cash flow statement, and accompanying notes. The financial statements and report of the Board of Directors are the responsibility of the company's Board of Directors and president. Our responsibility is to express an opinion on these financial statements and on certain other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards generally accepted in Norway. Accepted auditing standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. To the extent required by generally accepted auditing standards, the audit also comprises a review of the management of the company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion

- the financial statements are prepared in accordance with the law and regulations and present fairly the financial position of the company and the results of its operations and its cash flows for the financial year.
- the company's management has fulfilled its duty to maintain the company's accounting process in a proper and well-arranged manner in accordance with the law and generally accepted auditing standards in Norway.
- the information in the report of the Board of Directors concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income, is consistent with the financial statements and complies with the law and regulations.

Oslo, March 8, 2001

Deloitte & Touche

Olav Revheim

State Authorized Public Accountant

Annual General Meeting

The Annual General Meeting will be held on April 18, 2001, at 10:00 a.m. at Radisson SAS Scandinavia Hotel, Oslo.

Board of Directors

Representing private shareholders

Bjørn Eidem, Vice Chairman
Attorney at Law in law firm Harboe, Eidem & Co A/S.
Board Member of SAS.
Shareholding in SAS Norge ASA: 5,861

Mads Henry Andenæs, Board Member
Prof. (LLD) Institutt for Privatrett, Oslo University.
Personal Deputy in SAS.
Shareholding in SAS Norge ASA: 0

Representing the Norwegian State

Harald Norvik, Chairman, M.B.A.
Board Member of SAS.
Shareholding in SAS Norge ASA: 0

Kari Gjesteby, Board Member
Director of Norges Bank.
Personal Deputy in SAS.
Shareholding in SAS Norge ASA: 0

SAS Sverige AB

Report by the Board of Directors

The Board of Directors and the President of SAS Sverige (publ), (corporate identity no. 556042-5414) hereby submit their annual report for the fiscal year 2000.

Under a consortium agreement with SAS Danmark A/S and SAS Norge ASA, SAS Sverige AB conducts air traffic operations in the Scandinavian Airlines System (SAS) and SAS Commuter consortia. SAS conducts operations related to air traffic in subsidiaries and affiliated companies, The two consortia with subsidiaries and affiliated companies form the SAS Group.

Business concept
SAS Sverige AB's business concept is to exercise active ownership in the SAS Consortium. The overall goal is the long-term development of SAS through active participation on the Board of Directors.

Activities
SAS Sverige AB's main activities comprise ownership and management of its participation (3/7) in the SAS Consortium. In addition to this and some financial management, the company conducts no activities of its own.

The work of the Board of Directors of SAS Sverige AB
SAS Sverige AB's Board of Directors consists of four members, two of whom (the Chairman and the Vice Chairman) are also members of the Board of Directors of the SAS Consortium. The company's President is also President of the SAS Consortium. As a rule, the company's board meetings are held in conjunction with the SAS Consortium's board meetings. The Board's rules of procedure and instruction to the President specify in detail the division of responsibilities between the Board and the President.

The Board held six meetings in 2000. In addition, the Board voted per capsulum on one occasion.

Environmental report
For information about SAS's environmental work, please refer to the SAS Group's Annual Report and the SAS Group's separate environmental report.

Earnings
Income after taxes for SAS Sverige AB including 3/7 of the SAS Group amounted to MSEK 831 (593).

Employees
SAS Sverige AB has no employed personnel.

Dividend policy
The Boards of SAS's parent companies intend to apply a coordinated dividend policy to ensure that the dividend on all three SAS shares is the same size when converted to the same currency.

When calculating the annual dividend, account is taken of the SAS Group's earnings trend, financial position and capital requirements, as well as of relevant macroeconomic conditions.

The aim of the dividend policy is for the dividend over one business cycle to be in the region of 30-40% of the SAS Group's income after deduction for estimated taxes.

Proposed dividend
The proposed dividend for the fiscal year is SEK 4.50 (4.00) per share, with a total distribution of MSEK 317 (282). With effect from 2000, the proposed dividend is not booked as a liability.

Forecast for the full year 2001
Regarding the outlook for 2001, please refer to the information provided by the SAS Group.

Statement of Income

Pro forma
SAS Sverige AB including 3/7 of the SAS Group

MSEK	Note	2000	1999
Share of income in the SAS Group [1]		**1,188.4**	791.1
Payroll expenses		**–1.8**	–5.1
Other operating expenses		**–1.4**	–1.6
Operating income		**1,185.2**	784.4
Financial income		**35.2**	30.9
Income before taxes		**1,220.4**	815.3
Taxes	1	**–389.5**	–221.8
Net income for the year		**830.9**	593.5

[1] Share in the SAS Group before subsidiaries' and affiliated companies' taxes.

