SAS Group

The SAS Group Annual Report 2002

& Environmental Report

www.sasgroup.net

A STAR ALLIANCE MEMBER

The SAS Group

www.sasgroup.net

SAS AB is Scandinavia's largest listed airline and travel group, offering air transportation and airline related services from its base in Northern Europe. Scandinavian Airlines flies within Scandinavia as well as to and from Europe, North America and Asia. Scandinavian Airlines is a founding member of Star Alliance™, the world's largest global airline alliance. Other airlines in the Group are Spanair, Braathens, Widerøe's Flyveselskap and Air Botnia. Among the Group's Airline Support Businesses and Airline Related Businesses are companies that support airline operations, such as SAS Cargo Group and SAS Flight Academy. The Group also includes the hotel business Rezidor SAS Hospitality.

Effective July 1, 2002, the SAS Group was restructured to comprise five business areas. Starting with the fourth quarter 2002 the SAS Group reports its results divided among five business areas as opposed to four previously.

- **Scandinavian Airlines** comprises passenger transport services, including the production company SAS Commuter.
- **Subsidiary & Affiliated Airlines** comprise the other airlines within the Group. Braathens, which is 100% owned, Spanair, which is 74% owned, Widerøe, which is 99% owned and Air Botnia, which is 100% owned. Affiliated companies include airBaltic, Air Greenland, Skyways and British Midland.
- **Airline Support Businesses.** This business area includes the business units SAS World Sales, SAS Technical Services, Scandinavian Ground Services and SAS Cargo Group.
- **Airline Related Businesses** include Scandinavian IT Group, SAS Trading, SAS Flight Academy, Jetpak, European Aeronautical Group, RampSnake, SAS Media and Travellink.
- Within the **Hotels** business area, Rezidor SAS Hospitality operates the SAS Group's hotel business. The company operates under four brands: Radisson SAS Hotels & Resorts, Regent, Country Inn and Park Inn.

Company information

All reports are available in English, Danish, Norwegian and Swedish and can be ordered from SAS, SE-195 87 Stockholm, telephone +46 8 797 17 88, fax +46 8 797 51 10. They are also available and can be ordered on the Internet: **www.sasgroup.net.** The SAS Group's monthly traffic and capacity statistics appear on the sixth business day of each month. Direct further questions to SAS Group Investor Relations, Sture Stølen, telephone +46 8 797 14 51 or e-mail: investor.relations@sas.se

Financial calendar

Annual General Meeting, April 10, 2003 ■ Interim Report 1, January-March 2003, May 13, 2003 ■ Interim Report 2, January-June 2003, August 11, 2003 ■ Interim Report 3, January-September 2003, November 11, 2003 ■ Year-end Report 2003, February 2004 ■ Annual Report and Environmental Report 2003, March 2004.

Annual General Meeting

The SAS Group's Annual General Meeting will be held on April 10 at 4:00 p.m. in

- Copenhagen, Tivoli, Vesterbrogade 3.
- Stockholm, Berns hotell, Kammarsalen, Näckströmsgatan 8.
- Oslo, Radisson SAS Scandinavia, Holbergsgate 30.

Contents

*In this Annual Report, certain airline specific expressions are used, which are explained under **Definitions and concepts, p. 119**.*

SAS Group

The year in brief

Operating revenue for the year year amounted to MSEK 64,944 (51,433), an increase of 26,3%. For comparable units and adjusted for currency effects, operating revenue fell in the period by 1.0% or MSEK 512.

Earnings before depreciation and leasing costs for aircraft (EBITDAR) for the full year amounted to MSEK 7,294 (3,168), an increase of 130%.

Earnings before capital gains for the year amounted to MSEK –951 (–2,282). Excluding one-time items, earnings before capital gains for the full year 2002 were MSEK –736 (–2,282).

Income before tax amounted to MSEK –450 (–1,140).

CFROI for the full year 2002 was 13% (7%).

Earnings per share for the SAS Group for the period January-December were SEK –0.81 (–6.65) and book equity per share amounted to SEK 92.33 (96.06).

The Board of Directors proposes that no dividend be paid to SAS AB's shareholders for the 2002 fiscal year.

In the SAS Group's judgment, the current improvement measures are insufficient for attaining the objectives of long-term profitability and competitiveness. Further structural measures will therefore be implemented to give the Group's airlines a stronger position in the future.

In light of the prevailing uncertain global political situation and difficult market, the SAS Group will not make any detailed estimate of earnings for the full year 2003.

A sustainability policy was adopted by the SAS Group in February 2002.

Scandinavian Airlines' and Braathens' environmental index improved by 8 and 14 points, respectively, which is the biggest improvement ever in a single year.

Key data (Definitions, see page 119)

			Business areas*								
	SAS Group		Scandinavian Airlines		Subsidiary & Affiliated Airlines		Airline Support Businesses	Airline Related Businesses		Hotels	
	2002	2001	2002	2001***	2002	2001**	2002	2002	2001	2002	2001
Operating revenue, MSEK	64 944	51,433	37,163	41,166	17,525	3,123	20,628	6,052	8,148	3,570	3,510
EBITDAR, MSEK	7 294	3,168	3,315	1, 802	3,389	510	–	–	–	–	–
EBITDAR margin, %	11.2	6.2	8.9	4.4	19.3	16.3	–	–	–	–	–
EBIT, MSEK	682	–629	–68	–1,049	484	49	286	134	157	102	230
EBIT margin, %	1.1	–1.2	–0.2	–2.5	2.8	1.6	1.4	2.2	1.9	2.9	6.6
CFROI, %	13	7	9	4	–	–	–	–	–	–	–
Income before tax, EBT, MSEK	–450	–1,140	–1,032	–1,499	120	7	259	84	160	85	208
Investments, MSEK	10,054	11,374	7,763	10,227	1,618	429	–[1]	408	542	265	176
Number of aircraft	314	275	199	200	115	75	–	–	–	–	–
Number of daily departures (average)	1,471	1,212	810	915	661	297	–	–	–	–	–
Number of destinations	123	128	86	94	78	51	–	–	–	–	–
Average number of employees	35,506[2]	31,035	7,556	22,364	6,392	1,530	13,188	4,188	4,038	3,117	3,103
Carbon dioxide (CO_2) 000 tonnes	5,757[3]	4,949[3]	3,765	4,110	1,970	818	–	–	–	6.40	6.13
Nitrogen oxides (NOx) 000 tonnes	19.7	17.0	13.7	14.8	6.0	2.1	–	–	–	–	–

** Excluding Group-wide functions and Group eliminations (for the SAS Group's segmental reporting, see page 77). ** Spanair is not consolidated in the SAS Group - included as equity. Braathens' results were not consolidated in the SAS Group in 2001. *** Refers to the previous business area SAS Airline. [1] Investments for Airline Support Businesses are reported together with Scandinavian Airlines. [2] Including 1,065 employees in Group-wide functions. Accordingly, the breakdown of the total average number of employees by sex is 43.5% women and 56.5% men. [3] Including the SAS Group's properties and buildings (Facility Management). See page 116.*

Important events

First quarter 2002

Airbus A340s, with a high environmental performance, were phased in in all of Scandinavian Airlines' routes to Asia ■ On March 5 the EU Commission approved the SAS Group increasing its stake in Spanair to 74%. From this date, Spanair is treated as a subsidiary of the SAS Group.

Second quarter 2002

On April 2, 2002, Scandinavian Airlines and Braathens coordinated their route networks for Norwegian domestic traffic ■ SAS AB implemented a new share issue of MSEK 200 as the final step in the introduction of a single share ■ In May 2002 the SAS Group acquired 33.1% of the shares in Widerøe from minority shareholders. A voluntary offer with the same terms was made to the other shareholders, and as of December 31, the SAS Group's holding amounted to 99.4% ■ In June 2002 it was decided that Spanair would be a full member of Star Alliance™ effective April 1, 2003.

Third quarter 2002

The subsidiary SMART was sold to Amadeus. The sale provided a capital gain of MSEK 811 ■ Rezidor SAS Hospitality concluded a master franchise agreement with Carlson Hotels Worldwide granting exclusive rights in Europe, the Middle East and Africa for a further three brands: Regent, Country Inn and Park Inn. Rezidor SAS sold its rights to the brand Malmaison ■ In July 2002, a new organization was introduced with five business areas.

Fourth quarter 2002

The subsidiary SAS Flight Support acquired Aeronautical Services Group from Thales Avionics and changed its name to European Aeronautical Group ■ The goal for the SAS Group's structural measures is increased from MSEK 4,000 to MSEK 6,400 after a validation process was carried out. The full effect of the measures is expected to be achieved in 2004/2005 ■ A dispute with the Swedish Civil Aviation Administration was settled in the SAS Group's favor, and the Group received compensation totaling MSEK 570 ■ A new production concept was introduced for Scandinavian Airlines in connection with the 2002 winter traffic program.

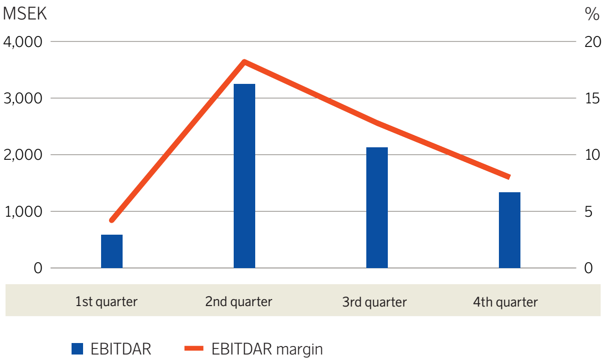
After January 1, 2003

Scandinavian Airlines introduced as of January 1, a new distribution strategy based on net prices for the distribution stage.

Key figures – The SAS Group's share (local currency)

	SAS AB (Copenhagen)		SAS AB (Oslo)		SAS AB (Stockholm)	
	2002	2001	2002	2001	2002	2001
Currency	**DKK**	DKK	**NOK**	NOK	**SEK**	SEK
Earnings after tax per share	**–0.65**	–5.36	**–0.66**	–5.78	**–0.81**	–6.65
Market price at year-end	**41.6**	53.0	**41.0**	57.5	**49.4**	68.0
Dividend (2002 proposed)	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0
Dividend yield, average price, %	**0.0**	0.0	**0.0**	0.0	**0.0**	0.0

EBITDAR for the SAS Group (quarterly data), **2002**



Group targets

	Targets	Result				
		2002	2001	2000	1999	1998
CFROI	20%	13%	7%	15%	13%	20%

The SAS Group's growth target is to increase operating revenue by 2 percentage points more than the market (AEA average).

Definitions, see page 119.

SAS Group

President's comments

With the newly acquired airlines Spanair and Braathens, the SAS Group is Europe's fourth-largest airline group measured by the number of passengers.
Although the challenges are formidable, we are acting forcefully to position the Group in a market characterized by a weaker economy and increasing competition.

2002 was a year full of challenges. When the business conditions for the airlines quickly deteriorated during the second half of 2001, it was crucial to deal with the situation with resolution and determination, which is what we did during the past year. Parallel with implementing earnings improvement measures, short-term as well as more structural changes, we are going on the offensive in the markets. This is a challenge that we have accepted, and this is the path we must continue on.

Despite the intensive restructuring efforts, the SAS Group's income after tax for 2002 was negative.

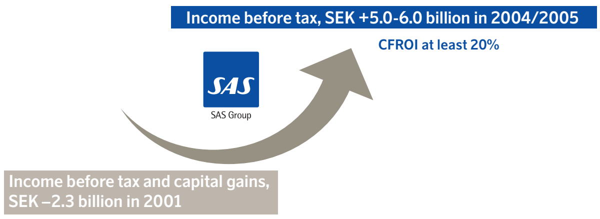
Our work during the year primarily focused on four issues: adjusting capacity to prevailing demand, laying the groundwork for long-term earnings improvement and greater competitiveness, integrating the new companies into the Group and implementing a new Group structure.

The world economy has yet to recover, with the expected upturn continually postponed. Uncertainty about the future and the weak economy has resulted in less travel. Although we cannot affect the business cycle, we can meet our increasingly tough competition head on. The consolidation of Braathens and Spanair means a strategic reinforcement of the Group. From an environmental standpoint, 2002 was a successful year. Never before has the SAS Group's eco-efficiency improved as much in a single year, primarily a result of more efficient capacity utilization.

Competitiveness needs to be secured

A wait-and-see market in combination with stiff competition is putting pressure on earnings. That is the reality the SAS Group's finds itself in. We have initiated two earnings improvement programs as part of what we call the Turnaround. Its primary objective is to achieve long-term profitability and competitiveness. The bulk of this program affects Scandinavian Airlines, where the challenge lies in creating a considerably more efficient production platform.

The short-term measures have been fully implemented as planned. The structural measures are expected to provide an effect in 2003 of approximately MSEK 3,000 and a net effect in 2004 estimated to be over SEK 5 billion - absolutely necessary interim targets on the path to a more competitive company. But this involves a continuous process. Further structural measures are needed to better position the Group's different airlines.



The SAS Group has set a long-term profitability target of CFROI of 20%. Although the Group's Turnaround plan is a step in that direction, further measures will be required.

In 2002 we introduced a new Group structure with five distinct business areas. The purpose is for all businesses, regardless of whether they are separate companies or business units, to have businesslike relationships with their customers and suppliers. This increases transparency, clarifies responsibilities for earnings, fosters a business mind-set and makes internal and external benchmarking easier.

Strategic positioning

The increasingly stiff competition in the industry, not least from the quickly growing low-fare carriers, is a challenge demanding swift action on our part. The weak economy and changes in travel behavior and its consequences are putting additional pressure on revenues.

We are mapping out strategic paths to meet this challenge and continue to work on providing our customers with more and cheaper travel options.

Electronic channels and the Internet are playing an ever more prominent role in today's travel market, and our customers expect easily accessible products. We offer them, and there was a significant increase in reservations made via Scandinavian Airlines' website in 2002. We continue to work on fully exploiting these technological advances. Our customers also demand simplicity, and the concept Scandinavian Direct is a response to this desire.

The SAS's Group's global partner strategy with Star Alliance remains firm. Our customers are offered a global network to 729 destinations in 124 countries. The alliance itself is set to add several new airlines in 2003, with Spanair joining on April 1.

SAS EuroBonus is a key loyalty concept in the company's dialog with customers. Membership continued to grow in 2002.

The fourth-largest airline group

With more than 33 million passengers flown in 2002, the SAS Group is now the fourth-largest airline group in Europe. The various airlines in the SAS Group are well positioned in the market segmentation of the industry that has begun. Intercontinental traffic is handled by Scandinavian Airlines, and on those routes the number of passengers grew by 16% to 1.4 million. On routes to Asia, capacity increased by up to 30%, while the cabin factor grew. Along with our high rankings in customer surveys, this is something we can be proud of.

We will utilize all the airlines in the Group when advancing our positions. The regional carriers Widerøe and Air Botnia are performing favorably, Spanair has a cost structure on a level with those of low-fare airlines, and we are pleased with Braathens' change for the better.

Yes to deregulation, no to unfair treatment

In December 2002 a historic decision was reached when the EU summit in Copenhagen granted membership in the Union to a number of states in Eastern and Central Europe beginning on May 1, 2004. On that date these countries will also be embraced by the EU's deregulated aviation market. With our long experience from operating in the region, we see the potential in what is now taking place. Deregulation outside the EU/EEA is also necessary, and we welcome the changes in a more liberal direction that appear to be imminent.

Although security at airports is important, there is also a cost dimension to consider. Unfortunately, the signals are pointing to a development where aviation is being singled out with unfair policies. What we are protesting against, of course, is not the high level of security, but the fact that the costs are entirely being passed on to the industry, even on to passengers.

With regard to demands for infrastructure expansion, the decline in traffic and lack of growth have given the industry breathing space. But it is important that dampened expansion not result in bottlenecks later on when traffic begins to recover.

Employees play a key role

Our employees play a key role in our transformation efforts. Full participation is needed now more than ever. We are striving for a high degree of openness in the various processes. When we are forced to make staffing reductions, communication and information are vital. Respect for the individual guides these efforts, and I deeply regret that many capable employees have been forced to leave the Group. Those remaining in the Group have a heavy workload, while through their professionalism and commitment they create a high level of value for customers.

The SAS Group continues to focus on issues of equality. It is obvious that all employees have equal value. It is competence that counts. And there has long been considerable ethnic diversity in the SAS Group.

Expansion in the hotel sector

Rezidor SAS Hospitality is undergoing dynamic expansion. Thanks to a strong European customer base, our hotels were not as adversely impacted during the year as other market players. Operating revenue rose and the profit margin remained unchanged compared with 2001.

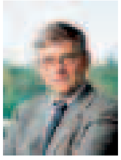
In September a master franchise agreement was signed with Carlson Hotels Worldwide for the exclusive rights to three new strong brands. The goal is to have 700 hotels under different brands by 2012 at the latest, doing so with only a modest capital investment.

Future challenges

We now see how the entire business faces restructuring and how the crisis in the airline industry is putting increasing pressure on us to make swift changes. The European airline industry simply has to become more efficient in all its parts.

For us in the Group, 2003 will be a year of restructuring, particularly for Scandinavian Airlines. Our goal remains firm: by attaining significantly lower costs we will create profitability and long-term competitiveness. This requires that all the companies in the Group continue to adapt to the market's and various customer segments' new demands for more flexible products that give value for money. The SAS Group enjoys a strong position in an important Northern European market. To keep and fortify this position we need to be able to offer air travel at considerably lower prices than we have been able to do so far. It is what this market deserves.

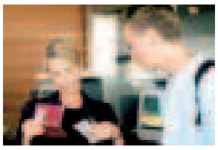
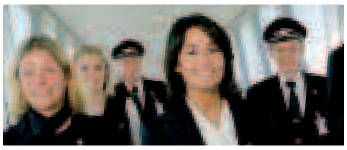
We are living in a time of great change, and I know that there is considerable strength in the SAS Group. The brand is still very strong, and our business is guided by such solid values as reliability and respect, with the focus on the customer. But we have to work smarter and abandon old routines and ways of thinking. This is a daunting challenge, and we know what is expected of us. I am convinced that the will and strength to make the necessary changes exists in the Group.



Stockholm, February 2003

Jørgen Lindegaard
President and CEO

The SAS Group's business concept, mission, vision and objectives


"More and cheaper travel"
The SAS Group has a strong position in an important Northern European airline market. To retain and strengthen this position in today's and tomorrow's increasingly tough competitive situation, the Group must be able to offer air travel at significantly lower fares than the Group has been able to do until now.

Lower fares require lower costs. The SAS Group is convinced that it will be able to produce air travel considerably more cost-effectively than it does today without sacrificing fundamental quality. Through lower fares the Group aims to attract more travelers and thereby offer more frequent flights and destinations to, from and within the Northern European air travel market.