Cash Flow Statements

			Pro forma	
MSEK	**2000**	1999	**2000**	1999
Operations during the year				
Income before taxes	**1,220**	815	**1,272**	692
Shares of income	**–1,188**	–791	**–1,240**	–668
Taxes payable	**–94**	–155	**–94**	–155
Cash flow from operations	**–62**	–131	**–62**	–131
Change in working capital	**14**	1	**14**	1
Net financing from operations	**–48**	–130	**–48**	–130
Transfer received from SAS	**330**	410	**330**	410
Dividend to shareholders	**–282**	–282	**–282**	–282
Change in liquid assets	**0**	–2	**0**	–2
Liquid assets, January 1	**1**	3	**1**	3
Liquid assets, December 31	**1**	1	**1**	1

Balance Sheet

Pro forma
SAS Sverige AB including 3/7 of the SAS Group

ASSETS

MSEK	Dec. 31, 2000	Dec. 31, 1999
Fixed assets		
Tangible fixed assets	**0.1**	0.1
Financial fixed assets		
Participations in the SAS Group	**8,373.0**	7,311.8
Other shares	**0.0**	0.0
	8,373.0	7,311.8
Total fixed assets	**8,373.1**	7,311.9
Current assets		
Current receivables		
Receivable from SAS	**800.6**	851.0
Anticipated transfer from SAS	**–**	330.0
Prepaid expenses and accrued income	**1.3**	1.3
	801.9	1,182.3
Cash and bank	**1.1**	0.9
Total current assets	**803.0**	1,183.2
TOTAL ASSETS	**9,176.1**	8,495.1

SHAREHOLDERS' EQUITY AND LIABILITIES

MSEK	Note	Dec. 31, 2000	Dec. 31, 1999
Shareholders' equity	8		
Restricted equity			
Share capital (70,500,000 shares, par value SEK 10)		**705.0**	705.0
Revaluation reserve		**179.0**	179.0
Restricted reserves		**4,947.2**	4,561.4
Total restricted equity		**5,831.2**	5,445.4
Unrestricted equity			
Retained earnings		**826.6**	899.2
Net income for the year		**830.9**	593.5
Less: Proposed dividend		**–**	–282.0
Total unrestricted equity		**1,657.5**	1,210.7
Total shareholders' equity		**7,488.7**	6,656.1
Provisions for pensions		**0.5**	0.5
Long-term liabilities			
Deferred taxes		**1,570.1**	1,403.6
Other long-term liabilities		**22.1**	22.1
		1,592.2	1,425.7
Current liabilities			
Proposed dividend		**–**	282.0
Taxes payable		**93.6**	130.0
Accrued expenses and prepaid income		**1.1**	0.8
		94.7	412.8
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**9,176.1**	8,495.1
Assets pledged			
Pledges SAS Group (3/7)		**594.1**	413.0
Contingent liabilities			
SAS Group (3/7)		**357.8**	529.9
VPC		**–**	0.7
		357.8	530.6

Statement of Income

MSEK	Note	**2000**	1999
Share of income in consortia	2	**1,240.4**	667.6
Payroll expenses	9	**–1.8**	–5.1
Other external operating expenses		**–1.4**	–1.6
Operating income		**1,237.2**	660.9
Interest income and similar income items		**35.2**	30.9
Income after financial items		**1,272.4**	691.8
Appropriations	3	**–533.5**	–259.3
Tax on income for the year	1	**–94.1**	–154.6
Net income for the year		**644.8**	277.9

Balance Sheet

ASSETS

MSEK	Note	**Dec. 31, 2000**	Dec. 31, 1999
Fixed assets			
Machinery and equipment	4	**0.1**	0.1
Total tangible fixed assets		**0.1**	0.1
Participations in consortia	5	**7,983.3**	6,746.7
Shares in Group companies	6	**120.4**	120.4
Other shares	7	**0.0**	0.0
Total financial fixed assets		**8,103.7**	6,867.1
Total fixed assets		**8,103.8**	6,867.2
Current assets			
Receivable from SAS		**800.6**	851.0
Anticipated transfer from SAS		**–**	330.0
Prepaid expenses and accrued income		**1.3**	1.3
Total current receivables		**801.9**	1,182.3
Cash and bank		**1.1**	0.9
Total current assets		**803.0**	1,183.2
TOTAL ASSETS		**8,906.8**	8,050.4

SHAREHOLDERS' EQUITY AND LIABILITIES

MSEK	Note	**Dec. 31, 2000**	Dec. 31, 1999
Shareholders' equity	8		
Restricted equity			
Share capital (70,500,000 shares, par value SEK 10)		**705.0**	705.0
Revaluation reserve		**179.0**	179.0
Statutory reserve		**141.0**	141.0
Total restricted equity		**1,025.0**	1,025.0
Unrestricted equity			
Retained earnings		**927.8**	935.7
Net income for the year		**644.8**	277.9
Less: Proposed dividend		**–**	–282.0
Total unrestricted equity		**1,572.6**	931.6
Total shareholders' equity		**2,597.6**	1,956.6
Untaxed reserves	3	**6,071.5**	5,538.0
Provisions for pensions		**0.5**	0.5
Long-term liabilities		**22.1**	22.1
Current liabilities			
Proposed dividend		**–**	282.0
Liabilities to Group companies		**120.4**	120.4
Taxes payable		**93.6**	130.0
Accrued expenses and prepaid income		**1.1**	0.8
Total current liabilities		**215.1**	533.2
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**8,906.8**	8,050.4
Assets pledged			
Pledges SAS Consortium (3/7)		**7.8**	24.1
Contingent liabilities			
SAS Consortium (3/7)		**394.4**	495.2
VPC		**–**	0.7
		394.4	495.9

Furthermore, SAS Sverige AB bears joint and several liability with SAS Danmark A/S and SAS Norge ASA for all contingent liabilities entered into by the consortia SAS, SAS Commuter and Scanair.

Comments on the financial statements

Accounting principles

Pro forma accounts for SAS Sverige AB

To increase comparability between SAS Sverige AB and the other parent companies, a pro forma consolidated statement of income, balance sheet and cash flow statement are included in SAS Sverige. Besides SAS Sverige's own operations, these accounts include 3/7 of the SAS Group applying "one-line" consolidation.