Business concept and mission

- The SAS Group's key task is to offer passenger air transportation.
- To strengthen its market value, the SAS Group will also engage in other airline related businesses.

Vision

The SAS Group
- only invests in companies that are competitive and the customer's preferred choice
- develops employees, services and brands to the benefit of its customers
- shall be recognized as the most attractive investment among European airline groups.

Objectives

The SAS Group's objectives in the coming five-year period are to:
- achieve on average a CFROI of at least 20%
- increase operating revenue by at least 2 percentage points per year more than the market*.

* *Average for AEA (Association of European Airlines)*

Values

The SAS Group is to be a company characterized by
- value creation
- reliability
- respect.

Strategic signposts

The strategies for the Group's long-term performance are to ensure fulfillment of the SAS Group's vision and objectives. The SAS Group's main strategic focus can be summarized in four main principles:

Competitiveness

The airline business is a capital-intensive industry where high capacity utilization and productivity are crucial for competitiveness. Every business in the SAS Group is to be competitive from an economic, environmental and social standpoint, charging competitive prices. This requires constant efficiency enhancements, the utilization of new technology and agreements and framework conditions on a par with those of its competitors.

Growth

The airlines and other businesses in the SAS Group, which through their competitiveness and attractive customer offerings create the conditions for profitability, are to be given the opportunity to grow. The Group prioritizes resources for growth on this basis. To attain an attractive array of customer services, the airlines in the SAS Group will have to be able to offer simpler, more flexible products that give value for money.

Value creation

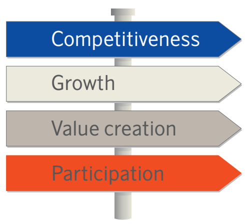
The market capitalization of the SAS Group is to correspond to the underlying and potential values inherent in the Group.

The capital market perspective is to guide the operation and development of the companies and businesses in the SAS Group. Each subsidiary is to be run as if that company itself were a "publicly held" company, although respecting the obligations and exploiting the opportunities inherent in the company's membership in the SAS Group.

External communication is to be characterized by candor, better sector information and clarity regarding future expectations. This also applies to environmental information and the Group's active contributions to positive social development.

Participation

Internal communication and management are to be characterized by openness. There should be clear objectives and forms of compensation tied to earnings performance. The Group's employees are to feel that they are participating in the development of their business and that there is a personal incentive for them to do so.



The SAS Group's strategic path

Traffic to, from, within and via the SAS Group's home market amounts to approximately 45 million passengers a year, with operating revenue of approximately SEK 100 billion.

The SAS Group's strategic path

Airline business

The SAS Group has a large home market in the Nordic and Baltic regions. This home market includes the market to and from Europe and the market to and from intercontinental destinations.

The home market has followed the development of the global airline industry. The expansion of the EU will open up new possibilities, not least in the Baltic countries affected. Outside Northern Europe the Group is represented in the Spanish market. Spain is a growing market for air traffic, domestic as well as international, and is a major travel destination for many Scandinavians.

The aim of the SAS Group is to offer customers a broad spectrum of non-stop routes from major cities and strive for convenient connections when passenger numbers are insufficient for non-stop flights. This requires competitiveness in all major traffic flows.

Today the SAS Group consists of a number of independent airlines with business models that to a certain degree are separate. Scandinavian Airlines is the largest airline in the Group, and it is crucial for the Group's performance that its competitiveness and profitability be restored. The other airlines are also adapting their businesses to enhance their competitiveness, Wherever traffic flows are insufficiently large for the Group's airlines to operate profitably, the market is served via cooperation with other airlines in Star Alliance™.

Airline related businesses

In the coming years the Group will make increased efficiency a priority in its airline related businesses. The aim is for all these businesses to offer competitive prices, thereby creating the necessary conditions for the Group's airlines and giving those units an improved basis for profitable outside business.

The airlines' demand for external services increases as new airlines are established and full-service carriers spin off previously integrated airline related services. This development is also being driven by deregulation and globalization. Restructuring and increased competition are expected in the majority of airline related industries.

The SAS Group's airline related and airline support businesses intend to take part in the restructuring in their respective industries, acquiring companies, entering into alliances or finding other solutions for operations that provide added value to the Group. The Group strives to increase its future freedom of action by making each business competitive from an industry perspective.

Hotel business

Hotel operations are a freestanding business in the Group. There are positive synergies between the hotel and airline businesses. The SAS Group's hotel business has performed favorably, making a positive contribution to Group earnings. The hotels have expanded successfully, and the agreement with Carlson Hotels Worldwide has laid the groundwork for further expansion. There are ample opportunities to continue to create value for the SAS Group.

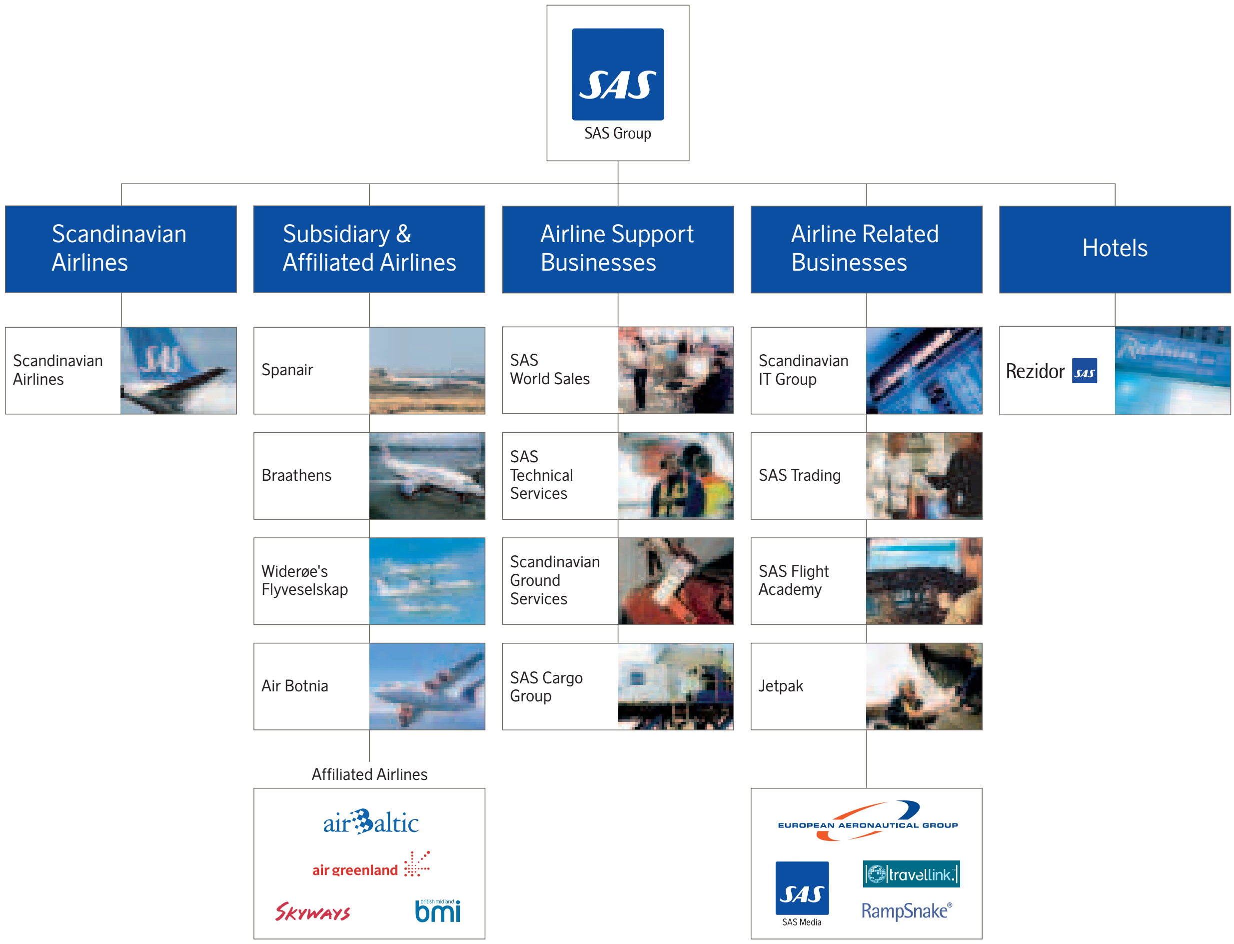
Sustainable development

The Group aims to contribute to sustainable development by optimizing its resource consumption, systematically choosing operational solutions that have a low environmental impact and being conscious of its impact on the surrounding community. (*See also Sustainable development, page 22.*)

SAS Group

The SAS Group's business structure and management model

The purpose of the new Group structure introduced on July 1, 2002, is to increase transparency, clarify responsibilities for earnings, foster a business mind-set and simplify both internal and external benchmarking. In SAS Group Management, responsibility has been divided among the various business areas[1]. *(See SAS Group Management, page 104.)*



> **The management philosophy's four cornerstones**
> - The SAS Group's management philosophy is based on the fact that responsibility for earnings fosters motivation and efficiency.
> - The SAS Group is evolving towards consisting of independent, efficient businesses.
> - Each business is to be competitive in its industry.
> - Management of the SAS Group is to be characterized by shared values.

Management model

Group Management provides the framework for Group businesses by setting overarching strategies and policies.

Each business is to be managed in accordance with growth, earnings and return targets for capital employed that are relevant from a capital market perspective. The management targets are tailored to the respective industry and are compared with relevant competitors. The purpose is to improve competitiveness and contribute to the SAS Group's overall value. For the airlines, operational management will have a sharper focus on key figures that express an efficient production platform.

Operational management is exercised through Group Management's representation on the boards of the independent companies and internal boards of business units.

Market pricing between business units

All businesses are to have established functioning, businesslike relations with their customers and suppliers within the Group. Within the business units there are ongoing efforts to build price models and agreement structures[2] with customers. It is an established principle that the agreements are to reflect to market pricing. The ongoing efforts to adapt the agreements to the market will continue in 2003 and beyond.

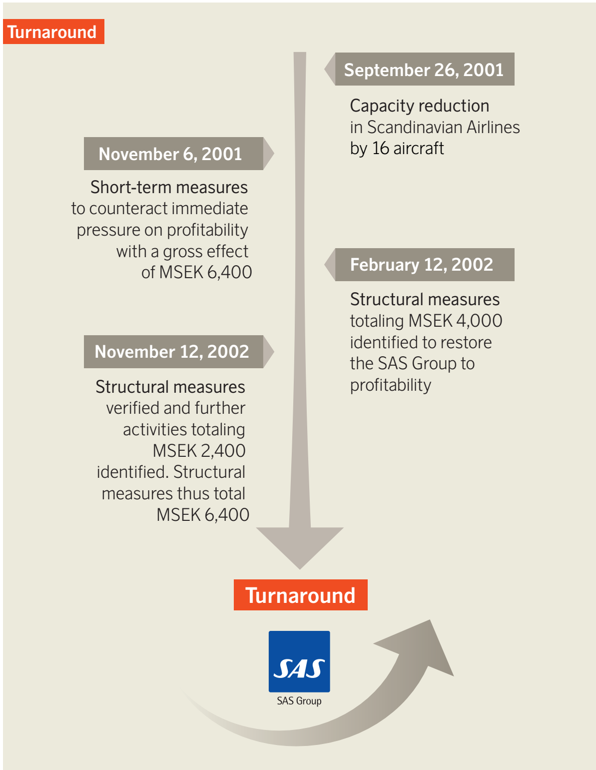
[1] *The units within each business area are arranged by size of operating revenue.*
[2] *Contractual relations are regulated through Service Level Agreements (SLAs), which are to express volume, prices, service levels and distribution of business risk.*

The SAS Group's Turnaround

The airline industry was marked by overcapacity and the need to restructure long before September 11, 2001. The events of autumn 2001 only brought to the fore and amplified the profitability problems the industry had from before.

The weakening economies and stiffening competition meant that all the airlines in the SAS Group, above all Scandinavian Airlines, had to adjust to a new world situation and new customer behavior. Against this background, the SAS Group has initiated two earnings improvement programs within the framework of what is called the Turnaround. The primary objective of the Turnaround is to increase competitiveness and profitability.

However, in the Group's judgment, against the background of weak market performance and stiffening competition, further structural measures will be needed to reach the targets for profitability and long-term competitiveness.



Measures in the Turnaround process

The gross amount of the SAS Group's two improvement programs is MSEK 12,800. The programs include short-term measures totaling approximately MSEK 6,400 and structural measures totaling a further MSEK 6,400.

Short-term measures

Implementation of the short-term measures began at the end of 2001. These measures were carried out according to plan and are now concluded. During the full year 2002 the short-term measures yielded approximately MSEK 3,400. These measures will have their full effect in 2003.

Short-term measures 2002/2003

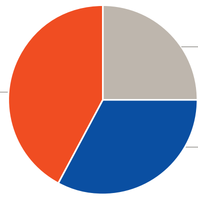
MSEK	Gross full-year effect 2003	Calculated effect on earnings as of Dec. 31, 2002
Scandinavian Airlines		
Capacity reductions	500	500
Revenue enhancements	2,200	0*
Cost reductions	2,400	1,700
Total, Scandinavian Airlines	5,100	2,200
Other Group companies	1,300	1,200
Total, short-term measures	6,400	3,400*

** Revenue enhancements of MSEK 2,200 consisting of a surcharge of USD 4/passenger/flight as well as a general fare increase of 5% were counteracted by higher insurance costs and negative passenger mix. Thus, the net effect on earnings is close to zero.*

Structural measures

To return to profitability, structural measures within the SAS Group were introduced at the beginning of 2002.

Breakdown of structural measures



In 2002 a major effort was carried out to verify the structural measures within the SAS Group. The result was that the original ambition level of MSEK 4,000 could be increased to MSEK 6,400 with full effect in 2005. These measures include MSEK 1,600 in revenue enhancements and MSEK 4,800 in cost reductions.

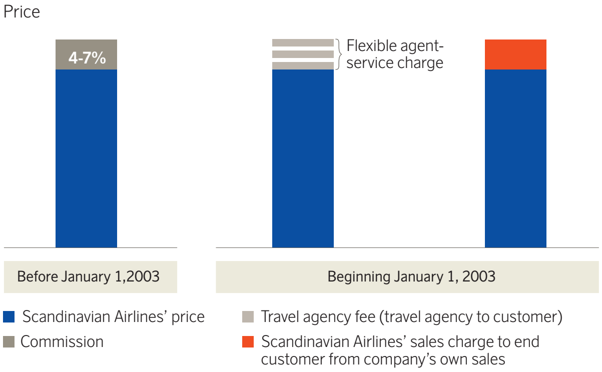
Breakdown of the structural measures 2003-2005

MSEK	
SAS Group incl. Scandinavian Airlines and Group functions	
Management and administration	1,200
Scandinavian Airlines	
Production concept	1,600
Commercial strategies (revenue enhancements incl. MSEK 800)	1,200
Distribution and sales incl. SAS World Sales (revenue enhancements incl. MSEK 800)	1,300
Additional measures in Airline Support Businesses	
Scandinavian Ground Services	500
SAS Technical Services	600
Total structural measures	6,400

Management and administration

In the areas of overhead, support and administration in Scandinavian Airlines, Scandinavian Ground Services, SAS Technical Services, SAS World Sales and the other Group functions, a cost reduction of 30% in the Group will have almost full effect in 2003. This reduction will be carried out through lowered ambition levels and increased productivity.

Scandinavian Airlines' new net pricing in Scandinavia



Previously tickets were sold at a given price by travel agencies, with a sales commission paid of between 4-7%. Starting January 1, 2003, tickets will be sold at a net price and prices will be lowered by the earlier commission amount.

Production concept - Scandinavian Airlines

The new production concept was introduced on October 27, 2002, in connection with the new winter traffic program. Improvements include increased aircraft utilization (from 7.5 to 9 hours per 24-hour period), reducing turnaround time by 5-10 minutes and increased productivity by more efficiently utilizing aircraft within the various route areas. As an initial intermediate objective, at Scandinavian Airlines, pilot hours on an annual basis are to increase from 490 hours to 600 hours and the corresponding hours for cabin crews from 540 hours to 600 hours.

Stability in the traffic system is also expected to improve through the implementation of the new production concept. For instance, negative effects of fog in Oslo can be limited on Swedish domestic traffic, for example, in that Swedish domestic traffic has dedicated aircraft that during their traffic day will not fly to or from Oslo.

Commercial strategies - Scandinavian Airlines

In the area "commercial strategies," a new aircraft configuration with approximately 7% more seats will be introduced. Increased aircraft efficiency and reduced ground service are being implemented as planned. In the area of EuroBonus, commercial partner cooperation will be increased.

Distribution and sales - Scandinavian Airlines

In distribution and sales, the call center structure will be simplified. The goal is to increase Internet sales from approximately 1% in 2002 to 25% in 2005, and reach a target for Internet check-ins of 20%. The target for ticketless travel is 50% in 2004. (*See also Distribution channels, page 44.*)

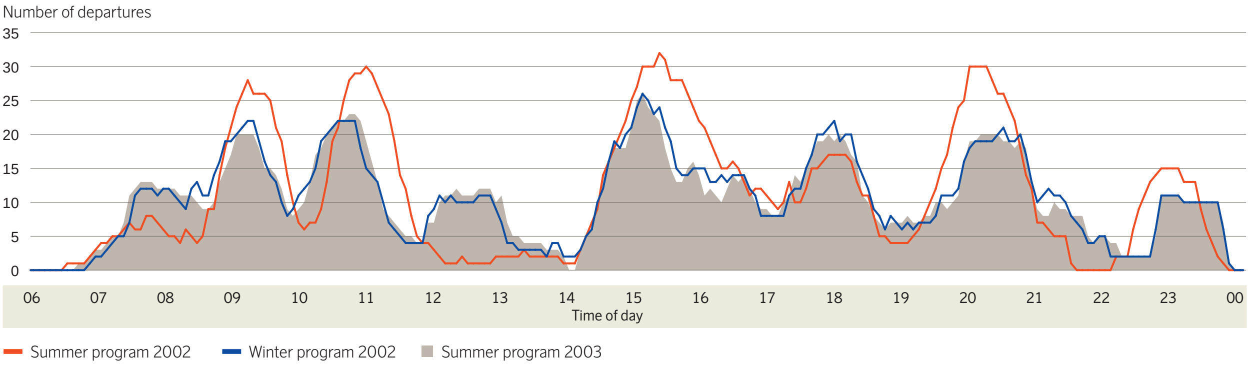
Scandinavian Ground Services (SGS)

In Scandinavian Ground Services, most of the savings will come from reduced traffic peaks resulting from the introduction of a new traffic system, increased automation at check-in and increased efficiency in passenger service. (*See the diagram below.*)

SAS Technical Services (STS)

In STS, more season-oriented technical maintenance will free up capacity, resulting in cost savings. A central warehouse for materials will be introduced, freeing up capital.

Reduced traffic peaks at Copenhagen Airport



As part of the 2002 winter traffic program, the production system in Copenhagen was rearranged. Morning departures from Copenhagen were rescheduled earlier. This rearrangement means considerably lower traffic peaks, a more even traffic flow throughout the day, better resource adaptability and increased productivity. This makes possible a 15% reduction in staffing on the ground for the SAS Group's departures/arrivals.

Pace of implementation

The implementation of the structural measures is ongoing and their effect in 2003 is expected to be approximately MSEK 3,000. All measures will be introduced by 2004 at the latest. The net effect in 2004 is expected to be MSEK 5,500, with the full effect expected in 2005.

Pace of implementing structural measures (MSEK)

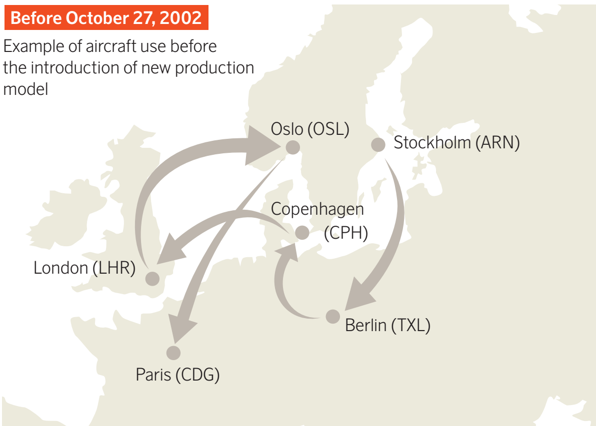
Year	Effect on costs	Effect on revenues	Total
2003	2,400	600	3,000
2004	4,200	1,300	5,500
2005	4,800	1,600	6,400

Implementation of structural measures

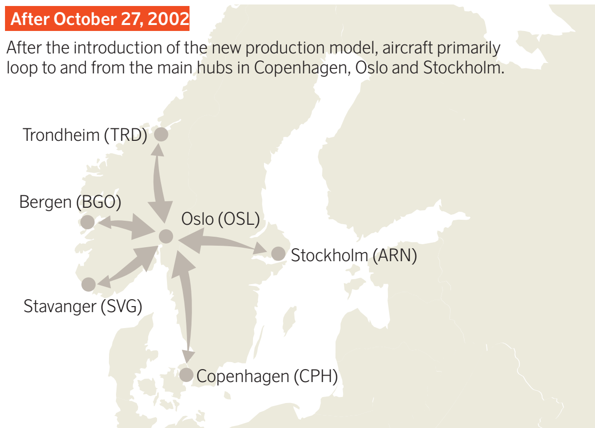
In 2002, the implementation of the structural measures went according to plan. This applies to the number of activities initiated and carried out as well as their economic impact. In 2002, 23% of the activities corresponding to 43% of the full-year effect for 2003 and 28% of the full-year effect from the full implementation of the program in 2005, were carried out. During 2003, 80% of the activities are scheduled to be carried out.

The structural measures translate into redundancies of 2,700 positions, of which 900 are from administration and 1,800 from production. In 2002, a reduction of 1,200 positions in all was decided and will have its full effect in 2003. Of these, 700 positions are in administration, 300 are pilots and 200 positions in other productive units. Of the 1,200 positions, 500 were reduced through attrition and voluntary agreements. On November 1, 2002, 300 pilots were given notice and a further 200 were dismissed in the other units. Two hundred persons were relieved of their positions and have assumed new positions within the Group, for example, to handle new customers in Ground Services. The remaining redundancies will arise and be handled during 2003 and 2004 in step with the introduction of the structural measures.

Aircraft utilization approximately 7.5 hours



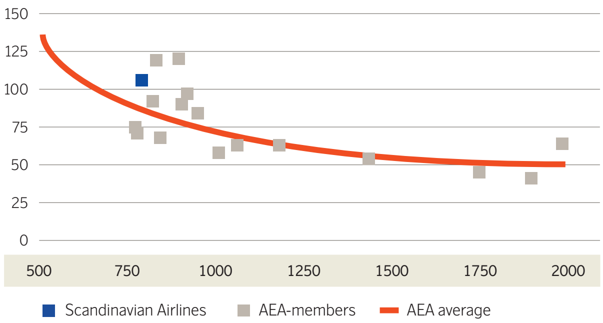
Aircraft utilization approximately 9 hours



The new production concept lays the groundwork for improved aircraft utilization. Previously aircraft were utilized in long loops. Now the three hubs of Copenhagen, Oslo and Stockholm are separated from one another and are connected only through intercapital traffic.

Unit cost variations with flight distance, Europe 2001

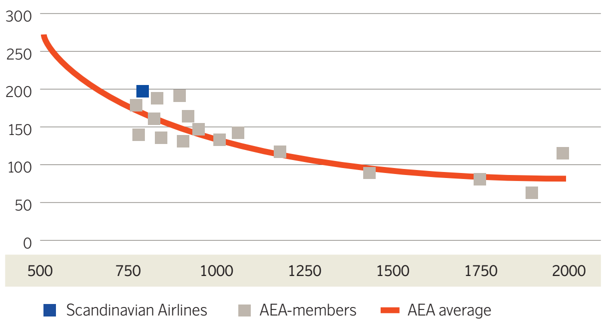
Cost/available tonne kilometer, U.S. cents



Scandinavian Airlines has shorter mean flight distances that most of its competitors. The goal of the Turnaround measures is to reduce Scandinavian Airlines' unit costs by 20%.

Yield variations with flight distances, Europe 2001

Revenue/revenue tonne kilometer, U.S. cents



Scandinavian Airlines has a higher yield that 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 Group

SAS Airline* - unit cost performance 2002			
MSEK	Adjusted ** 2001	2002	Share of difference
Sales costs	2,222	**2,007**	–0.7%
Jet fuel	3,684	**3,187**	–1.6%
Aviation taxes	3,677	**3,621**	–0.2%
Personnel	12,894	**14,176**	4.0%
Other costs	9,417	**9,413**	0.0%
Total	31,894	**32,404**	1.6%

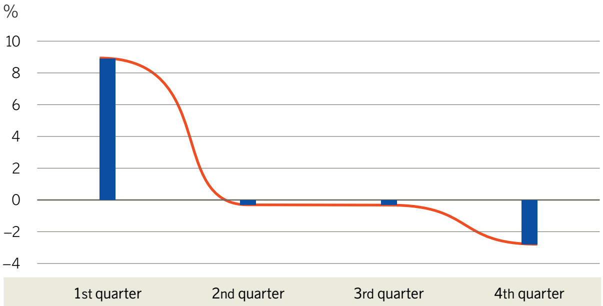
Volume component (ASK = –4.0%)

The table is based on the net cost principle and excludes aircraft leasing expenses.

* *SAS Airline (Scandinavian Airlines + SAS Technical Services + Scandinavian Ground Services + SAS World Sales).*

** *Adjusted for currency and volumes.*

Change in unit cost – SAS Airline* 2002



The unit cost pertains to the former business area SAS Airline, which included the units Scandinavian Airlines, SAS World Sales, SAS Technical Services and Scandinavian Ground Services. Unit cost rose steeply in early 2002 before the short-term measures showed results, with unit costs continually falling afterward.

* *SAS Airline (Scandinavian Airlines + SAS Technical Services + Scandinavian Ground Services + SAS World Sales).*

Provisions for costs

Due to redundancies, provisions have been made during the fourth quarter of 2002 that cover idle notice periods, contractual pensions and other agreements for redundant personnel *(see page 78)*.

Long-term competitiveness in the airline industry - cost-effectiveness

An airline's long-term cost-effectiveness is determined by its ability to control costs of crews, aircraft, maintenance, station services and administration. Jet fuel and taxes are also large cost items, but they are considerably more competition-neutral.

Parameters for long-term competitiveness - costs

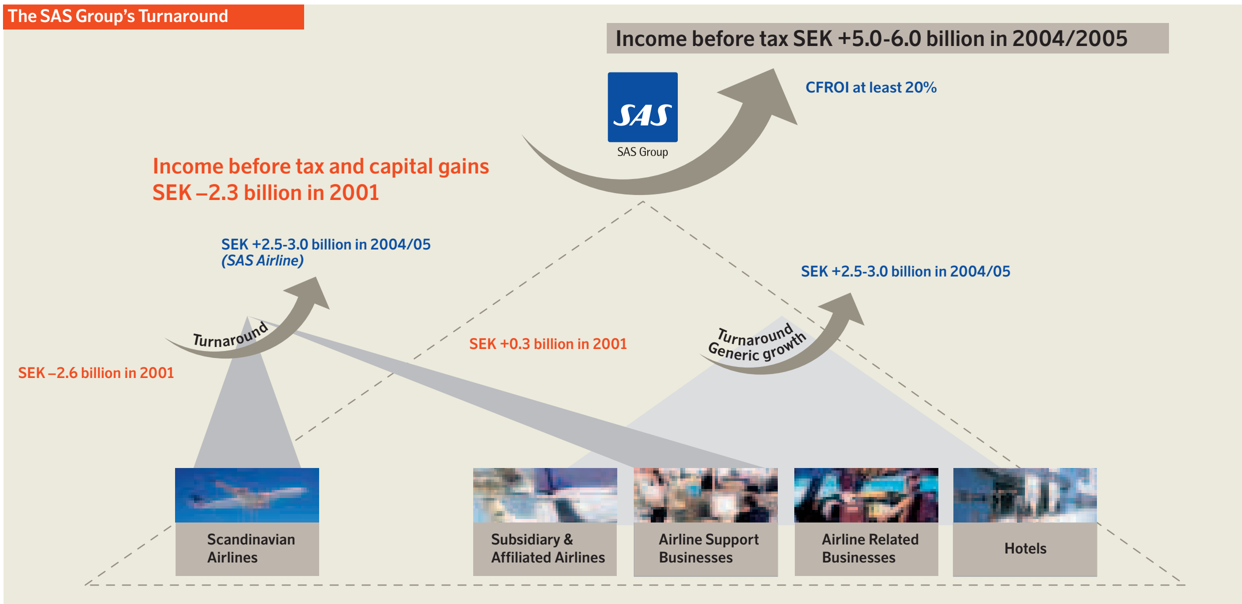
- *Aircraft utilization* Among full-service airlines there is a great potential in increasing the utilization rate of the aircraft fleet. Low-fare airlines normally use their aircraft up to twelve hours per day. This is made possible, among other things, by shorter turnaround times, simpler handling and more effective utilization of the 24-hour day. It is also a result of focusing on point-to-point traffic rather than network traffic, which facilitates optimization.
- *Crew utilization rate* expressed in block hours per category/year for pilots and cabin crew.
- *Sales costs* as a proportion of revenues. These costs are to reflect a high percentage of sales over the Internet, an optimal mix of distribution channels and efficient call centers.
- *Technical maintenance* with competitive prices per airborne hour. Such prices assume, for example, critical mass per aircraft type, a high degree of adjustment to season or hour of the day, efficient planning of aircraft maintenance and the optimal size and placement of technical bases.
- *Station services* services with competitive prices per landing. The unit price reflects, for example, a high degree of automation, short aircraft turnaround times and a high proportion of working time in direct production vis-à-vis customers compared with the total number of paid working hours.
- *Administration costs* as a share of total operating costs. This requires an administration with fewer employees and efficient IT systems without needless complexity.

Turnaround

Status 2002, intermediate targets, Scandinavian Airlines	2002	Inermediate target
Aircraft utilization rate (block hours/day/aircraft)	**7,5**	9
Crew utilization rate, pilots (block hours/pilot/year)	**490**	600
Utilization rate, cabin crew (block hours/cabin employee/year)	**530**	600
Aircraft stops over night*	**800**	500
Turnaround time	**40 min**	30 min
Technical maintenance, costs		–10 to –15% vs 2002
Ground services, costs		–10 to –15% vs 2002

* *Winter traffic program 2002, aircraft stops over night in places other than Copenhagen, Oslo or Stockholm.*

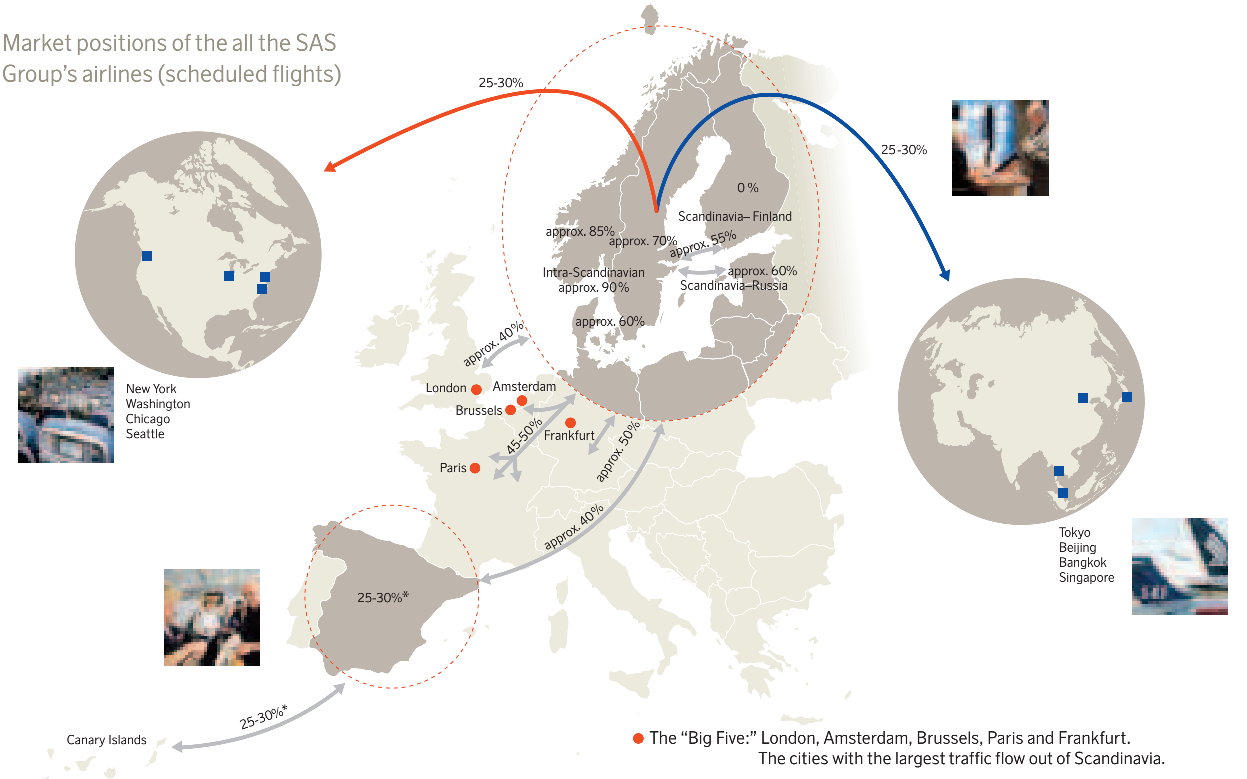
The SAS Group's Turnaround



The SAS Group's markets and positioning

Through the various airlines within it, the SAS Group is well positioned in its home market. The SAS Group has strengthened its market position compared with 2001 through the consolidation of Braathens and Spanair. The number of passengers transported rose in 2002 by 33.4% compared with 2001 (Spanair and Braathens were not part of the SAS Group in 2001). The Group's airline operations stretch from Hammerfest in the north to Singapore in the south. In total, all the airlines in the SAS Group transported more than 33 million passengers in 2002, making the SAS Group the fourth largest airline group in Europe.

Market positions of the all the SAS Group's airlines (scheduled flights)



● The "Big Five:" London, Amsterdam, Brussels, Paris and Frankfurt. The cities with the largest traffic flow out of Scandinavia.

** On the routes Spanair serves.*

Key figures, traffic and capacity - SAS Group

	2002	2001*	Change
Number of passengers (000)	**33,254**	35,640	–6.7%
RPK (millions)	**30,913**	31,948	–3.2%
ASK (millions)	**47,214**	51,581	–8.5%
Cabin factor, scheduled	**65.5%**	61.9%	+3.5 pts.**

Scandinavian Airlines

	2002	2001	Change
Number of passengers (000)	**21,866**	23,063	–5.2%
RPK (millions)	**23,212**	22,956	+1.1%
ASK (millions)	**34,096**	35,521	–4.0%
Cabin factor, scheduled	**68.1%**	64.6%	+3.5 pts.**

Subsidiary & Affiliated Airlines

	2002	2001*	Change
Number of passengers (000)	**11,389**	12,578	–9.5%
RPK (millions)	**7,701**	8,992	–14.4%
ASK (millions)	**13,118**	16,060	–18.3%
Cabin factor, scheduled	**58.7%**	56.0%	+2.7 pts.**

** Includes Spanair and Braathens. Definitions and concepts, see page 119.*
*** Change in percentage points.*

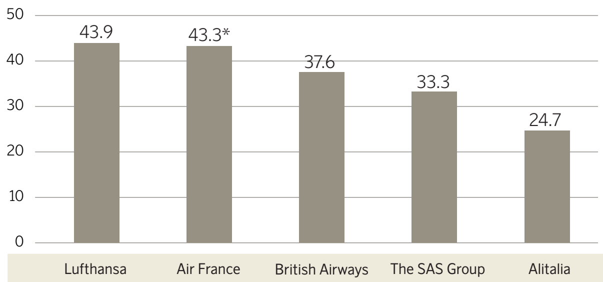
Airlines in the SAS Group (traffic and capacity) 2002

	Traffic (RPK)	Capacity (ASK)	Cabin factor	Change in cabin factor*
SAS Group	–3.2%	–8.5%	65.5%	+3.5 pts.
Scandinavian Airlines	+1.1%	–4.0%	68.1%	+3.5 pts.
Spanair	–23.6% **	–24.8% **	61.0%	+0.9 pts.
Braathens	–3.4%	–15.0%	57.8%	+7.0 pts.
Widerøe	+17.9%	+15.0%	51.4%	+1.3 pts.
Air Botnia	+30.5%	+15.8%	49.5%	+5.6 pts.

** Change in percentage points. ** In 2002, Spanair closed down its intercontinetal operations.*

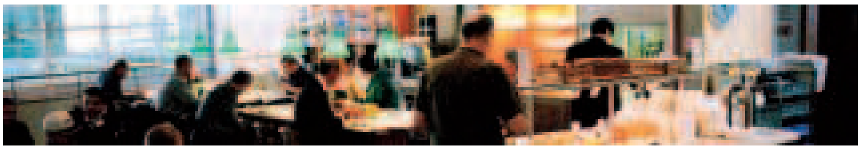
Europe's five largest airline groups

Millions of passengers 2002



Including Braathens and Spanair, in 2002 the SAS Group was Europe's fourth largest airline group measured in the number of passengers.
** April 2001-March 2002*

SAS Group



The Group's positioning in the airline market

The European airline market consists of various traffic flows that differ with regard to distance traveled, size, customer composition and competition. This places demands on various business models that are tailored to their respective markets.