The SAS Group's accounts are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC), which include reporting affiliated companies according to the equity method. Furthermore, exchange gains and losses are recognized in the statement of income for the period in which they arise. Finance leases are capitalized. Paid and deferred taxes are calculated on income before appropriations, which are later not reported in the statement of income. Untaxed reserves are divided between shareholders' equity and deferred tax liability.

SAS Sverige AB

The financial statements comprise SAS Sverige AB with 3/7 of the SAS Consortium and the SAS Commuter Consortium.

SAS Sverige AB's balance sheet reports the participations in each consortium. The company's accounts include provisions to untaxed reserves which are based on the company's share of income and assets in the respective consortium.

The consortia's own accounts are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC). Separate consortium accounts are prepared for SAS Sverige AB in which the consortia's shareholdings in subsidiaries and affiliated companies are reported according to the acquisition cost method.

Other comments on the financial statements

SAS Sverige's subsidiaries did not conduct any operations during the year and the book value of the shares essentially corresponded to taxed shareholders' equity. Formal consolidated accounts were not prepared for SAS Sverige AB.

Five-year summary[1]

MSEK	**2000***	1999	1998	1997	1996
Income					
Share of income in the SAS Group	**1,188**	791	1,225	957	778
Income before taxes	**1,220**	815	1,265	996	946
Net income for the year	**831**	593	900	714	664
Balance sheet					
Fixed assets [1]	**8,373**	7,312	6,904	6,177	5,585
Current assets	**803**	1,183	1,385	1,511	1,433
Total assets	**9,176**	8,495	8,289	7,688	7,018
Shareholders' equity	**7,488**	6,656	6,329	5,664	5,151
Long-term liabilities and provisions	**1,593**	1,426	1,428	1,441	1,365
Current liabilities	**95**	413	532	583	502
Total shareholders' equity and liabilities	**9,176**	8,495	8,289	7,688	7,018
Key figures					
Equity per share, SEK	**106.22**	94.41	89.77	80.34	73.06
Equity/assets ratio, %	**98.7**	94.9	93.4	92.1	93.6
Return on capital employed, %	**14.0**	10.0	16.3	14.0	14.9
Return on equity, %	**11.7**	9.1	15.0	13.2	13.7

[1] *Including net share in the SAS Group.*

* *Figures for 2000 exclude the proposed dividend.*

Notes

Note 1 – Taxes

	2000	1999
Taxes in SAS Sverige AB		
Taxes payable	**94.1**	154.6
Change in deferred tax payable	**166.4**	72.6
Change in deferred tax receivable	**–**	–74.0
Taxes in SAS's subsidiaries	**129.0**	68.6
	389.5	221.8

Note 2 – Share of income in consortia

	2000	1999
SAS Consortium	**1,195.3**	649.3
SAS Commuter Consortium	**45.1**	18.3
Scanair Consortium	**–**	–
	1,240.4	667.6

Note 3 – Untaxed reserves

	Opening balance	Provision for the year	Closing balance
Tax allocation reserve 1994	70.5	–70.5	–
Tax allocation reserve 1995	119.3	–	119.3
Tax allocation reserve 1996	399.0	–	399.0
Tax allocation reserve 1997	223.5	–	223.5
Tax allocation reserve 1998	225.5	–	225.5
Tax allocation reserve 1999	116.3	–	116.3
Tax allocation reserve 2000	–	86.0	86.0
Excess depreciation			
Aircraft, machinery and equipment	4,185.8	518.0	4,703.8
Buildings	198.1	–	198.1
Total	5,538.0	533.5	6,071.5
Of which:			
Deferred tax portion (28%)	1,550.6		1,700.0
Equity portion	3,987.4		4,371.5

Note 4 – Machinery and equipment

	2000	1999
Opening acquisition value	**0.2**	0.2
Disposal	**–0.1**	–
Closing acquisition value	**0.1**	0.2
Opening accumulated depreciation	**–0.1**	–0.1
Disposal accumulated depreciation	**+0.1**	–
Closing accumulated depreciation	**0.0**	–0.1
Book value	**0.1**	0.1

Acquisition value relates to works of art

Note 5 – Participations in consortia

	2000	1999
SAS Consortium	**7,699.7**	6,505.4
SAS Commuter Consortium	**283.6**	241.2
Scanair Consortium	**0.0**	0.0
	7,983.3	6,746.6

Note 6 – Shares in Group companies

	Corp. identity number	Domicile	Number of shares	Share of equity	Par value	Book value 2000	Book value 1999
AB Sila	556137-6764	Stockholm	10,000	100%	1.0	**1.0**	1.0
ABA Flyg AB	556286-2473	Stockholm	1,000	100%	0.1	**119.4**	119.4
					1.1	**120.4**	120.4

The subsidiaries do not conduct any operations.

Note 7 – Other shares

OM Gruppen 17,754 shares, par value SEK 2, book value SEK 32,300, market value MSEK 3.8.

Note 8 – Shareholders' equity/Change in shareholders' equity

Pro forma SAS Sverige AB

	Share capital	Revaluation reserve	Restricted reserves	Unrestricted reserves	Total
At January 1, 2000	705.0	179.0	4,561.4	1,492.7	6,938.1
Dividend paid				–282.0	–282.0
After dividend paid	705.0	179.0	4,561.4	1,210.7	6,656.1
Transfer between restricted and unrestricted reserves			384.1	–384.1	–
Change in translation difference			21.0		21.0
Change in SAS's participating interest in affiliated companies, etc.			–19.3		–19.3
Net income for the year				830.9	830.9
	705.0	**179.0**	**4,947.2**	**1,657.5**	**7,488.7**

SAS Sverige AB

	Share capital	Revaluation reserve	Statutory reserve	Unrestricted equity	Total
At January 1, 2000	705.0	179.0	141.0	1,213.6	2,238.6
Dividend paid				–282.0	–282.0
After dividend paid	705.0	179.0	141.0	931.6	1,956.6
Translation difference				–3.8	–3.8
Net income for the year				644.8	644.8
	705.0	**179.0**	**141.0**	**1,572.6**	**2,597.6**

Note 9 – Number of employees, salaries, other remuneration and social security expenses

The company has no employed personnel.