The Group's airlines operate in traffic flows that range from intercontinental routes to domestic routes in the Scandinavian countries and Spain and charter flights to southern Europe.

Intercontinental market

The passenger base in the Baltic area is insufficient for the establishment of worldwide intercontinental route network based in Scandinavia. However, this base and Scandinavia's geographical position permit intercontinental routes to North America and parts of Asia. Scandinavian Airlines is the Group's intercontinental airline and has a market share of traffic between Scandinavia and Asia/U.S. of approximately 25-30%.

Europe

The traffic flows between Scandinavia and other countries in Europe can be divided into four submarkets.

- *Major European destinations,* the "Big Five" (*see graphic, page 13*) with high volumes of business and leisure travelers and competition from national "flag carriers" as well as low-fare airlines. This is one of Scandinavian Airlines' main markets, with market shares in this submarket between 35% and 60%.
- *Other European destinations* in Central Europe and the U.K., often with a high percentage of business travelers, where competition comes from national airlines. SAS Airlines operates this submarket and market shares vary from destination to destination.
- *Destinations in southern Europe* with primarily leisure travelers and competition from the major full-service carriers in Europe as well as low-fare and charter airlines. In this market the SAS Group's airlines operate through Scandinavian Airlines and its new "Light" concept as well as through Spanair and Braathens. The market position in this submarket is relatively weak due to Scandinavian Airlines' earlier primary focus on the business segment.
- *Destinations in the local market* surrounding the Baltic, which besides meeting the need for local transportation also facilitates efficient connections to the rest of the international route network. In addition to Scandinavian Airlines, Air Botnia operates in this market with its basis in the Finnish market. Market coverage is relatively good.

Scandinavia

The markets between and within the Scandinavian countries are responsible for a considerable share of the Group's airline operations, and in this market the Group is represented by Scandinavian Airlines as well as Braathens, Widerøe and Air Botnia.

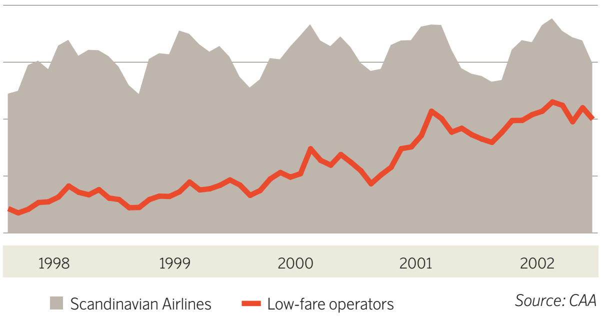
Charter

The charter segment requires the most effective cost structure. Spanair is the airline in the Group that currently has the best prerequisites for operating profitably in this segment. Braathens has competitive charter traffic during high season in summer when scheduled flight activity is lower.

Competition from low-fare airlines

The leading European low-fare carriers have grown stronger during the crisis in the airline industry, whereas other low-fare airlines had short lives. The low-fare airlines have shown that they can operate air service in new, efficient ways and through low fares have attracted new air travelers or taken travelers from other means of transportation. The steady expansion of their offerings also means that low-fare airlines are taking travelers from full-service carriers.

New players generate new traffic, Scandinavia - London
Number of passengers

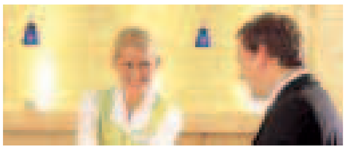


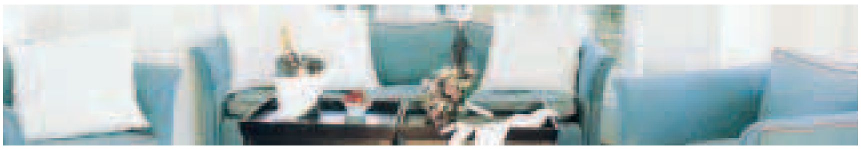
A low-fare carrier has its primary focus on secondary airports located far from city centers and operates with very low costs. The diagram shows the traffic trend (number of passengers) for Scandinavian Airlines and a low-fare player in Scandinavia in the period 1998-2002.

In the period 1998 onward this carrier's capacity gradually increased to/from other destinations in Scandinavia. In the same period, Scandinavian Airlines has increased its traffic by approximately 6%, and its market share grew from 39% to 43% in 2002. The diagram shows that the entry of this kind of carrier generates a lot of new traffic and customers who would otherwise not travel or would travel on other means of transportation. However, the entry of low-fare airlines into the market generally puts pressure on yield.

The SAS Group previously faced competition from low-fare airlines primarily on routes to London or southern Europe. Now competition extends to larger and larger segments of the European and Scandinavian markets.

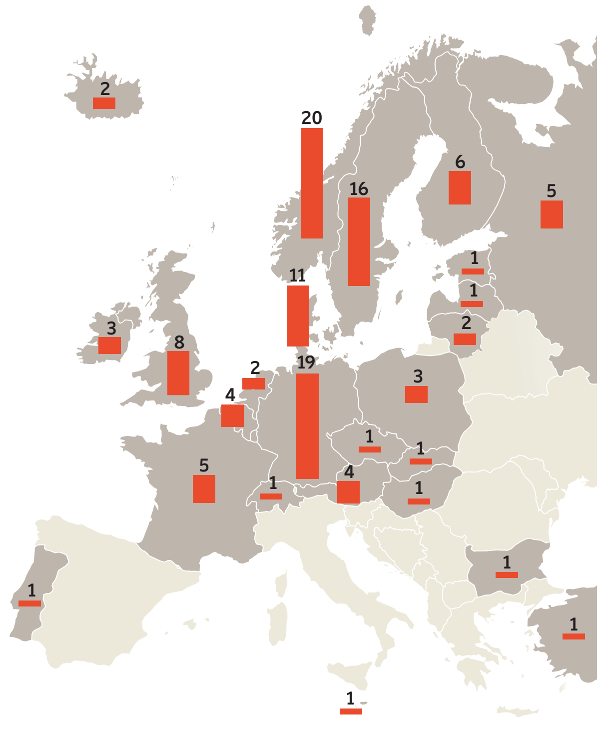
The low-fare airlines are here to stay, and they will likely increase their share of the European airline market. Their advance has put pressure on Scandinavian Airlines and other full-service airlines to streamline their operations and try to combine the best of the low-fare carriers with the best of a full-service airline.



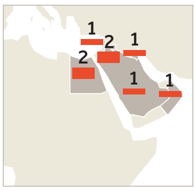


Rezidor SAS

Rezidor SAS Hospitality's market position



China



Egypt, Jordan, Lebanon, Saudia Arabia, Kuwait and Oman

South Africa

Established market

Expansion phase

Number of hotels in each country

The bars show the number of hotels in operation in each country as of December 2002. the takeover of three additional brands is expected to increase the number of hotels also in countries where Rezidor SAS is expanding.

Rezidor SAS Hospitality's hotel segment

Segment	Brand
Luxury	Regent
First class	Radisson SAS Hotels & Resorts
Middle class	Country Inn
Middle class	Park Inn

Key figures Rezidor SAS Hospitality

	2002	2001	Change
Total number of hotels[1]	**184**	160	15%
Number of countries operating[1]	**40**	38	5.3%
Number of available rooms/night[1]	**40,000**	35,000	14.3%
REVPAR[2], SEK	**632**	638	–0.9%
Occupancy rate[2]	**65%**	67%	–2 pts.[3]

[1] *Hotels operated as owned, leased or on management and franchise contracts and hotels under development.*
[2] *Hotels operated as owned, leased or on management contracts.*
[3] *Change in percentage points.*
Definitions and concepts, see page 119.

Hotels

Rezidor SAS Hospitality's objective is to become one of Europe's leading companies in hospitality management. The company has seen great expansion in recent years and at the end of 2002 operated 184 hotels in 40 countries (including 51 hotels under development).

In autumn 2002, an important strategic step forward was taken through a master franchise agreement with Carlson Hotels Worldwide for an additional three brands. This takeover is part of Rezidor SAS Hospitality's expansion strategy in the rest of the market.

Rezidor has a strong position in the Nordic and Baltic regions, the Benelux countries, U.K. and Ireland. Today only 30% of the hotels in Europe belong to chains, as opposed to over 80% in the U.S. A comparable development is expected in Europe. By exploiting Rezidor SAS's strong brand and the expanded portfolio, the aim is within a ten-year period to grow to a total of 700 hotels under different brands. (*See also Hotels, page 69.*)

SAS Group

Economic trends and forecasts

Economic trends

The airline industry is sensitive to the business cycle. Increased economic activity generates more meetings between people and thus more travel. 2002 was marked by less economic activity and modest growth.

The events of September 11, 2001, and the weak economy prompted the majority of central banks to lower interest rates to avoid a deeper recession. In 2002 there were signs and expectations of growing demand and a recovery of the world economy. However, the performance in 2002 was weaker than expected, with the recovery continually postponed. In addition, the SAS Group's biggest customers were severely impacted, which indirectly meant considerably less travel than expected.

The chart below shows GDP growth in the SAS Group's key markets in 2001-2002 as well as the share of total ticket sales in 2002 that these markets represent.

GDP growth in the SAS Group's key markets

	GDP growth* 2002	Group's share of of sales 2002
Denmark	1.5%	10%
Norway	2.0%	33%
Sweden	1.7%	22%
Finland	1.6%	3%
Spain	1.8%	8%
Rest of Europe	0.8%	15%
U.S.	2.3%	6%
Rest of world	–	3%

** OECD November 18, 2002.*

Traffic trends in Europe in 2002

Owing to the weak economy and the effects of September 11, 2001, 2002 was a trying year for the European airline industry. During the first nine months, traffic among the European airlines (AEA) fell by 7.6%. Despite this, average cabin factor increased by 3.2 percentage points due to even more sharply reduced capacity. In all, European traffic fell in 2002 by 4.7% and capacity by 9.5%.

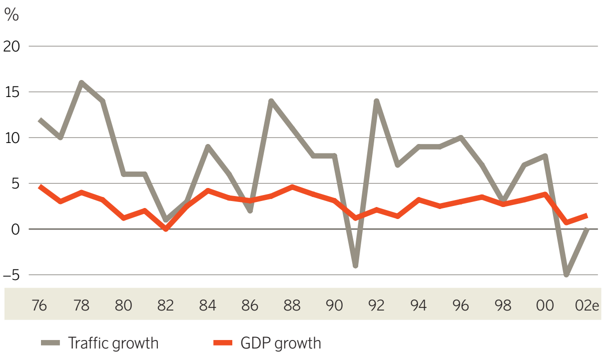
Traffic over the North Atlantic fell during the first nine months of 2002 by 14.4%. Norwegian domestic traffic was also weak, falling by 6.0%. In Sweden traffic fell by 8%. During the last quarter of 2002 there was a sharp recovery primarily in traffic over the North Atlantic due to the fact that the traffic during the corresponding period in 2001 was very weak.

Most airlines have also been affected by lower business travel resulting from the weak economy with added pressure on yield, which accelerated toward the end of 2002.

Airline industry cycles

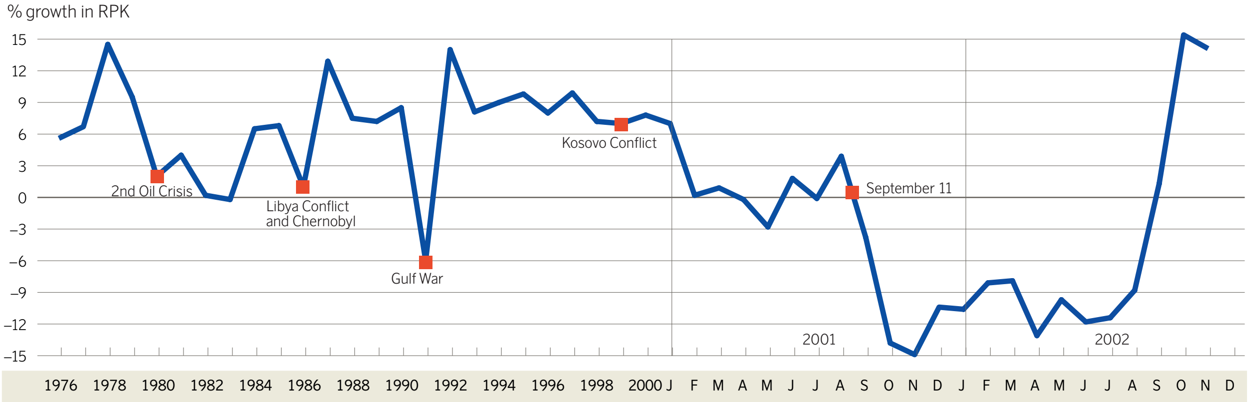
Like most industries, the airline industry's profitability is affected by extraneous factors and by more controllable factors. Airlines deal with extraneous factors by trying to build flexibility into their organizations so that operations can be adapted to altered conditions as quickly as possible. This is done, for example, by leasing in aircraft that can be returned quickly as well as by taking on temporary staff. Growth in the world economy is an example of an extraneous factor.

World traffic and GDP growth, 1976-2002



A factor that the industry itself can affect is the supply of capacity and the number of available aircraft. Traditionally the airline industry has often found itself in a situation with overcapacity. New capacity has been added in recent years through the growth of low-fare airlines. After September 11, 2001, demand fell sharply, and the industry acted relatively quickly with sharp capacity reductions. During the second half of 2002 this resulted in a generally strong increase in cabin factor and a better balance between supply and demand.

Development of international scheduled traffic for European airlines (AEA) 1976-2002

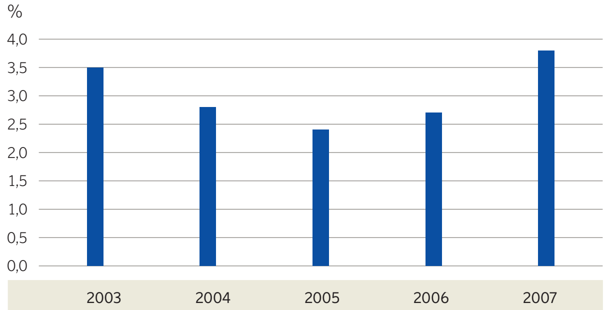


Source: AEA

- New aircraft delivered during 2002 amounted to 5.9% of the world's aircraft fleet. For 2003 this figure is estimated to be 5.4%.
- Aircraft taken out of service is estimated to total approximately 2% of the aircraft fleet per year until and including 2006.

The number of aircraft in parking areas, including those in California and Arizona, has decreased from approximately 2,100 aircraft at the end of 2001 to approximately 1,850 at the end of 2002.

Forecast net increase in the global total aircraft fleet 2003-2007



The great weakness that has existed in the airline industry has caused a reduction in airline orders of new aircraft. In the period 2003-2007 there will be an increase in the net growth of the world's aircraft fleet of 3%.

Source: DKW

Forecasts for the airline industry

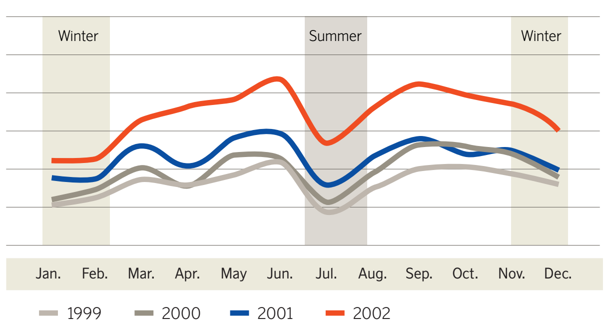
The world's two largest aircraft manufacturers, Airbus Industrie and the Boeing Company, forecast annual growth of approximately 4.7% and 4.9%, respectively, until the year 2020.

The UN scientific council on climate issues, the Intergovernment Panel on Climate Change (IPCC), has estimated that air transport will increase by an average of 5% per year until 2015. The largest increase is expected to be in traffic within and to and from Asia, particularly China. At the same time the IPCC estimates that technological developments will lead fuel consumption to increase by only 3% per year until 2015.

The SAS Group's seasonal pattern

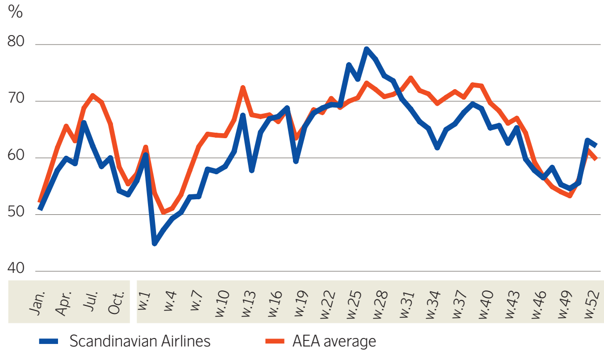
The SAS Group's profitability fluctuates during the year due to the fact that travel and/or revenues follow a definite seasonal pattern. The winter months November-February are generally weak as the number of travelers is generally lower and activity low. March-June

SAS Group - seasonal pattern in distribution of revenue 1999-2002



From a traffic standpoint, for the SAS Group the winter months are weak, whereas other periods are relatively strong. The increase in revenues in 2002 is attributed to the consolidation of Braathens and Spanair.

Scandinavian Airlines' cabin factor relative to European airlines 2001-2002



The diagram shows the performance of cabin factor for Scandinavian Airlines and the average of European airlines (AEA). Raising the cabin factor in 2002 was a conscious strategy at Scandinavian Airlines. During the latter half of 2002 the cabin factor was higher than the AEA average.

is the SAS Group's strongest period. During the summer months July-August business activity in Scandinavia is very low, which means that revenues fall during this period even though traffic and the cabin factor are high. In connection with increased activities, revenues gradually rise from the end of August to October. The consolidation of Braathens and Spanair, which see higher activity than Scandinavian Airlines during the summer, reduces the Group's seasonal fluctuation somewhat. To counteract the negative seasonal fluctuations, measures have been introduced into the traffic program.

The SAS Group's sensitivity analysis

The following presentation provides an indication of how various factors affect the SAS Group's earnings.

The SAS Group's sensitivity analysis

The following approximate relations exist between the operational key figures* and Scandinavian Airlines' and the SAS Group's earnings.

	Scandinavian Airlines	Group total
Passenger traffic (RPK)		
1% change in RPK (MSEK)	260	370
Cabin factor		
1 percentage point change in cabin factor (MSEK)	390	560
Unit revenue (Yield)		
1% change in passenger revenue per passenger kilometer (MSEK)	330	460
Unit cost		
1% change in the airline business's unit cost (MSEK)	300	400
Jet fuel		
1% change in the price of jet fuel (MSEK)	35	50
1% change in consumption of jet fuel corresponds to tonnes of CO_2	40,000	60,000
Exchange rate sensitivity		
1% weakening of the SEK against other currencies means:		
Per year in improved cash flow from the year's operations (MSEK)	–	10
1% increase in the net debt (MSEK)	–	0 to 15

These effects on earnings cannot be totaled but reflect the earnings sensitivity for Scandinavian Airlines and the Group, respectively, in the current situation.

** Definitions, see page 119.*

Policy framework for civil aviation

The situation in which the airline industry finds itself after September 11, 2001, will speed up the process of consolidation long deemed necessary and inevitable. Different countries' governments have to varying degrees taken an active interest in the problems besetting the national carriers, which has distorted inter-airline competition.

European civil aviation policy

The deregulation of European aviation during the 1990s has meant that in recent years no civil aviation policy factors have restricted the free market access for air transport within the EU/EEA.

The decision at the EU summit in Copenhagen on Union membership for certain Eastern and Central European countries from May 1, 2004, means that from that date these countries will be embraced by the EU's deregulated civil aviation market.

Global civil aviation policy

Outside the EEA, 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 airlines of the countries concerned. Based on their common, very liberal aviation policy, the Scandinavian countries have concluded a number of such agreements in recent years with third countries.

Even though "open skies" agreements have become more frequent, large parts of the world's air traffic are still characterized by traditional aviation protectionism, where countries through terms of the bilateral civil aviation agreements try to protect the interests of their own airlines.

EC Court ruling regarding "open skies" agreements with the U.S.

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/EEA.

At the end of 2002, the European Court of Justice announced its ruling on the complaint the Commission had made against eight member states, including Denmark and Sweden, for having violated Community law by entering into "open skies" agreements with the U.S. The Court found that the nationality clause that was part of the "open skies" agreements contravened the EU right of free establishment, since the free market access the agreements embrace only pertained to airlines majority owned by national interests in the respective countries that had concluded agreements with the U.S. This discriminated against other airlines established within the EU.

The ruling means that EU member states will no longer be able to conclude new bilateral aviation agreements with the traditional nationality clause. From now on, only agreements that grant the same market access to all airlines within the Union will be acceptable. The extent to which third countries will accept such an arrangement remains unclear.

The traditional nationality clause has blocked cross-border acquisitions or mergers between companies operating outside the EEA. The ruling can be seen as a first step towards deregulation in this area. Besides increasing the flexibility in the way airlines operate, such deregulation will mean greater access to the Scandinavian market for non-Scandinavian airlines, but correspondingly provide greater market access for the SAS Group's airlines to other country's markets.

Infrastructure

Stagnation and the crisis of autumn 2001 have provided a short breathing space with regard to expanding infrastructure, due to a temporary decline in air traffic. The airline industry has demanded that infrastructure providers accept their share of the responsibility in the crisis by avoiding price rises or by reducing charges. While airports have largely been obliging in this, air traffic control (ANS) has not. Charges for ANS have risen over two years by approximately 25%. This comes in addition to charges for airport security, particularly in Sweden.

The SAS Group's changeover to larger aircraft has also reduced the need in the short term to increase capacity at the three hubs in Scandinavia. There is a risk, however, that infrastructure providers will delay investments that are necessary even now, in order to meet their internal financial targets. The risk lies in the long lead times for implementation of many capacity improvements. If traffic should recover quickly once the crisis has passed, the lack of infrastructure capacity will obstruct this recovery.

The capacity situation remains good in Scandinavia. The third runway at Arlanda airport as well as the completion of Pier F have provided good additional capacity.

The SAS Group welcomes the EU's "A Single European Sky" initiative. This initiative is the only reasonable, viable path to quickly creating a well-coordinated European airspace, with adequate long-term capacity.

The NUAC initiative to try to create a common upper airspace in the Nordic region is also very important.

The EU regulation on aviation security was laid down during autumn 2002. This regulation will have a major impact on the SAS Group, regarding costs as well as operations. It is crucial that the rules to be formulated for enforcing the regulation as well as the principles for financing the expanded activities are uniform throughout the entire EU area. This is a precondition for creating competition-neutrality among airlines. For the SAS Group's part, close coordination between the civil aviation authorities and airport operators in Scandinavia is of special importance.

Within the EU it appears to be an ambition on the part of governments and politicians to use taxes and charges to reduce the airline industry's environmental impact, chiefly in reducing noise, emissions of nitrogen oxides, which cause acid precipitation, and the greenhouse gas carbon dioxide.

(See also the section on the environment, page 105.)

Alliances and partnerships

"The World's Leading Airline Alliance."
The Ninth Annual WorldTravel Awards 2002

Example of seamless travel in the Star Alliance™ global network.

The airline industry's biggest alliances

- **Star Alliance™** launched in May 1997 as the first truly global airline alliance, today comprises Air Canada, Air New Zealand, All Nippon Airways ANA, Austrian Airlines Group, bmi British Midlands International, Lufthansa, Mexicana, Scandinavian Airlines, Singapore Airlines, Thai Airways International, United Airlines and Varig.
- **oneworld™** launched in September 1998, comprises British Airways, American Airlines, Cathay Pacific, Qantas, Iberia, LanChile, Finnair and Aer Lingus.
- **Sky Team™** began operations in June 2000 and is an alliance of Air France, Delta Air Lines, AeroMexico, Korean Air, Alitalia and Czech Airlines.
- **KLM/Northwest Airlines** formed an alliance as early as 1993, which has been expanded to include Continental Airlines in the U.S. and Malev in Europe.
- **Qualiflyer** was dissolved on December 31, 2002.

Airline alliances and industry trends

Global competition and the ongoing deregulation of the airline industry have led most major international airlines to consolidate their activities. Airlines have been seeking opportunities for new growth by forming strategic alliances or finding other forms of integration with other carriers.

By making joint use of their combined networks, products and services, airport facilities, staff, etc., cooperating airlines can offer their customers a more complete and comprehensive product than they could offer on their own. In the financially hard-pressed situation the airline industry finds itself in, the major airline alliances, by successfully exploiting the aforementioned advantages, can play a certain stabilizing role by giving their members a global presence while reducing their cost base. Pooling their marketing resources and jointly utilizing their partners' strong positions in their respective home markets or other key markets further strengthens their competitiveness.

Cost-efficiency can be improved through coordination and the joint use of resources, economies of scale, joint purchasing and cooperation in the areas of IT and product development.

Star Alliance™ - Global partner strategy

Star Alliance is the cornerstone of the SAS Group's global partner strategy. Through the cooperation of all the airlines in the alliance, customers are offered high-quality service in an all-encompassing, worldwide network to a total of 729 destinations in 124 countries.

Like the SAS Group's partnerships with individual members of the alliance, membership in Star Alliance continues to be highly advantageous to the SAS Group, not least through higher revenues from partners' passengers feeding into its network. Since the alliance's founding, additional passengers and revenues have increased by almost 60%. This so-called "interline revenue" (*see Definitions and concepts, page 119*) amounted to approximately 10% of Scandinavian Airlines' total passenger revenues in 2002. In the same period, traffic added from Scandinavian Airlines to the other Star Alliance members grew by nearly 60%.

Products and services in Star Alliance™, 2002

- 12 airlines serving over 729 destinations in 124 countries.
- Coordinated timetables for smooth transfer between partner airlines.
- Extensive code-sharing.
- With certain exceptions, the ability to earn and redeem bonus points in the Star Alliance members' respective loyalty programs.
- Special airport services for priority passengers "Star Priority" (confirmation from waiting lists, check-in, baggage, etc.).
- Access to some 500 lounges worldwide.
- All of the alliance's timetables and routes are available in all major electronic reservation systems.
- Star Alliance™ "Round the World" fares and Star Alliance "Airpasses" for travel in Europe, Asia/Pacific, North America, Mexico and Brazil.
- StarAlliance.com, a website with information and links to member airlines' reservation services.
- Star Alliance™ Convention Plus, a product program designed for conference organizers and participants.
- Joint ticket offices in selected major cities.
- Joint service functions at selected airports (ticket office, check-in, lounges, etc.).
- "Star Connection Teams" to assist passengers in making connections at selected airports.
- Improvements in checking through baggage to final destinations.
- Joint development of IT infrastructure and new alliance-wide products and services.
- For employees of member airlines who work with customers, the Star Alliance™ has a joint training program in functional and cultural areas.
- Close cooperation in the areas of safety and the environment.

Spanair, a new member in 2003

As of March 1, 2003, Asiana Airlines from Korea will be a member of Star Alliance, followed on April 1, 2003, by the SAS Group's subsidiary Spanair and on October 26, 2003, by LOT Polish Airlines.

Star Alliance's mission and vision

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

Star Alliance's vision is to *be the leading global airline alliance for the frequent international traveler.*

Star Alliance took an early lead among global airline alliances, a position it has managed to hold on to since then. Today, Star Alliance is a strong brand in most key markets worldwide.

By further integrating members' route networks, travel products and services, airport facilities, IT systems, etc., Star Alliance has attained not only improvements, added convenience and simplicity in travel for its customers, but also cost reductions, increased efficiency and improved environmental performance.

As a reflection of the difficult times experienced in 2001-2002 by the alliance's members, as well as the airline industry as a whole, there has been a sharper focus on costs and improving efficiency. At the same time, Star Alliance has devoted considerable efforts to consolidate and quality-assure existing products, services and brands.

In 2002, Star Alliance Services GmbH, jointly owned by alliance members, was founded Frankfurt and is responsible for product development, marketing and administration. By utilizing the member airlines' own staff and other resources, this joint venture was able to further improve and streamline development efforts in the alliance.

In November 2002, Star Alliance was voted "The Best Airline Alliance" by the distinguished American magazine *Business Traveler*. At the 2002 "Ninth Annual World Travel Awards," an event held to recognize and honor excellence in the global travel and tourism industry, Star Alliance was voted "The World's Leading Airline Alliance."

In autumn 2002, United Airlines was forced to seek bankruptcy protection (Chapter 11) to enable it to restructure.

Because United continues to provide service as before, the impact of its bankruptcy on Scandinavian Airlines and Star Alliance is deemed to be slight.

Key figures for Star Alliance™ 2001/2002

	Passengers/year (milj.)	Destinations	Countries	Aircraft	Daily departures	RPK (billion)	Annual operating revenue (USD billion)	Employees
Air Canada	23.1	160	26	328	1,583	67.0	6.9	40,000
Air New Zealand	7.8	46	15	88	477	22.4	3.4	9,500
All Nippon Airways	43.0	54	9	139	610	51.6	9.4	13,000
Austrian Airlines Group	7.2	125	67	94	397	14.2	2.0	7,700
British Midland International	6.7	23	10	53	273	4.3	1.2	4,800
Lufthansa	43.9	327	89	280	1,640	90.9	16.7	32,000
Mexicana	8.3	53	10	59	348	13.1	1.4	6,500
Scandinavian Airlines	**22.1**	**86**	**33**	**199**	**810**	**23.6**	**3.8**	**7,556**
Singapore Airlines	14.8	64	37	92	204	69.1	4.6	14,000
Thai Airways International	18.6	77	35	81	271	45.2	2.9	26,000
United Airlines	75.0	117	26	559	3,695	187.6	16.1	84,000
Varig	10.5	136	19	85	385	26.0	2.6	16,900
Star Alliance™	281.0	729	124	2,057	10,700	615.0	71.0	261,956
oneworld™	187.0	568	135	1,504	8,600	426.2	42.2	273,495
SkyTeam™	207.0	507	112	1,324	7,600	352.8	36.6	186,051
KLM/Northwest Airlines	70.0	306	64	916	3,000	175.6	15.9	78,973

Source: Airline Business Magazine July 2002/Airlines' own data

Cooperation with Lufthansa

Lufthansa is Scandinavian Airlines' most important partner, providing nearly 60% of all the interline revenue that Scandinavian Airlines receives through Star Alliance. Likewise, it is Lufthansa that receives approximately 60% of the interline revenues that Scandinavian Airlines pays to the other Star Alliance airlines for transporting its passengers.

The EU Commission-approved bilateral agreement with Lufthansa goes back to 1996, with Commission approval running until December 31, 2005. According to the agreement, costs and revenues are shared on traffic between Scandinavia and Germany. Joint service and coordinated timetables provide more efficient service between these markets and convenient connections to each other's hubs for onward service in their respective route networks.

In addition, the parties represent one another in their home markets, with coordinated marketing and sales activities, bonus programs, special offers, etc. Passenger service at airports, aircraft maintenance, technical services, a certain level of coordination in aircraft fleet development and joint purchases are other areas of cooperation. To better serve a regional market that Lufthansa has had difficulty serving effectively for the SAS Group, the SAS Group, with Lufthansa's consent, reinstated part of its sales organization in northern Germany in 2002.

Local traffic between Scandinavia and Germany remained unchanged in 2002. Transfer traffic grew by 22% from Scandinavia via Frankfurt to worldwide destinations with Star Alliance airlines. From Germany via Copenhagen to worldwide destinations with Star Alliance airlines, the increase was 10%. As a result of the overall increase in traffic, combined with a reduction in joint venture routes, the cabin factor on these routes increased by 3.5 percentage points, to 61.8%.

European Cooperation Agreement (ECA)

The European Cooperation Agreement (ECA) is a joint venture agreement between Scandinavian Airlines, Lufthansa and British Midland International. According to the agreement, which took effect in January 2000, 45% of any losses from the joint venture will be apportioned to Scandinavian Airlines and the remaining share to Lufthansa 45% and British Midland 10%. The agreement was approved by the EU Commission for a period of eight years until December 31, 2007.

With the aim of creating a competitive intra-European traffic system, the ECA integrates the three airlines' route networks within the EEA (European Economic Area) to and from London Heathrow and Manchester airports.

Weak performance in the British market due to a strong pound, a slower economy and a general decline in tourism to the London area as a result of the events of September 11, 2001, all had a negative impact on earnings in 2001. In 2002 the lackluster performance continued, with growing competition from low-fare airlines. Although a major effort has been made to adapt to a changed market, the ECA continued to have a negative impact on the SAS Group's earnings during the year in the amount of MSEK –418 (–335).

Cooperation with the Austrian Airlines Group

The joint venture cooperation between Scandinavian Airlines and the Austrian Airlines Group, which was launched in 1999 in connection with an application for EU Commission approval, was terminated by mutual agreement effective December 31, 2001.

However, in November 2002, Scandinavian Airlines and the Austrian Airlines Group signed a new agreement, which was submitted at the end of November 2002 to the EU Commission for review. If the agreement is approved, cooperation can resume on traffic between Austria and the Scandinavian countries. The cooperation will not be based on a joint venture, but will encompass coordination of routes, networks, timetables, prices and marketing and sales activities.

Regional partners

Scandinavian Airlines continues to cooperate with a number of regional airlines in Scandinavia and neighboring countries. The purpose is to extend Scandinavian Airlines' regional networks to routes that Scandinavian Airlines cannot operate at a profit. The coordination of connections and the established business concept "Well Connected with SAS" clearly communicate to customers the advantages of this cooperation.

The following airlines are part of the concept: airBaltic in Latvia, Skyways in Sweden, and Cimber Air in Denmark. Besides Scandinavian Airlines, the SAS Group's own airlines Widerøe's Flyveselskap in Norway and Air Botnia in Finland also participate in the program. In connection with expiration of authority approval of the cooperation between the SAS Group and Cimber Air as of September 2003, the affected cooperation and shareholder agreements will terminate effective October 1, 2003, since the hoped-for positive effects did not materialize.

Other European airline partners

Scandinavian Airlines also has a number of cooperation partners to further strengthen and complement its position in markets important for the airline and its customers

Maersk Air

Since 1999 Scandinavian Airlines and Maersk Air have cooperated through code-sharing and in such areas as ground and IT services. Maersk also participates in the EuroBonus program. The parties have decided to renegotiate the current commercial agreement, which expires at the end of the 2003 summer traffic program. This agreement has been reported by the parties to the EU Commission.

Estonian Air

Estonian Air complements Scandinavian Airlines on routes between Estonia and Stockholm and Copenhagen. In addition, Estonian Air participates in the EuroBonus program.

Icelandair

The SAS Group has established a code-sharing agreement with Icelandair for traffic over the North Atlantic and to Copenhagen and certain other destinations in Europe.

The EU Commission and the U.S. Department of Transportation have approved this cooperation agreement.

Air Greenland

After 40 years, Scandinavian Airlines ended its service to Greenland on October 25, 2002, due to a lack of profitability. The SAS Group is considering selling its stake (37.5%) in Air Greenland.

Sustainable development

Save the Children

For the past four years the company has been partners with Save the Children in Denmark, Norway and Sweden. Together with Coca-Cola, the SAS Group runs a foundation that manages a fund for improving the aquatic environment in the Nordic and Baltic Sea regions. The SAS Group is a sponsor of the Norwegian Sofie Award and is a corporate friend of the international environmental institute Worldwatch and the World Wildlife Fund.

The SAS Group collaborates on sustainable development with universities, engine manufacturers and the authorities on cleaner technology, environmental education and reducing environmental impacts as well as with social service authorities on alcoholism prevention and rehabilitation of alcoholics.

The SAS Group's sustainability policy

In step with the increasing globalization of the economy, more and more citizens and organizations are demanding that companies take added social responsibility. At the same time, there are growing demands on a company's subcontractors with regard to environmental performance, ethics and social responsibility.

To meet these demands and contribute to sustainable development, the employees of the SAS Group are to consider in their day-to-day work the company's environmental and social impacts as well as its economic performance.

Sustainable development means a simultaneous pursuit of economic growth, environmental improvements and social responsibility. The task before the Group is to create long-term growth in shareholder value on the basis of its ethical judgments. In this way, environmental and social responsibility is an integral part of the Group's business activities.

To ensure that the policy permeates the entire organization at all levels, all units in the Group are supposed to develop relevant goals and policies. These are based on, among other things, the UN Global Compact and the United Nations Development Program (UNDP) Global Reporting Initiative.

The travel industry and the economy

The travel industry and thus the entire SAS Group comprise an essential link in the global economy.

By facilitating transportation and communication the industry contributes to increased value creation for individuals as well as companies and society at large.

(The SAS Group's environmental work is described on page 105.)

Setting a good example

Radisson SAS focuses on employees and guests

- In 2001, Radisson SAS initiated a sustainable development program, Responsible Business. The hotel chain is committed to taking responsibility for the health and safety of guests and staff alike, to respecting social and ethical issues in the company and society and to reducing its adverse environmental impact.

  The aim is to create a dialogue with global and local stakeholders and inform guests and staff of water and energy-saving measures, paper recycling and waste separation, for example, as well as the chain's involvement in UNESCO's efforts at restoring the world's historical heritage.

Ensuring compliance with competition rules

- In 2001, the SAS Group developed a Competition Law Compliance Program, which is an internal information and action plan whose aim is to ensure compliance with EU and national competition law. The program evolved to focus on the importance of compliance with competition rules. Nearly 300 affected key managers and employees have taken the program so far.