	2000	1999
Salaries and other remuneration		
paid to current board members, members of the SAS Assembly of Representatives, and former president	**1.3**	1.7
other employees	**–**	1.8
	1.3	3.5
Social security expenses		
paid for current board members, members of the SAS Assembly of Representatives, former presidents	**1.2**	1.5
Other employees	**–**	0.6
	1.2	2.1
Of which pension costs for		
former presidents	**0.6**	0.7
other employees	**–**	0.0
	0.6	0.7

At the 2000 Annual General Meeting, it was decided that the members of the Board should receive a fixed annual fee totaling SEK 400,000, of which SEK 150,000 goes to the Chairman. Fees to the members of the SAS Assembly of Representatives appointed by SAS Sverige AB were set at SEK 275,000.

During the year, the former President received monthly severance pay until July 2000. Contractual pension arrangements commence at the age of 60, with a pension corresponding to 70% of gross salary.

No salary or other remuneration was paid to the current president.

Note 10 – Auditors' fees

Auditors' fees are expensed at SEK 35,000 for auditing services and SEK 12,000 for other advisory services.

Proposed Disposition of Earnings

The Board of Directors and the President propose that the parent company's unappropriated earnings of MSEK 1,573 be allocated as follows:

Dividend to shareholders of SEK 4.50 per share for a total of	MSEK	317
Carried forward to new account	MSEK	1,256
	MSEK	1,573

Stockholm, March 8, 2001

Bo Berggren
Chairman

Erik Belfrage **Urban Jansson** **Nina Linander**

Jan Stenberg
President

Our audit report was submitted on March 8, 2001.

Jan Åke Magnuson
Authorized Public Accountant

Gunnar Abrahamson
Authorized Public Accountant

Audit Report

To the Annual General Meeting of Shareholders of SAS Sverige AB
Registered Number 556042-5414

We have audited the annual accounts, the accounting records and the administration of Board of Directors and the President of SAS Sverige AB for the year 2000. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These Standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual accounts. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any Board member or the President and whether they have in any other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's results and financial position in accordance with generally accepted auditing standards in Sweden.

Consequently we recommend that the Annual General Meeting approves the income statement and balance sheets of the parent company, disposes of the profit reported by the parent company in accordance with the proposal in the Report by the Board of Directors, and grants the members of the Board of Directors and the President discharge from liability for the fiscal year.

Stockholm, March 8, 2001

Jan Åke Magnuson
Authorized Public Accountant

Gunnar Abrahamson
Authorized Public Accountant

Annual General Meeting

The Annual General Meeting will be held on April 17, 2001, at 6:00 p.m. in Wallenbergssalen, IVA Conference Center, Grev Turegatan 16, Stockholm, Sweden.

Attendance

Shareholders who wish to attend the Annual General Meeting must

(i) be listed in the register of shareholders maintained by the Swedish Securities Register Center (VPC) on Friday, April 6, 2001.

(ii) notify the company by writing to SAS Sverige AB, c/o SAS Dept. STOUU, SE-195 87 Stockholm, telephone +46 8 797 12 93, fax +46 8 85 94 95, or via www.scandinavian.net no later than 4:00 p.m. on Tuesday, April 10, 2001.

Nominee-registered shares

In order to be entitled to participate in the Annual General Meeting, shareholders whose shares are registered in the name of a nominee through the trust department of a bank or with an individual broker, must temporarily register their shares in their own name with VPC. Shareholders wishing such re-registration must inform their nominee in good time prior to April 6, 2001.

Dividend

Friday, April 20, 2001, is proposed as the record date. If the Annual General Meeting decides in accordance with the proposal, it is estimated that dividends will be distributed through VPC on April 25, 2001.

Board of Directors and Auditors

Board of Directors

Bo Berggren, Chairman
Born 1936. Elected 1985
Swedish Chairman of SAS. Chairman of the Board of Stenqvist AB. Member of the Boards of Danisco A/S, Robert Bosch GmbH and of a number of other companies and organizations.
Shareholding: 8,000

Erik Belfrage
Born 1946. Elected 1992.
Director of Skandinaviska Enskilda Banken. Chairman of the Boards of the Swedish Institute of Management (IFL), the Swedish Institute of International Affairs (UI), the Sigtuna School Foundation and the Centre for European Policy Studies (CEPS). Member of the Board of SAAB, among others. Deputy member of the Board of SAS.
Shareholding: 140

Urban Jansson, Vice Chairman
Born 1945. Elected 1999.
Director. Chairman of the Boards of Perstorp and Proffice, among others. Member of the Boards of Ahlstrom Corp., C Technologies, Pyrosequencing, SAS and SEB, among others.
Shareholding: 2,000

Nina Linander
Born 1959. Elected 1999.
Director of Vattenfall Energimarknad. Member of the Boards of Vattenfall Power Management AB and Abonnera i Sverige AB. Deputy member of the Boards of SAS.
Shareholding: 0

Auditors

Jan Åke Magnuson
Born 1942. Elected 1992.
Authorized Public Accountant, Deloitte & Touche

Gunnar Abrahamson
Born 1947. Elected 1997.
Authorized Public Accountant, Deloitte & Touche

Lars-Gunnar Nilsson
Deputy. Born. 1953. Elected 1997.
Authorized Public Accountant, Deloitte & Touche

Dan Phillips
Deputy. Born 1966. Elected 1998.
Authorized Public Accountant.