Worker-friendly baggage handling

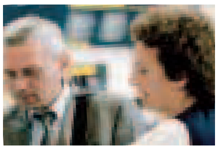
- RampSnake is a new system for baggage handling that focuses on occupational health and the working environment. The baggage handling system, developed by Scandinavian Airlines, is based on a new invention that assumes much of the heavy work that baggage handlers perform.

  RampSnake, which went into operation in early 2003, will also be made available to airlines worldwide, significantly improving the working environment for an entire category of worker.

Internal environmental education on the intranet

- An electronic environmental education program was made available in 2002 to Scandinavian Airlines and to the entire Group in 2003. The program enables users to acquire basic environmental knowledge and be briefed on activities central to the entire SAS Group. A goal of the program is also to qualify parts of the business for an ISO 14001 environmental certification.

The SAS Group's human resources

The SAS Group's human resources policy is crucial for enabling the Group to achieve its objectives of long-term profitability and competitiveness. Well-trained and committed personnel are the key to progress. This human resources policy is to be shaped in each unit in the Group based on its goal of having independent, efficient businesses.

The SAS Group is in the midst of its largest restructuring process ever. The heart of the process is to implement structural measures to improve earnings, which in turn has made staffing reductions necessary. The restructuring that the entire airline industry is undergoing today is arduous and places great demands on personnel. In this process the SAS Group has lost a lot of capable employees, and those remaining in the Group have a heavy workload, while creating through their professionalism and commitment a high level of value for customers.

Human resources philosophy

Developing and maintaining employees' skills and attracting and retaining capable managers and other staff are major success factors. The SAS Group's corporate culture shall foster managers and other employees who create value, show respect and are reliable. The Group's employees should feel that they are taking part in the development of the business and that there are personal incentives to do so. An upgraded PULS tool (Employee Surveys on Life at SAS) that measures leadership, human capital and organization was introduced in the Group during the year. Improvements in these areas are to result in increased employee satisfaction and greater value for customers.

The SAS Group's international activities imply a great diversity among its customers. It is the Group's aim for the composition of personnel to reflect this diversity.

Management philosophy

The management of the SAS Group is to be marked by openness, with clear objectives and forms of compensation tied to earnings. Four priority features are to characterize management:

- *Business performance* - managers are to take real and full responsibility for earnings in their own businesses.
- *Bearer of culture* - managers are to highlight the desired corporate culture by setting a good example.
- *Inspiration* - for individuals as well as teams.
- *Change manager* - show courage and be capable of implementing and pushing through changes and improvements.

Human resource development

Maintaining and developing the skills and commitment of employees is vital for the Group to reach its goals. Recruitment and human resource development are to be guided by the Group's strategic orientation, with the aim of meeting the employees' needs for additional knowledge, skills and commitment.

To reach the SAS Group's objectives, its management shall focus on the interaction between the individual's and the organization's skills. *The focus on the individual's skills* is to ensure professionalism in product delivery, the ability to develop the business and create value and attractiveness in the labor market. *The focus on the organization's skills* is to ensure that the SAS Group functions as a customer-driven operation, with energy to restructure and create platforms for value creation and diversity that provides dynamism and growth.

Key personnel figures*

Sick leave**	2002	2001
Operational employees	8.2%	7.6%
Salaried employees	6.3%	6.0%
Pilots	3.4%	4.3%
Cabin employees	9.3%	9.2%
Total	7.2%	6.9%
Personnel turnover** (Scandinavia)	4.3%	4.1%

* *Number of employees and breakdown by sex, see Note 3, page 88.*
** *SAS Group excl. Subsidiary & Affiliated Airlines and Hotels.*

Number of occupational injuries and H value*

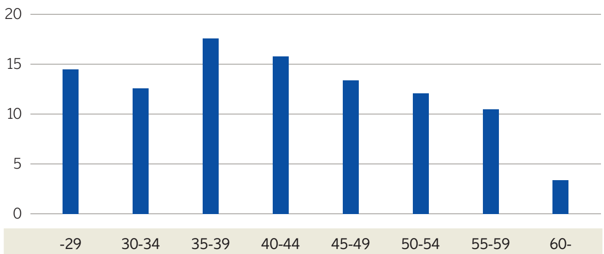
	Occupational injuries		H value	
	2002	2001	2002	2001
Denmark	224	245	18.5	17.8
Norway	113	102	9.6	8.1
Sweden	66	59	4.3	3.6
Total	403	406	10.3	9.5

**Number of occupational injuries relative to total number of working hours. SAS Group, excluding Subsidiary & Affiliated Airlines and Hotels.*

Dealing with redundancies

The restructuring program in the SAS Group's units has resulted in relatively high redundancies. Much of the reduction in staffing has been through attrition, shorter working hours, early retirement or other alternatives. The Group has also been forced to dismiss staff to a certain extent.

Breakdown of employees by age in the SAS Group, average age, 41.0 (39.9) years
% of number of employees, excl. Subsidiary & Affiliated Airlines and Hotels



SAS Group

The SAS Group's brands

Strong brands create preferences and loyalty and lay the groundwork for securing future revenue growth. Brand building is a corporate management tool and has high priority in the entire SAS Group.

The SAS Group has one of the most well-known and reputable brands in Scandinavia. This is the result of systematic and consistent work over a period of many years and is closely linked with the new corporate identity introduced in 1998. The activities operating under the SAS brand must adhere to SAS Corporate Identity Policy and core values. Like all brands, the SAS brand must also be constantly maintained and developed within a framework of set rules and policies.

Brand structure

Adaptation to new group strategy

As a consequence of the change in the SAS Group's strategic direction, which began in 2001, a gradual repositioning of the brand process is now taking place. The strategy is to create a higher degree of independence for the respective activities - airlines as well as others - as a part of the SAS Group's management philosophy. The prime builder of the SAS brand is Scandinavian Airlines. Other major brand builders are SAS Cargo Group, Rezidor SAS Hospitality and a number of airline related and airline support businesses.

Value creation

A service brand is created during the moment of truth, namely each time a SAS Group employee interacts with a customer. In other words, employees are the most important carriers and builders of the SAS Group's brands.

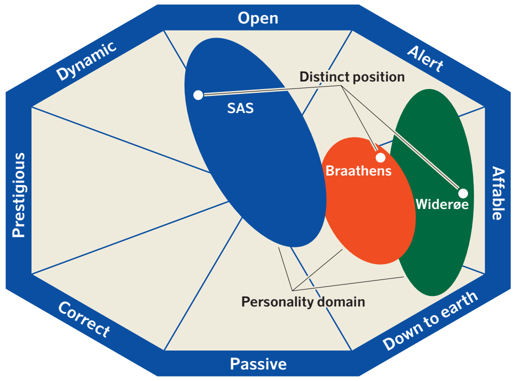
A house of brands

The SAS Group's philosophy is that rather than working under a common brand, the Group's products and services should grow in strength and become more distinctive in their respective areas by developing their own identities. The SAS Group is consequently evolving into a "house of brands" rather than a single brand.

An illustration of this ambition is that Braathens airline, which was acquired in 2001, continues to be marketed under its own brand and has been repositioned as the Norwegian airline by, among other things, restoring the Norwegian flag to the aircraft livery and continuing to build on more than 50 years of tradition.

The Group's other brands are undergoing similar analysis. Under the overarching strategy, the different brands, for example Spanair, Widerøe's Flyveselskap, Air Botnia and Jetpak, will continue to develop as separate brands, and each company will take responsibility for the building, positioning and maintenance of its brand. With three strong airline brands (Braathens, Scandinavian Airlines, Widerøe), Norway is an illustration of the SAS Group's brand strategy.

Example of the SAS Group's current positioning in the Norwegian airline market



Protecting brand building

The activities trading under the SAS name are now reviewing their brand systems to ensure that they have strategies that support the brands. The review is scheduled for completion at the end of 2003.

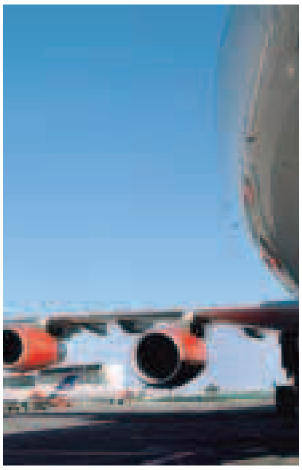
The most comprehensive task is the overview of Scandinavian Airlines' brand strategy to ensure the development of a brand that is strong, distinct and attractive and supports Scandinavian Airlines' business in an increasingly tough market.

Brand structure

Corporate brand	Master brand	Master brand + Descriptor	Combined brands	Separate brands
SAS Group		SAS World Sales		
• General management • Corporate functions • Support functions A STAR ALLIANCE MEMBER	• Scandinavian Airlines • Airline Brand Portfolio – Scandinavian Direct – Scandinavian Commuter It's Scandinavian A STAR ALLIANCE MEMBER	Support businesses to airlines in the SAS Group and to other airline customers. Primarily business to business • SAS Flight Academy • SAS World Sales • SAS Cargo • SAS Component etc.	• Radisson SAS • Rezidor SAS – Park Inn – Country Inn – Regent + endorsement "by Rezidor SAS"	Primarly business to consumer. Business to business with majority of customer outside the SAS Group. • Braathens • Widerøe's Flyveselskap AS • Air Botnia • Spanair • Jetpak • European Aeronautical Group The separate brands are linked to the SAS Group by brand endorsement in given contexts: Member of the SAS Group

Capital market

- Share data
- Key data per share
- Ten-year financial overview
- The SAS Group's aircraft fleet, investments and capital employed
- Financing and financial risk management



Share data

The introduction of a single share through the establishment of SAS AB on July 6, 2001, has met expectations, increasing the transparency of the SAS Group to the capital market.

The SAS Group's share price performance, like that of other European airlines, was negative. In 2002, market capitalization fell by 25.3%, compared with a fall of 28.5% in 2001.

Market capitalization fell from MSEK 11,147 to MSEK 8,329 at year-end. Average market capitalization in 2002 was MSEK 10,865.

Industry-wide share price trend

As a global business, the airline industry is affected by factors beyond its control, such as the effects of the terror attacks of September 11, 2001, the weak economy and concern about conflicts in the Middle East. In 2002, the price of European airline shares fell by an average of 38.3 %.

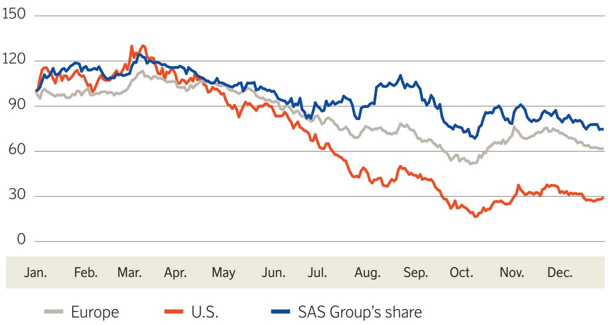
The market value of the SAS Group's share had the third best performance among European airline shares in 2001. Its market price fell by 25.3%, 13 percentage points less than the average for comparable European competitors. In 2002, the SAS Group's share performed approximately 45 percentage points better than the major American carriers. (*See diagram*).

Trading in SAS Group's shares

In connection with the listing of SAS AB, a target was set for the SAS Group's share to be the third most traded airline share on European stock exchanges. In 2002, SAS was the eighth most traded airline share in Europe, with a trading volume of SEK 3,8 billion, which corresponds to MUSD 384 in 2002. In all, 55.6 (107.5) million shares changed hands. The reason for this decline was a general decline in volume on the Scandinavian stock exchanges, but also a fall in trading in Copenhagen.

Trading in the SAS Group's share corresponds to a trading volume of 34% (65%) of the total number of outstanding shares. Adjusted for the three states' 50% participation in the SAS Group, this corresponds to a trading volume of 68% (131%). Trading measured in the number of shares fell on all stock exchanges in 2002 and was distributed as follows: 9.4 (35.5) million in Copenhagen, 19.1 (32.9) million in Oslo and 27.1 (39.1) million in Stockholm.

Performance of SAS Group shares compared with American and European airline shares, 2002



Europe: Air France, Alitalia, British Airways, Finnair, Iberia, KLM, Lufthansa, Ryanair.
USA: American Airlines, Continental, Delta, United Airlines.

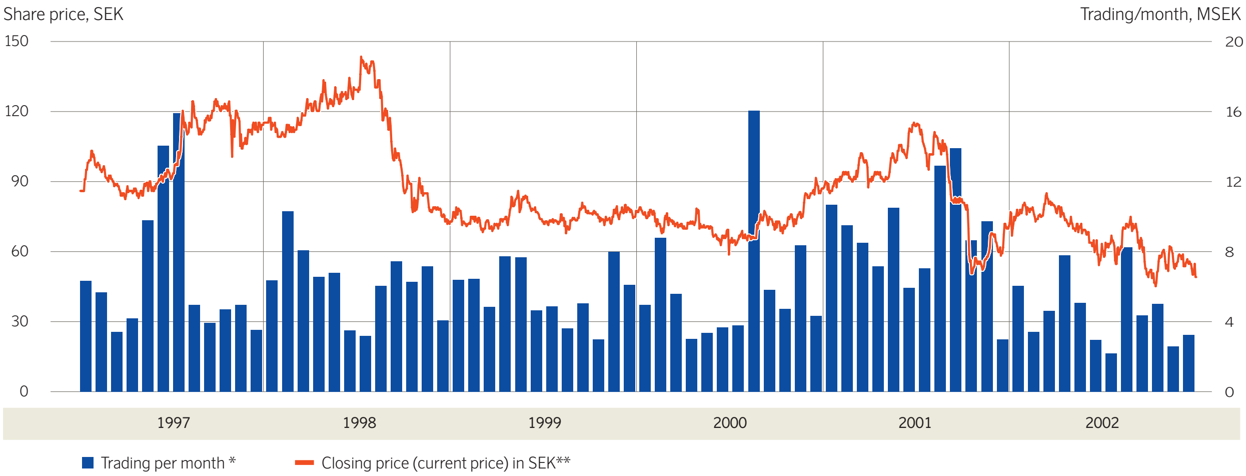
Total market capitalization trend for the SAS Group, 2002

SEK billion

In 2002 the SAS Group's total market capitalization fell by 23.5% to MSEK 8,329.

Source: SIX and SAS Group

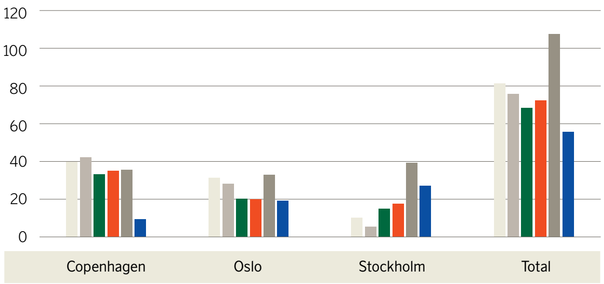
SAS Group's share price performance and trading volume 1997-2002



* Trading refers to total trading on the stock exchanges in Copenhagen, Oslo and Stockholm and prior to July 6, 2001, for the former parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB and subsequently applies to SAS AB. ** Prior to July 6, 2001, the share price performance relates to the former listed parent company SAS Sverige AB. Subsequently the price performance relates to SAS AB on Stockholmsbörsen.

Source: SIX and SAS Group

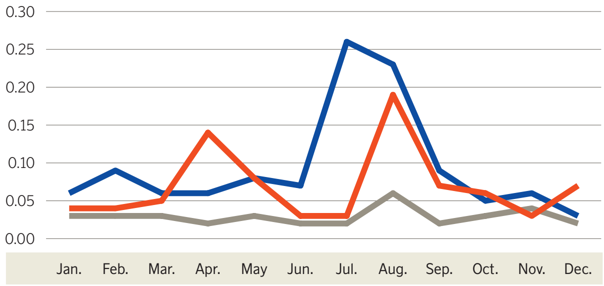
Breakdown of the total number of shares on the three stock exchanges, 1997-2002
Million shares



In 2002, trading in the SAS Group's shares fell compared with 2001 by 73% in Copenhagen, by 42% in Oslo and by 31% in Stockholm.

Source: SIX

Share of total trading measured in Swedish kronor of the SAS Group's shares on Stockholmsbörsen 2000-2002
%



Total trading on Stockholmsbörsen fell in 2002. Despite a fall in the number of SAS Group shares traded, the SAS Group's trading share on Stockholmsbörsen remained at about the same level as in 2001.

Source: Stockholmsbörsen and SAS Group

Shareholders

At year-end 2002 the number of shareholders in the SAS Group was 19,811 (19,523). The principal owners of the SAS Group are the Scandinavian states. The largest private shareholders are the Wallenberg foundations, Folketrygdfondet and Alecta Pensionsförsäkring. Institutional shareholders represent approximately 40-45% of the total ownership of the SAS Group.

The proportion of shareholders outside Scandinavia is approximately 8% of share capital and voting rights. Ownership outside the EEA amounts to approximately 6% of share capital.

Distribution of shares

Dec. 31, 2002	Number of shareholders	Number of voting rights	% of share capital	% of all shareholders
1-500	14,184	2,654,185	1.6%	71.6%
501-1 000	2,973	2,234,889	1.4%	15.0%
1 001-10 000	2,294	7,880,875	4.8%	11.6%
10 001-50 000	226	5,141,724	3.1%	1.1%
50 001-100 000	50	3,543,745	2.2%	0.3%
100 001-	84	142,737,076	86.7%	0.4%
Unknown owners	–	307,506	0.2%	–
Total	19,811	164,500,000	100.0%	100.0%

The 15 largest shareholders in the SAS Group

December 31, 2002	Number of shares	Holding,%
Swedish State	35,250,000	21.4%
Danish State	23,500,000	14.3%
Norwegian State	23,500,000	14.3%
Wallenberg foundations	13,155,980	8.0%
Folketrygdfondet	7,057,837	4.3%
Deutsche Bank Trust	6,186,476	3.8%
Alecta Pensionsförsäkring	4,419,597	2.7%
Odin Fondene	4,246,430	2.6%
National Bank of Denmark	2,289,294	1.4%
Handelsbanken mutual funds	1, 773,491	1.1%
The Swedish Trade Union Confederation	1,305,500	0.8%
State Street Bank and Trust	988,103	0.6%
Första AP-fonden	894,539	0.5%
Vital Forsikring ASA	887,135	0.5%
Gamla Livförsäkringsaktiebolaget	796,397	0.5%
Other shareholders	38,249,221	23.2%
Total	164,500,000	100%

Shareholder categories*

	Number of shares/votes
Scandinavian states	50%
Institutional shareholders	40-45%
Private individuals	5-10%
Total	100%

** Shareholder information has been obtained from three share registers: VP, VPS and VPC.*

Breakdown of shareholders by stock exchange

	2002	2001
Copenhagen	12,987	12,905
Oslo	1,949	1, 918
Stockholm	4,875	4,700
Total	19,811	19,523

Change in share capital*

Month/year	Event	Number of new shares	Total number of shares	Par value/share SEK	Nom. share capital
2001-05	Company registration	50,000	50,000	10	500, 000
2001-07	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
2001-08	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
2002-05	New issue	2,683,604	164,500,000	10	1,645,000,000

** Before SAS AB was formed in May 2001, the SAS Group was listed through the three companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.*

Financial target

The SAS Group's overriding financial objective is to create value for its shareholders. The aim is for total shareholder return, that is, the sum of share price appreciation and dividends, to be at least 14% over a business cycle. This return requirement has been translated into an internal financial target, CFROI.