SAS Board of Directors

The Board of Directors consists of nine members and twelve deputy members.

Six members and *six deputies* shall represent the three parent companies and be appointed indirectly by the shareholders of the respective parent company through election of members of the Boards of the parent companies. The members who represent the parent companies on the Board of the SAS Consortium shall comprise the Chairman and Vice Chairman of the Board of each parent company. The two other members of the Board of each parent company are deputies on the Board of the SAS Consortium.

The employee groups in Denmark, Norway and Sweden each appoint one Board member and two deputies in accordance with a specially agreed procedure.

Among the members representing the parent companies, the Board appoints a Chairman, a First Vice Chairman and a Second Vice Chairman. In principle, these positions shall alternate between the Chairmen of the Boards of the parent companies. In the Norwegian parent company's Board the chairmanship rotates annually between the Chairman and the Vice Chairman.

The Board of Directors has the same authority and obligations as those normally incumbent on the board of a limited liability company. The Board shall lead and manage the affairs of SAS. The Assembly of Representatives issues more detailed instructions regarding the activities and authority of the Board.

The Board appoints a President and determines his/her remuneration. Day-to-day administration is conducted by the President. However, the Board has the right to decide on matters that are part of the day-to-day administration. The Board issues more detailed instructions regarding the authority and obligations incumbent on the President.

The Board forms a quorum when at least four of the six members who represent the parent companies are present and each parent company is represented. Each member present at a Board meeting has one vote. The decision of the Board comprises the view on which the majority of voting members agree, or – if the votes are equally cast – the view supported by the Chairman and which is supported by at least four of the members representing the parent companies.

Bo Berggren
Born 1936, Hon.D.Eng.
Chairman of SAS's Board in 2000. Swedish Chairman of SAS since 1992 and Chairman of SAS Sverige AB as representative of the private Swedish owners.

Member of the Boards of a number of Swedish and international companies and organizations.

Shareholding: 8,000 shares in SAS Sverige AB

Personal Deputy: Erik Belfrage

Harald Norvik
Born 1946, M.B.A.
First Vice Chairman of SAS's Board in 2000. Alternating Norwegian Chairman of SAS since 1992 and Chairman of the Board of SAS Norge ASA in 2000 as representative of the Norwegian State.

Chairman of the Assembly of Representatives of Den Norske Bank. Member of the Boards of the Oslo Stock Exchange, TV2 AS, and Umoe ASA, among others.

Shareholding: 1,000 shares in SAS Norge ASA

Personal Deputy: Kari Gjesteby

Erik Sørensen
Born 1944, M.Sc.Eng.
Second Vice Chairman of SAS's Board in 2000. Member of SAS's Board since 2000 and Chairman of the Board of SAS Danmark A/S in 2000 as representative of the private Danish owners.

President of Chr. Hansen Holding A/S. Vice Chairman of ISS A/S and member of the Board of MAERSK MEDICAL A/S.

Shareholding: 10,000 shares in SAS Danmark A/S.

Personal Deputy: Anders Knutsen

Bjørn Eidem
Born 1942, Supreme Court Attorney.
Alternating Norwegian Chairman of SAS since 1992, member of SAS's Board since 1983. Vice Chairman of the Board of SAS Norge ASA in 2000 as representative of the private Norwegian owners.

Partner in the law firm Harboe, Eidem & Co AS. Chairman of the Boards of Hafslund ASA, Havila ASA and Rederiaksjeselskapet Sunnmøre Rederi, among others.

Shareholding: 5,861 shares in SAS Norge ASA.

Personal Deputy: Mads Henry Andenæs

Urban Jansson
Born 1945, Director.
Member of SAS's Board since 1999 and Vice Chairman of the Board of SAS Sverige AB as representative of the Swedish State.

Chairman of the Boards of Perstorp and Proffice, among others. Member of the Boards of Ahlström Corp., C Technologies, Pyro Sequencing, and SEB, among others.

Shareholding: 2,000 shares in SAS Sverige AB.

Personal Deputy: Nina Linander

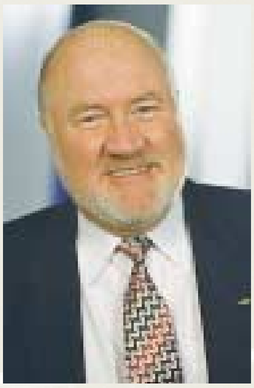
Anders Eldrup
Born 1948, B.Pol.Sc.
Member of SAS's Board since 1993 and Vice Chairman of the Board of SAS Danmark A/S as representative of the Danish State.

Permanent Secretary, Ministry of Finance. Vice Chairman of the Board of Dansk Olie og Naturgas A/S.

Shareholding: 0

Personal Deputy: Bjørn Westh

Employee representatives



Leif Kindert
Born 1941
Member of SAS's Board since 1992. Employed at SAS in Sweden.

Shareholding: 0

Deputies: Ulla Gröntvedt and Jouni Ketola

Ingvar Lilletun
Born 1938
Member of SAS's Board since 1979. Employed at SAS in Norway.

Shareholding: 0

Deputies: John Lyng and Olav Lie

Helmuth Jacobsen
Born 1945
Member of SAS's Board since 1998. Employed at SAS in Denmark.

Shareholding: 0

Deputies: Nicolas Fischer and Jens Tholstrup Hansen

Shareholdings at February 20, 2001.