Dividend policy

The SAS Group's annual dividend is determined taking into account the Group's earnings, financial position, capital requirements and relevant macroeconomic conditions. The basic principle is for the dividend over a business cycle to be in the region of 30-40% of the Group's income after standard tax.

Total shareholder return (TSR), 1991-2002

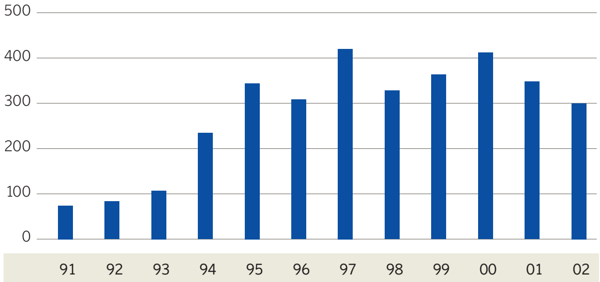
The last distinct recession for the airline industry reached its lowest point in 1990-1991. A calculation of the performance of the SAS Group's shares over the twelve year period 1991-2002 shows an average annual total return of 9.7%. This is 4.3 percentage points below the SAS Group's total return target of 14% over a business cycle.

Share	Average annual return (IRR*)
SAS AB (Copenhagen)	7.5%
SAS AB (Oslo)	10.6%
SAS AB (Stockholm)	10.5%
Total (SAS Group's shares)	9.7%

The table shows average total return (Total Shareholder Return, TSR) per year for the respective SAS shares in local currency in the period January 1, 1991 to December 31, 2002.
** Internal Rate of Return*

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

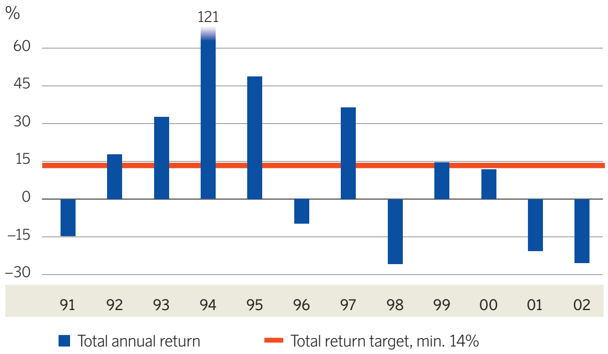
Share value, SEK



SEK 100 invested on January 1, 1991, had by the end of 2002 grown to SEK 300, including reinvested dividends (corresponds to 9.7% per year).

Index = 100 (91-01-01) *Source: SIX and SAS*

Total annual return of the SAS Group's share 1991-2002



In the beginning of the period 1991-1994, the SAS Group's share is marked by the weak economy and crisis in the airline industry. In the mid-1990s, the share price reflected major cost savings and the economic recovery, and return rose in 1994 by 121%.

The past two years' negative results are due to an economic slowdown and the effects of the events of September 11, 2001. The average annual effective return in the period 1991-2002 was 9.7%.

SAS AB's board has proposed to the Annual General Meeting that no dividend be paid for the 2002 fiscal year. This is mainly due to the uncertain market situation and the economic crisis currently affecting the airline industry. In such a situation, financial strength is of utmost importance.

Dividend

	2002	2001	2000
Dividend (proposed 2002)	**0**	0	740
Dividend as % of income after standard tax	**0**	0	37
Dividend as % of income after standard tax (average since 1996)	*	*	39

** Not relevant*

The SAS Group's dialog with the capital market

SAS Group Investor Relations' goal is to strengthen interest in the SAS Group's share among current and potential investors by providing relevant, up-to-date and timely information. The SAS Group's Annual Report 2001 won the Farmandprisen award for Norway's best annual report for 2001.

Investors and capital market players will be provided with unambiguous information on the company's operations and its ability to improve shareholder value. The SAS Group has focused its efforts on the capital market through presentations, both in Scandinavia and internationally, that highlight the SAS Group from a capital market perspective.

Overview – Capital market activities

Analysts: quarterly meetings/conferences, capital market day if needed.
Investors: quarterly meetings in Copenhagen, Oslo, Stockholm and London, biannual meetings in the rest of Europe, annual meetings in the U.S. and rest of the world, industry seminars and conferences.
Brokers and business press: quarterly meetings, annual seminars.

Interest in the SAS Group's share

2002 was a very turbulent one in the capital market, with great changes due to reduced volumes. During the year most major international banks continued to perform regular analyses of the SAS Group's share. The number of analysts monitoring the SAS Group has remained largely unchanged.

www.sasgroup.net

The SAS Group values the Internet highly as an information channel to the capital market. The aim is to provide timely, relevant, correct and up-to-date information. SAS Group Investor Relations' website contains updated information about the Group's financial performance, stock market information, traffic statistics and other key data.

SAS Group Investor Relations Policy

In 2002 the SAS Group introduced an Investor Relations Policy to further ensure the adequate and accurate dissemination of information (www.sasgroup.net).

Key data per share 1998-2002*

	2002	2001	2000	1999	1998
SAS AB					
Market capitalization, MSEK	**8,329**	11,147	15,599	13,858	12,820
Number of shares traded, millions	**55.6**	107.5	72.5	64.7	75.8
Number of shares at year-end, millions	**164.5**	161.8	164.5	164.5	164.5
Copenhagen, DKK					
Earnings after tax	**–0.65**	–5.36	11.45	7.07	10.92
Cash flow from the year's operations	**10.59**	–1.76	21.18	7.61	18.75
Dividend (2002 proposed)	**0.00**	0.00	3.80	3.50	3.15
Dividend as % of earnings after tax	**0%**	0%	33%	49%	29%
Book equity	**75.24**	78.24	93.99	82.12	78.49
Market price at year-end	**41.6**	53.0	81.5	77.0	72.8
Highest market price during the year	**68.5**	97.2	87.0	85.0	141.0
Lowest market price during the year	**38.6**	40.0	59.0	62.8	70.0
Average price	**53.6**	73.8	74.2	73.7	104.0
Share price/Equity per share, at year-end	**55%**	68%	87%	94%	93%
Dividend yield, average price	**0.0%**	0.0%	5.1%	4.7%	3.0%
P/E ratio, average	**neg**	neg	6.5	10.4	9.5
P/CE ratio, average	**neg**	neg	3.5	9.7	5.5
Number of shares traded, millions	**9.42**	35.49	34.97	29.51	42.20
Oslo, NOK					
Earnings after tax	**–0.66**	–5.78	12.47	7.91	12.31
Cash flow from the year's operations	**10.70**	–1.90	23.06	8.50	21.14
Dividend (2002 proposed)	**0.00**	0.00	4.20	3.75	3.70
Dividend as % of earnings after tax	**0%**	0%	34%	47%	30%
Book equity	**76.03**	84.48	102.30	91.81	88.49
Market price at year-end	**41.0**	57.5	93.5	87.0	64.0
Highest market price during the year	**72.0**	100.0	93.5	88.0	137.0
Lowest market price during the year	**37.0**	42.0	70.0	59.5	61.0
Average price	**54.4**	77.5	79.0	72.6	100.0
Share price/Equity per share, at year-end	**54%**	68%	91%	95%	72%
Dividend yield, average price	**0.0%**	0.0%	5.3%	5.2%	3.7%
P/E ratio, average	**neg**	neg	6.3	9.2	8.1
P/CE ratio, average	**neg**	neg	3.4	8.5	4.7
Number of shares traded, millions	**19.07**	32.86	20.06	20.19	28.20
Stockholm, SEK					
Earnings after tax	**–0.81**	–6.65	12.98	8.38	12.97
Cash flow from the year's operations	**13.06**	–2.19	24.01	9.02	22.28
Dividend (2002 proposed)	**0.00**	0.00	4.50	4.00	4.00
Dividend as % of earnings after tax	**0%**	0%	35%	48%	31%
Book equity	**92.75**	97.14	106.50	97.33	93.25
Market price at year-end	**49.4**	68.0	90.0	76.0	74.5
Highest market price during the year	**85.0**	115.0	91.5	86.0	143.0
Lowest market price during the year	**45.5**	51.0	59.0	68.0	77.0
Average price	**66.2**	86.8	73.5	75.3	106.5
Share price/Equity per share, at year-end	**53%**	70%	85%	78%	80%
Dividend yield, average price	**0.0%**	0.0%	6.1%	5.3%	3.8%
P/E ratio, average	**neg**	neg	5.7	9.0	8.2
P/CE ratio, average	**neg**	neg	3.1	8.4	4.8
Number of shares traded, millions	**27.07**	39.16	17.43	15.01	5.50

** Share data prior to July 6, 2001, pertain to the previously listed parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB. Key figures pertain to the SAS Group and are calculated on 160,018,622 shares for 2001 and 163,747,100 shares for 2002. For other years the figures are based on 164,500,000 shares.*

Ten-year financial overview

	The SAS Group [1]						
Statements of income, MSEK	**2002**	2001	2000	1999	1998	1997	1996
Operating revenue	**64,944**	51,433	47,540	43,746	40,946	38,928	35,189
Operating income before depreciation	**3,547**	743	3,710	2,731	4,101	4,102	3,668
Depreciation	**–2,953**	–2,443	–2,192	–2,087	–2,125	–1,880	–1,851
Share of income in affiliated companies	**–409**	–70	–1	77	–20	88	5
Income from the sale of shares in subsidiaries and affiliated companies	**817**	–24	1,033	283	1	1	–
Income from the sale of aircraft and buildings	**–320**	1,165	490	726	1,014	83	100
Income before tax	**–450**	–1,140	2,829	1,885	2,921	2,314	2,031
Balance sheets, MSEK							
Fixed assets	**46,845**	42,407	33,422	28,587	26,491	23,003	20,787
Current assets, excl. liquid assets	**9,244**	8,693	7,024	7,133	5,958	4,833	4,161
Liquid assets	**10,721**	11,662	8,979	8,495	8,024	9,828	11,074
Shareholders' equity	**15,188**	15,544	17,520	16,011	15,340	13,719	12,424
Long-term liabilities and provisions[3]	**27,262**	24,832	15,026	12,552	11,207	13,471	14,314
Current liabilities	**24,360**	22,386	16,879	15,652	13,926	10,474	9,284
Total assets	**66,810**	62,762	49,425	44,215	40,473	37,664	36,022
Cash flow statements, MSEK							
Cash flow from the year's operations	**2,138**	–350	3,949	1,483	3,665	3,739	3,564
Investments	**–9,919**	–11,676	–9,886	–5,845	–6,112	–3,256	–2,651
Sale of fixed assets etc.	**6,055**	8,382	5,559	6,601	2,360	252	1,066
Financing deficit/surplus	**–1,726**	–3,644	–378	2,239	–87	735	1,979
New issue	**197**	–	–	–	–	–	644
Dividends [4]	**–**	–754	–666	–637	–678	–493	–2,204
External financing, net	**588**	7,081	1,528	–1,131	–1,039	–1,488	–562
Change in liquid assets according to balance sheets	**–941**	2,683	484	471	–1,804	–1,246	–143
Key ratios							
Gross profit margin, %	**5.5**	1.4	7.8	6.2	10.0	10.5	10.4
Return on capital employed (ROCE), %	**3.7**	0.0	10.9	8.7	13.4	11.6	10.7
Return on book equity after standard tax, %	**–0.9**	–6.3	13.6	9.4	15.5	13.7	13.9
Equity/assets ratio, %	**23**	25	36	37	38	36	35
Income and capital concepts included in CFROI, MSEK							
Earnings							
Earnings before depreciation, EBITDA	**3,547**	743	3,710	2,731	4,101	4,102	3,666
+Operating lease costs, aircraft	**3,747**	2,425	1,898	1,346	1,027	859	872
EBITDAR	**7,294**	3,168	5,608	4,077	5,128	4,961	4,538
Adjusted average capital employed [5]							
+Shareholders' equity	**14,890**	16,887	16,238	15,348	14,530	13,072	12,424
+Minority interests	**71**	218	131	45	19	19	18
+Surplus value, aircraft	**1,318**	4,638	5,420	4,911	4,073	3,277	1,930
+Capitalized leasing costs (x 7)	**22,049**	14,930	11,113	8,441	6,601	6,059	6,104
– Equity in affiliated companies	**–803**	–1,087	–895	–1,126	–1,102	–705	–653
+Financial net debt	**16,905**	8,661	4,465	3,720	1,026	255	164
Adjusted average capital employed	**54,430**	44,247	36,472	31,339	25,147	21,977	19,987
Cash Flow Return On Investments CFROI, %[6]	**13.4**	7.2	15.4	13.0	20.4	22.6	22.7
Other financial data, MSEK							
Financial income	**1,150**	618	518	868	634	674	745
Financial expenses	**–2,282**	–1,129	–729	–713	–684	–754	–634
Interest-bearing liabilities	**29,782**	26,124	14,563	11,802	10,277	10,589	11,810
Operating leasing capital	**26,229**	16,975	13,286	9,422	7,189	6,013	6,104
Net debt	**11,574**	7,652	794	–107	484	–185	164
Financial net debt	**17,872**	12,824	4,372	2,336	1,707	345	164
Debt/equity ratio[7]	**1.16**	0.81	0.25	0.14	0.11	0.03	0.02
Adjusted financial net debt (NPV)/equity	**1.99**	1.37	0.45	0.35	0.25	0.13	0.18
Adjusted financial net debt (x7)/equity	**2.87**	1.89	1.00	0.73	0.58	0.46	0.50
Interest expenses/average gross debt, %	**6.9**	4.4	5.2	5.4	6.1	6.3	5.7
Interest coverage ratio	**0.8**	0.0	5.0	3.6	5.3	4.0	4.2

[1] Pertains to the SAS Group pro forma 1996-2000. [2] Pertains to the former SAS Group, i.e. the SAS Consortium with subsidiaries, but excluding SAS's former three parent companies (SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB). [3] Including minority interests. [4] 1993–1995 pertains to funds paid to parent companies. [5] Average capital, 1997-2002. [6] Recalculated according to new definition. [7] Calculated on financial net debt. Definitions and concepts, see page 119.

The former SAS Group[2]		
1995	1994	1993
35,403	36,886	39,122
4,761	3,404	2,032
–1,840	–2,000	–1,782
97	–13	–1
6	869	511
83	12	45
2,659	1,604	–508
19,345	20,904	24,566
3,477	3,670	9,973
10,078	10,725	9,318
10,588	9,355	8,631
11,750	15,971	22,741
10,562	9,973	12,485
32,900	35,299	43,857
4,881	2,338	1,377
–1,399	–1,391	–1,141
619	4,332	1,722
4,101	5,279	1,958
–	–	–
–591	–	–
–4,157	–3,872	–2,469
–647	1,407	–511
13.5	9.2	5.2
15.6	10.5	8.7
18.5	10.0	–
32	27	21
4,761	3,404	2,032
834	450	290
5,595	3,854	2,322
10,588	9,355	8,631
18	148	159
1,184	1,750	2,333
5,838	3,150	2,030
–586	–568	–517
2,544	6,054	13,888
19,586	19,889	26,524
28.6	19.4	8.8
1,011	933	2,402
–1,459	–1,601	–3,715
12,935	17,417	24,403
5,838	3,150	2,030
2,544	6,054	13,888
2,544	6,054	13,888
0.2	0.6	1.6
0.35	0.81	1.85
0.79	0.97	1.81
8.3	7.7	9.9
2.8	2.0	0.9

Ten-year overview

The ten-year overview reports key figures for the SAS Group for 1996-2002 and includes the consolidated SAS AB. 1993-1995 presents the old SAS Group where the former three parent companies were not consolidated.

Operating income, 1993-2002

In the beginning of the period the SAS Group was hit hard by the recession, which meant fewer passengers and lower freight volumes. The downturn came at a time when the company was in the process of increasing capacity via major investments. 1995 was the SAS Group'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. 1999 was a poor year for the airline industry. 2000 was better apart from the high prices for jet fuel. In 2001, the SAS Group's income before tax and capital gains was the worst in the Group's history and amounted to MSEK –2,282. The beginning of 2002 was very weak with higher costs and lower revenues. The second half was marked by the continued slump though operating income before capital gains improved to MSEK –951 for the year.

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

Income and capital concepts included in CFROI	
MSEK	2002
Earnings	
Earnings before depreciation, EBITDA	3,547
+ Operating lease costs, aircraft	3,747
EBITDAR	7,294
Adjusted average capital employed	
+ Shareholders' equity	14 ,890
+ Minority interests	71
+ Surplus value, aircraft	1,318
+ Capitalized leasing costs (x 7)*	22,049
– Equity in affiliated companies	–803
+ Financial net debt**	16,905
Adjusted average capital employed	54,430

** The greater part of the SAS Group's operating leases are so-called phasing-out leases with remaining terms of less than two years. In the capital market a calculation model is used whereby the annual cost is multiplied by seven regardless of the fixed period of the lease.*

*** In the definition of CFROI, net debt was previously used to calculate market adjusted capital employed. Beginning with this report, financial net debt will be used instead for this calculation.*

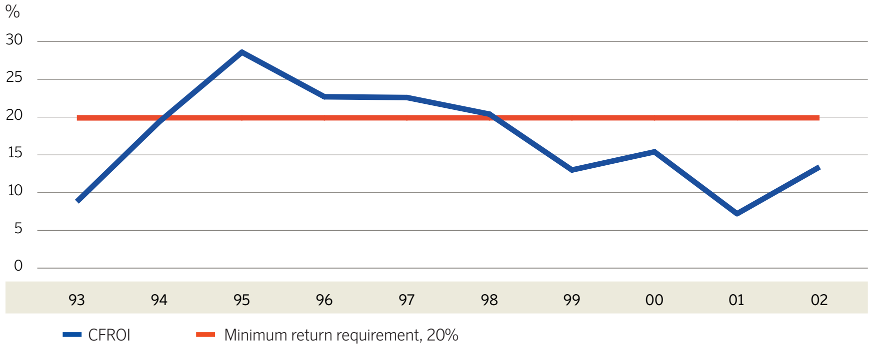
At the end of December, NPV amounted to MSEK 12,749 (8,773).

Average NPV for the 12-month period was MSEK 11,302 (5,115).