SAS Management

Vagn Sørensen, Marie Ehrling , Gunnar Reitan and Claes Broström.

Jan Stenberg
President & CEO,
born 1939
President and CEO of SAS since April 1994. President of the SAS parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB since 1996.

Formerly Executive Vice President of the Ericsson Group and a member of the Group's Corporate Executive Committee, member of the Boards of several of Ericsson's subsidiaries, President of Ericsson Cables, head of the Public Telecommunications Business Area and President of Ericsson Telecom AB.

Chairman of B2 Bredband AB, member of the Boards of Deutsche Lufthansa AG, Förvaltnings AB Stattum, Proceedo Commerce AB, Orange Sverige AB, and the Swedish Royal Opera and a member of the Swedish Securities Council.

Shareholding: 13,000 shares in SAS Sverige AB.

Gunnar Reitan
Executive Vice President & CFO,
born 1954
Member of the SAS Management Team and since October 1993 responsible for staff functions within treasury, finance, property management and other Group staff functions. Also responsible for SAS's external relations in Norway. Joined SAS in January 1988 in Oslo as Director of SAS Station Services. Later Vice President, Finance and Administration for SAS in Norway.

Experience of banking, industry and transportation.

Member of the Boards of SPP Liv AB, Vital Forsikring ASA, Spanair S.A., Leif Høegh & Co, and Chairman of the Board of the Norwegian airline Widerøe.

Shareholding: 0

Claes Broström
Senior Vice President & CIO,
born 1954
Member of the SAS Management Team and head of the Information Strategies & Processes staff function since September 1998. Has main responsibility for IT development and business development.

Formerly employed as Vice President, Ericsson Infocom Systems, responsible for IT and business development. Previous experience of the computer and engineering industries as marketing manager, production manager and chief designer. Chairman of the Board of Scandinavian IT Group formerly SAS Data Holding A/S. Member of the Board of Melody AB.

Shareholding: 200 shares in SAS Sverige AB.

Marie Ehrling
Senior Vice President,
born 1955
Member of the SAS Management Team and head of the Station Services Division since October 1997. The division handles customer service at airports. Effective January 1, 2001, this part of the division became a separate Business Unit, Scandinavian Ground Services.

Joined SAS in 1982 as Manager Economic Planning & Control. Vice President of International Routes in 1994. Previous experience as a financial analyst at the 4th National Swedish Pension Insurance Fund, information secretary at the Swedish Government departments Education, Finance and Treasury.

Member of the Board of AB Lindex.

Shareholding: 0

Jan Forsberg
Senior Vice President,
born 1951
Member of the SAS Management Team and head of the Operations Division since January 1997. The division has overall responsibility for flight operations including responsibility for SAS's cabin staff and pilots.

Previously President of Gate Gourmet Northern Europe A/S, Managing Director of SAS Service Partner Stockholm AB, and Head of Logistics at the international construction company Tour & Andersson AB.

Member of the Board of the Norwegian airline Widerøe.

Shareholding: 0

Ørnulf Myrvoll
Senior Vice President,
born 1946
Member of the SAS Management Team and head of the Technical Division since December 1998. The division is responsible for technical maintenance of the SAS fleet.

Previous experience as President of ABB Norsk Kabel, President of ABB Strömmen AB and Division Manager of Communication Division Tele & Data, and Managing Director of Wessel Kabel AS.

Vice Chairman of the Board of Raufoss ASA.

Shareholding: 0

Shareholdings at February 20, 2001.

Henry Sténson, Jan Stenberg and Ørnulf Myrvoll.

Bernhard Rikardsen
Senior Vice President,
born 1956
Member of the SAS Management Team and head of Human Resources staff function since November 1993. Main responsibility for such matters as personnel issues, personnel policy and leadership development at SAS. Joined the human resources department at SAS in Norway in 1981. Personnel Director at SAS in Norway in 1990.

Chairman of the Board of the subsidiary SAS Flight Academy.

Shareholding: 0

Henry Sténson
Senior Vice President,
born 1955
Member of the SAS Management Team and head of the Public Relations & Government Affairs staff function since March 1998. Main responsibility for contacts with the media, general public and politicians, as well as internal communication.

Previously Head of information at Volvo Flygmotor AB, Head of Automotive Communications at AB Volvo, Information Director of Saab Aircraft AB, and Information Director of Volvo Car Corporation.

Member of the Board of the European Centre for Public Affairs.

Shareholding: 0

Erik Strand
Senior Vice President,
born 1951
Member of the SAS Management Team and head of the Marketing & Sales Division since February 1996. The division has overall responsibility for all passenger sales within SAS and for a number of partners. This includes responsibility for relations with travel agencies, companies and SAS's own sales. The division is also responsible for SAS's entire international operations and for all market communication including EuroBonus.

Previous experience as Head of Sales at AB R. Barlach, Advertising Manager of Nordiska Kompaniet, Marketing and Business Area Manager at DAGAB, and President of Ticket Travel Group AB.

Chairman of the Board of the Swedish Advertising Association, Chairman of the subsidiaries SMART AB and SAS Media AB, and member of the Board of Mynta IT & Management AB.

Shareholding: 13,900 shares in SAS Sverige AB.

Vagn Sørensen
Senior Vice President,
born 1959
Member of the SAS Management Team and head of the Business Systems Division since January 1993. The division is responsible for profitability in the SAS traffic system, pricing, the product, the aircraft fleet, freight, SAS Trading, alliances and commercial strategies. Also responsible for SAS's external relations in Denmark. Joined SAS in 1984 as a trainee in the marketing department. In 1989, he was Marketing Director for Europe, the Middle East and Africa. Vice President, SAS Airline International in 1991.

Vice Chairman of the Boards of Codan A/S and Codan Forsikring A/S. Member of the Boards of Sophus Berendsen A/S and International Health Insurance. Also Member of the Boards of Cimber Air A/S, Skyways Holding AB, Wonderful Copenhagen, Vice Chairman of Spanair S.A. and Chairman of the Board of Oy Air Botnia Ab. Senior Advisor to EQT Partners A/S.

Shareholding: 0

Jørgen Lindegaard
born 1948
has been appointed as the new President and CEO of Scandinavian Airlines System (SAS). Currently President and CEO of GN Store Nord in Copenhagen, he will take up his appointment on May 8, 2001.

Erik Strand, Jan Forsberg and Bernhard Rikardsen.

Assembly of Representatives and Auditors

The parties to the SAS Consortium (the parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB) exercise their direct owner influence on SAS through the Assembly of Representatives.

The Assembly of Representatives consists of thirty people who are appointed by the SAS parent companies' shareholders at each parent company's Annual General Meeting to supervise and control the administration of the SAS Consortium by the Board and President of SAS. Each parent company's AGM appoints ten members. Members may not be members or deputy members of SAS's Board or of any of the Boards of SAS's parent companies. Every year, the Assembly of Representatives appoints a Chairman, First Vice Chairman and Second Vice Chairman from among its members.

SAS's employees have the right to appoint nine members with observer status. These representatives are entitled to be present and participate at the meetings of the Assembly of Representatives without voting rights. The employees in Denmark, Norway and Sweden each appoint three representatives.

The ordinary meetings of the Assembly of Representatives are held twice a year, one within four months of the end of the fiscal year and one in October or November.

At the first meeting, the Assembly of Representatives considers the following matters:

- Adoption of the SAS Consortium's year-end report and consolidated financial statements.
- Disposition of the SAS Consortium's profit or loss.
- The question of discharge from liability in relation to the Assembly of Representatives for the members of the Board and the President of the SAS Consortium.
- Appointment of auditors.
- Election of the Board of Chairmen of the Assembly of Representatives.

At the second annual ordinary meeting, SAS's results as at the most recent interim report are examined.

Both ordinary meetings also consider reports of SAS's operations and financial position as well as forecasts for the business in the immediate future.

The Assembly of Representatives forms a quorum when the majority of members from each parent company are present. Each member who participates in the meeting and is entitled to vote has one vote. In most matters, decisions are carried by a simple majority. If an equal number of votes are cast, the Chairman casts the deciding vote.

SAS Assembly of Representatives

Danish members

Ordinary members

Svend Jakobsen
Chairman

Niels Brockenhuus–Schack
Jørgen Mads Clausen
Tommy Dinesen, MF
Peter Duetoft, MF
Jørgen Estrup, MF
Svend Aage
Heiselberg, MF
Kaj Ikast, MF
Axel greve af Rosenborg
Ole Trolle

Employee representatives
Helmuth Jacobsen
Nicolas Fischer
Jens Tholstrup Hansen

Norwegian members

Ordinary members

Johan Fr. Odfjell
First Vice Chairman

Gunnhill Margi Andreassen
Evy Buverud Pedersen
Petter Goldenheim
Kaare Granheim
Marit Høvding
Åge Korsvold
Jan Reinås
Svein Sundsbø
Erik Tønseth

Employee representatives
Ingvar Lilletun
John Lyng
Olav Lie

Swedish members

Ordinary members

Bo Rydin
Second Vice Chairman

Georg Andersson
Annika Christiansson
Gösta Gunnarsson
Eva Halvarsson
Tom Hedelius
Bertil Jonsson
Bo Lundgren
Tom Wachtmeister
Marcus Wallenberg

Employee representatives
Leif Kindert
Ulla Gröntvedt
Jouni Ketola

Auditors

Denmark
Stig Enevoldsen
Authorized Public Accountant
Deloitte & Touche

Norway
Olav Revheim
Authorized Public Accountant
Deloitte & Touche

Sweden
Jan Åke Magnuson
Authorized Public Accountant
Deloitte & Touche

Definitions and concepts

AEA • The Association of European Airlines. An association of the largest European airlines.

APEC, Asia Pacific Economic Cooperation • Asia Pacific Economic Cooperation Cooperation forum for free trade and economic cooperation among member countries in the Asia/Pacific area.

ASK, available seat kilometers • The total number of seats available for transportation of passengers multiplied by the number of kilometers which they are flown.

ATK, available tonne kilometers • The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

AV, asset value (Adjusted capital employed) • Total book value of assets plus surplus value in the aircraft fleet and net present value (NPV) of operating lease contracts, less noninterest-bearing liabilities and interest-bearing assets. Can also be expressed as booked shareholders' equity plus surplus value in the aircraft fleet and net present value (NPV) of operating lease contracts plus net interest-bearing liabilities.

Available seat kilometers • See ASK.

Available tonne kilometers • See ATK.

Breakeven load factor • The load factor at which traffic revenue is the same size as operating expense.

Cabin factor, passengers • Relation between RPK and ASK expressed as a percentage. Describes the capacity utilization of available seats. Also called occupancy rate.

Capacity costs • The SAS Group's depreciation for aircraft, spare engines and other spare parts, operating lease costs for aircraft and interest expenses (net).

Capital employed, adjusted • See AV.

Cash flow from operations • Cash flow from operating activities before change in working capital.

Cash flow per share • Cash flow from operations for the SAS Group, less paid tax in each parent company, divided by the number of shares.

CFROI • Cash flow return on investment. EBITDAR in relation to AV.

Code-share • When two or more airlines state their flight number in the timetable for one and the same flight, while only one of the airlines operates the flight.

CSI, Customer Satisfaction Index • An index used to measure how SAS's services are perceived by customers. Surveys are performed every six months.

Debt/equity ratio • Interest-bearing liabilities less interest-bearing assets in relation to shareholders' equity and minority interests.

Dividend yield, average price • Dividend as a percentage of the average share price during the year.

Earnings per share (EPS) • Income after taxes divided by the number of shares.

EBIT (incl. capital gains) • Operating income.

EBITDA • Earnings before net financial items, taxes, depreciation, goodwill amortization, and income from the sale of fixed assets.

EBITDAR • Earnings before net financial items, taxes, depreciation, goodwill amortization and income from the sale of fixed assets, and operating lease costs for aircraft.

EBITR • Earnings before net financial items, taxes and operating lease costs.

ECAC, European Civil Aviation Conference • Forum for cooperation between and coordination of European national authorities on civil aviation matters.

Equity/assets ratio • Shareholders' equity plus deferred tax liability and minority interests in relation to total assets.

Equity method • Shares in affiliated companies are taken up at SAS's share of shareholders' equity, taking acquired surplus and deficit values into account.

EV Enterprise value • Average share price for the three SAS shares at year-end plus average net debt during the year and the present value of operating lease contracts.

EVA, Equity value added • Return over and above the company's average cost of capital (WACC) times market-adjusted equity.

Finance leasing • Finance leasing is based on a leasing contract in which the risks and rewards of ownership of the asset are transferred to the lessee. The asset is reported as a fixed asset in the balance sheet and the commitment to pay future leasing charges is entered as a liability.

Gross profit margin • Operating income before depreciation in relation to operating revenue.

IATA, International Air Transport Association • A global association of more than 200 airlines.

ICAO, International Civil Aviation Organization • The United Nations' specialized agency for international civil aviation.

Interest coverage ratio • Operating income plus financial income in relation to financial expenses.

Market capitalization at year-end • Share price multiplied by the number of outstanding shares.

Net debt • Interest-bearing liabilities minus interest-bearing assets.

Net financing from operations • See cash flow.

Net profit margin • Income after financial items in relation to operating revenue.

NPV, Net present value • Net present value is used to calculate capitalized future operating lease costs for aircraft.

Operating leasing • Operating leasing is based on a leasing contract in which the risks and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income.

P/CE ratio • Average share price divided by cash flow per share after paid tax.

P/E ratio • Average share price divided by earnings per share after standard tax.

PULS • The Swedish abbreviation for SAS's employee surveys (Personalundersökningar om livet i SAS). These annual surveys measure how SAS employees perceive their working environment.

Regularity • The percentage of flights completed in relation to flights scheduled, excluding flights canceled for commercial reasons.

Return on capital employed (ROCE) • Operating income plus financial income in relation to average capital employed. Capital employed equals total assets as specified in the balance sheet less noninterest-bearing liabilities.

Return on capital employed, ROCE, market-based • EBITR less the depreciation portion of the operating lease costs for aircraft plus change in surplus values (aircraft) in relation to AV.

Return on equity • Income after taxes in relation to average shareholders' equity. Tax on the income of the SAS Consortium and the SAS Commuter Consortium is calculated here using a standard tax rate of 29.1% (weighted average tax rate for Denmark, Norway and Sweden).

Revenue passenger kilometers, RPK • See RPK.

Revenue tonne kilometers, RTK • See RTK.

REVPAR, Revenue per available room • Revenue per available hotel room.

ROCE • See Return on capital employed.

ROCE, market-based • See Return on capital employed, market-based.

RPK, revenue passenger kilometers • The number of paying passengers multiplied by the distance they are flown in kilometers.

RTK, revenue tonne kilometers • The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

Total load factor • The relation between RTK and ATK expressed as a percentage. The proportion of total available capacity sold and flown.

TSR • Total shareholder return, average total return.

Total return • The sum of change in share price and dividend.

Unit cost • Airline operations' total operating expenses less non-traffic related revenue per weighted RPK/ASK.

Unit revenue (yield) • Average amount of traffic revenue received per RPK.

US Majors • Group comprising the largest U.S. scheduled airlines, including freight carriers.

WACC • Weighted average cost of capital. Consists of average cost of liabilities, shareholders' equity, and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of shareholders' equity and liabilities and the capitalized present value of operating lease costs for aircraft.

Yield • See Unit revenue.

Financial calendar

Annual General Meeting, SAS Danmark A/S	April 18, 2001
Annual General Meeting, SAS Norge ASA	April 18, 2001
Annual General Meeting, SAS Sverige AB	April 17, 2001
Interim Report 1, Jan.-Mar. 2001	May 8, 2001
Interim Report 2, Jan.-June 2001	August 8, 2001
Interim Report 3, Jan.-Sep. 2001	November 7, 2001
Preliminary Year-End Report 2001	February 2002
Annual Report 2001	March 2002
Environmental Report 2001	March 2002

SAS's monthly traffic and capacity statistics are published on the sixth working day of each month.

All reports are available in English, Danish, Norwegian and Swedish and can be ordered from SAS,
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The reports are also available on the Internet: www.scandinavian.net
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International, tel: 70 10 20 00

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Norway
Telephone: 810 03 300

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Economy Class
International, tel: 020 727 555
Discount fares
Domestic, tel: 020 727 000

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"SAS's vision is to make Scandinavians proud of their airline."

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