Calculation of CFROI

$$\frac{\text{EBITDAR}}{\text{Market adjusted capital employed}} = \frac{\text{MSEK 7,294}}{\text{MSEK 54,430}} = 13.4\%$$

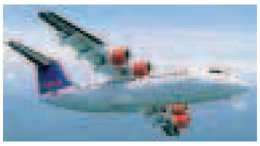
Development of CFROI, 1993-2002, SAS Group



The SAS Group's return requirement is set at a minimum of 20% as an average over a business cycle, where average capital allocation for replacement of the aircraft fleet is taken into account. In the last four years the return has fallen below the SAS Group's minimum requirement of 20% and was approximately 13% in 2002.

SAS Group

The SAS Group's aircraft fleet, investments and capital employed


The airline business is a capital-intensive industry. In 2002 the SAS Group (including investments financed via operating leases) invested a total of approximately MSEK 8,600 in new aircraft. From 2003 onwards, the Group will have a considerably lower investment need.

The SAS Group's total aircraft fleet

	Owned Dec. -02	Leased in*	Total Dec. -02	Leased out	Order
Airbus A340-300	5	2	7		
Airbus A330-300	1	1	2		2
Airbus A321-200	8	4	12		5
Airbus A320		6	6		10
Boeing 767-300	3	6	9		
Boeing 737-400		5	5		
Boeing 737-500		14	14		
Boeing 737-600	12	18	30		
Boeing 737-700	8	6	14		
Boeing 737-800	14	5	19	4	4
Boeing 717		4	4		
Douglas MD-81	5	10	15		
Douglas MD-82	17	26	43		
Douglas MD-83	2	23	25		
Douglas MD-87	10	6	16		
Douglas MD-90-30	8		8		
Douglas DC-9-41		5	5		
Avro RJ-85		5	5		
Embraer ERJ 145		3	3		
Fokker F28	7		7		
Fokker F50	7		7	2	
deHavilland Q100	16	1	17		
deHavilland Q300		9	9		
deHavilland Q400	10	17	27		
SAAB 2000		5	5		
Total	133 **	181	314	6	21
Breakdown of the Group's fleet by airline:					
Scandinavian Airlines	113	86	199	6	10
Spanair		49	49		11
Braathens	4	23	27		
Widerøe's Flyveselskap	16	13	29		
Air Botnia		10	10		

* *Refers to aircraft under operating leases.*
** *Of these, 20 aircraft are on finance leasing contracts..*

The SAS Group's total aircraft fleet

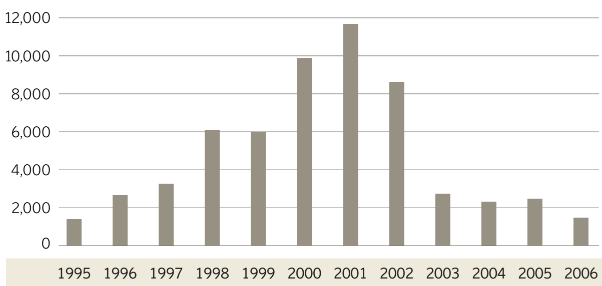
The SAS Group's aircraft fleet consists of 314 aircraft. In 2002 Spanair's aircraft fleet was added as a result of the increased holding. (*For detailed information on the SAS Group's aircraft fleet see inside back cover.*)

The SAS Group's total aircraft investments

Renewal of Scandinavian Airlines' aircraft fleet

In recent years Scandinavian Airlines has carried out extensive investments to renew its aircraft fleet. The investments culminated in 2002. Consequently, the SAS Group will be entering a consolidation phase in the next few years with a considerably lower investment level compared with the last two years. Total value of the SAS Group's order is MUSD 480. In addition to investments in flight equipment, other investments amount to approximately MSEK 1,200 per year.

The SAS Group's investments in aircraft on firm order (CAPEX), 1995-2006



Between 1998 and 2002 the SAS Group made major investments in connection with the phasing in of Boeing 737s, deHavillandQ400s, Airbus A321s and A340/330s. Starting in 2003 the SAS Group's investments in new aircraft will decrease because the bulk of Scandinavian Airlines' aircraft fleet renewal program has been completed.

Firm orders for aircraft (CAPEX) for the period 2003-2006					
SAS Group	Totalt	2003	2004	2005	2006>
MUSD (CAPEX)	**480**	175	126	146	33
Number of aircraft	**12**	4	2	5	1
Scandinavian Airlines					
MUSD (CAPEX)	**420**	145	96	146	33
Number of aircraft	**10**	3	1	5	1

At the end of 2002 neither Braathens nor Air Botnia had any aircraft on order.

Contracted* operating aircraft leasing, 2003-2006		
Net present value (NPV) at 5.5%	MUSD	MSEK
Scandinavian Airlines	622	5 490
Spanair	529	4 669
Braathens	234	2 067
Widerøe & Air Botnia	60	523
SAS Group	1,445	12,749

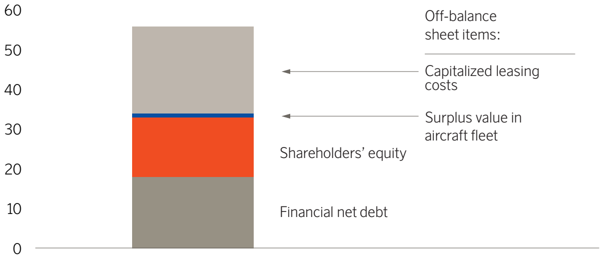
Capitalized leasing-costs (x7), MSEK	2003	2004	2005	2006
Scandinavian Airlines	**9,654**	7,376	6,721	6,237
Spanair	**7,824**	7,011	5,986	4,771
Braathens	**2,967**	2,926	2,899	2,710
Widerøe & Air Botnia	**1,575**	1,291	784	301
SAS Group	**22,020**	18,604	16,390	14,019

** Only existing contracted aircraft leasing contracts at December 31, 2002.*

Capital employed

The airline business is a capital-intensive industry. Because major investments are made in production resources used over a large number of years, it is highly important for all airlines to have a good overview of their capital employed.

The SAS Group's capital employed 2002
SEK billion



The starting point when calculating the SAS Group's capital employed is the Group's total equity. The surplus value in the aircraft fleet, financial net debt and capitalized leasing costs are added to equity.

The capital concept

For the majority of analysts, CFROI is the most important key indicator in assessing the value of airlines. Calculation of the key indicator CFROI is based on a market-based capital concept in order to take all capital sources into account. Since return is based on the actual capital employed in operations, the SAS Group uses the market value of assets and liabilities. A difference compared with book capital is that adjustment is made for capitalized future costs of operating aircraft leasing and the surplus value in the owned aircraft fleet.

Operating lease commitments

Operating leases are used as a tool for achieving optimal financing of the aircraft fleet and reducing capital employed. Flexible rights to extend the leases and early redemption increase operating flexibility, permitting better adjustment of the aircraft fleet to economic fluctuations. Reduced residual value risks are another positive effect of operating leases.

The SAS Group previously used the present value of operating lease commitments for aircraft. Because the stock market largely uses a multiple of 7, the SAS Group has chosen to apply this method since November 2001. For the loan market the present value calculation is still relevant since it measures actual commitments. At year-end 2002 the present value of leasing contracts for the SAS Group was MSEK 12,749 or MUSD 1,445.

Surplus of aircraft

Out of a total fleet of 199 aircraft, Scandinavian Airlines needed 156 aircraft at year-end for its planned production. The following arrangements had been made by the end of the year for aircraft not needed in production: 6 are leased out to external operators, 9 are leased in and will be returned in 2003 (5 DC-9s and 4 Boeing 767s), 10 will be leased out in early 2003 and 11 will be put into production during the 2003 summer program. Seven are Fokker F-28 aircraft that have been fully written down to a total book value of approximately MSEK 60 and an estimated market value of the same amount.

The current surplus in 2003 is expected to vary depending on seasonal fluctuations and changed needs in production plans, the composition of the leased and owned aircraft fleet and a number of different contemporary factors.

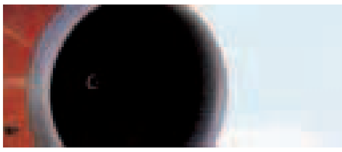
The SAS Group's program to release capital

In recent years, the SAS Group has worked consistently to reduce the Group's total capital employed. Major transactions include a sale leaseback transaction with GECAS comprising 30 aircraft and a property deal with GE Capital and Nordisk Renting involving airport-related properties valued at approximately MSEK 3,000. Moreover, in 1999-2001 slightly more than 30 aircraft were involved in sale and leaseback deals worth approximately MSEK 8,000. In 2002 capital employed continued to be reduced through sale leaseback transactions for 8 aircraft, the combined value of which was approximately MSEK 2,900. This included two Airbus A330/340s, one Boeing 737 and five deHavilland Q400s.

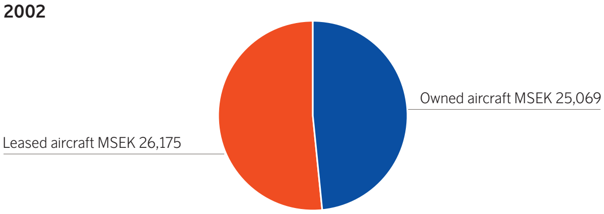
Market value in the aircraft fleet

Over several years the SAS Group has built up substantial surplus value in the aircraft fleet. The amount of the surplus depends mainly on the market value of aircraft, choice of depreciation schedule, and the USD/SEK exchange rate.

The estimated surplus value of aircraft owned by the SAS Group amounted as of December 31, 2002 to MSEK 925 (1,751). The decline in the surplus value of Group aircraft since 2001 is due to continued overcapacity and an increasing supply of aircraft in the secondhand market after the events of September 11, 2001 put pressure on prices. At the same time the USD/SEK exchange rate dropped by approximately 17% in 2002, negatively impacting the surplus value in SEK.

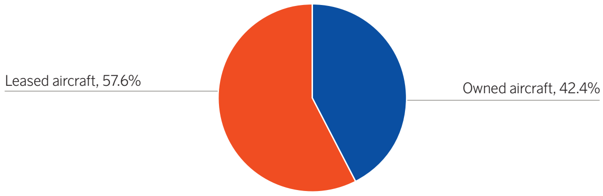


Breakdown of the market value of the SAS Group's total aircraft fleet, 2002



The total market value of the Group's aircraft fleet was SEK 51.2 billion.

Breakdown of the SAS Group's owned and leased aircraft at December 31, 2002

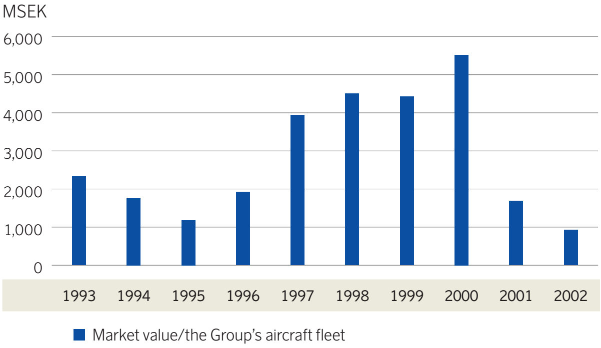


At the end of 2002, 181 (57.6%) of the SAS Group's entire aircraft fleet was leased.

Uncertainty in the market makes it difficult to set the correct market value, which is why the SAS Group's estimated surplus value since second quarter 2002 is based on an average of three external valuations.

Surplus value in the SAS Group's aircraft fleet	
Owned at December 31, 2002, 133 aircraft	MSEK
Estimated market value (including hedge accounting)	25,069
Book value	24,144
Surplus value	925

Yearly surplus value in the SAS Group's aircraft fleet, 1993-2002



The events of September 11, 2001 had a substantial impact on aircraft prices. At the end of 2002/beginning of 2003, the surplus value in the SAS Group's fleet was MSEK 925, a decrease of MSEK 826 since the year before.

Pension funds - net

Most pension plans in Scandinavia are defined benefit plans placed with insurance companies. Net pension funds are calculated through the reduction of the assets side (funding) by the estimated Projected Benefit Obligation (PBO). PBO is calculated on the basis of the individual employee's expected future final salary, discounted to present value. The return on assets is calculated on the basis of a locally determined rate of return for the individual country. The calculated weighted average rate of return for 2002 was 8.1%.

The weighted return attained in 2001 was 2.4% whereas the corresponding information for 2002 is not yet available. Because of the weak performance of the financial market in 2002, the actual return will fall below the estimated return. Moreover, the dramatic decline in the financial markets at the close of 2001 and in 2002 caused the value of the assets in the plans to decline. If the market does not recover in the next few years the SAS Group will see a relative increase in pension costs. The cost increase in 2002 is a consequence of a larger group and changed parameters due to changed market assumptions. As of December 31, 2002 the total overfunding of the pension plans amounted to MSEK 1,244. Book assets came to MSEK 6,298. In the opinion of the SAS Group, the market slump is temporary and values will recover over a period of time - though perhaps not back to the original level. Total funding of the plans at year-end was MSEK 24,138. (*For further information see page 86 and page 95 Note 19*).

Weighted average cost of capital (WACC)

SAS Group's weighted average cost of capital is estimated at approximately 9%. The cost of shareholders' equity is calculated based on an assumed inflation rate of 2% and a market premium of over 5%. The Group's costs for liabilities are assumed to be 5.5% and the leasing cost is based on market interest and depreciation rates.

Return metrics

Enterprise Value - EV/EBITDAR

EV/EBITDAR is a key ratio that shows how airlines' earnings capacity is valued in the market measured against capital employed. This ratio takes into account actual capital employed, shareholders' equity, leasing and loans.

In 2002, the SAS Group's EV/EBITDAR ratio was approximately 5.5 and in 2001 the multiple for the SAS Group was approximately 10.5.

The "discount" on the SAS Group's share compared with those of its competitors has thus been significantly reduced compared with 2000 even though comparisons are difficult to make in a year with major share price and earnings fluctuations. The introduction of the single share in 2001, however, probably led to a decrease in the discount.

Financing and financial risk management

Through its international and capital-intensive operations, the SAS Group is exposed to various types of financial risks - liquidity and borrowing risks, credit risks, currency risks and interest rate risks.

The SAS Group's financial transactions and financial risks are managed centrally and coordinated by SAS Group Finance & Asset Management, through its external dealings in the financial markets.

Financing

Financing mainly takes the form of syndicated bank loans, bond issues, direct borrowing, debenture loans, finance and operating leasing. In December 2001, a general agreement of just over MUSD 1,000 was concluded with four banks and three export financing institutes in the U.K., France and Germany. As of 2002, the SAS Group had utilized approximately MUSD 880 of the loan facility.

In May 2002 a MUSD 400 syndicated loan facility was arranged with 15 banks for the purpose of financing aircraft investments. At year-end 2002 none of the facility had been utilized.

Existing committed credit facilities for the SAS Group

Facility	Amount MUSD	Utilized on Dec. 31 -02 MUSD	Un-utilized MUSD	Expiration of validity period
Revolving Credit Facility	700	300	400	May 2004
Aircraft Finance Lease Facility	300	0	300	Dec. 2003
Bilateral bank facilities	130	0	130	2003/2004
Other	172	50	122	2003/2004
Total	1,302	350	952	

Creditworthiness

To continuously secure access to a broad base of financing sources, it is a goal of the SAS Group to maintain a level of indebtedness that over the long term permits the SAS Group to be viewed as an attractive borrower. To support this goal the SAS Group has established a number of financial targets regarding its equity/assets ratio and debt/equity ratio.

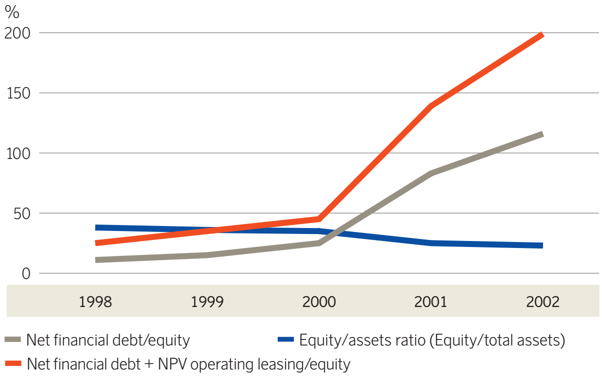
Long-term targets for equity/assets and debt/equity ratios

Equity/Assets	> 30%
Financial net debt + 7x Operating leasing/Equity	< 100%
Financial net debt + NPV Operating leasing/Equity	< 100%
Financial net debt/Equity	< 50%

The equity/assets ratio deteriorated somewhat in 2002 and amounted at December 31, 2002 to 23%. Net debt increased in 2002 and amounted at year-end to MSEK 11,574, with financial net debt amounting to MSEK 17,872 as a result of the investment in the new long-haul fleet for Scandinavian Airlines.

In evaluating the creditworthiness of airlines it is important to take off-balance sheet financing into account. At the end of 2002, the SAS Group's lease-adjusted net debt against shareholders' equity was 199 %.

Key ratios for equity/assets and debt/equity for the SAS Group, 1998-2002



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

At December 31, 2002	Short-term	Long-term	Outlook
Southwest		Baa1	stable
Lufthansa	P-2	Baa1	negative
Qantas	P-2	Baa1	negative
SAS Group	**P-3**	**Baa3**	**negative**
British Airways		Ba1	negative
Japan Air Lines		Ba1	negative
All Nippon Airways		Ba1	negative
Delta Air Lines		Ba3	negative
American Airlines		B1	negative
Northwest Airlines		B2	negative
Continental Airlines		B2	negative
Air Canada		B3	negative
United Airlines		Caa3	negative

In January 2002 the American rating institute Moody's downgraded the SAS Group's rating by three notches, from A3 to Baa3 for long-term debt and from P1 to P3 for short-term debt. In October the outlook was changed from stable to negative, the level of other airlines. Despite this, the Group's creditworthiness is good compared with other airlines. The SAS Group also receives credit ratings from the Japanese rating institute Japan Rating and Investment Information, Inc. In January 2002 the rating was downgraded by two notches from A+ to A–, but remains at A1 for short-term debt.

Financial risk management

Liquidity and borrowing risks

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic. When raising new loans, the aim is to spread the maturity profile over time so that a maximum of 25% of the gross debt and contracted lines of credit fall due over the coming 12 months.

The liquidity reserve should correspond to 3 months' fixed operating costs (approximately MSEK 9,500). To reduce the liquidity risk the SAS Group's liquid assets (short-term investments, cash and bank balances) should equal 75% of the reserve (approximately MSEK 7,000). Besides the liquidity reserve there should be a financial preparedness of unutilized contracted lines of credit

SAS Group

Financial strategy

Financial flexibility is maintained through high liquidity, good access to funding and an active dialog with the capital market.

The purpose of finance operations is to identify, manage and handle the SAS Group's financial risks relating to currency, interest rates and credit.

Because the aircraft fleet is regarded as a financial asset, optimization of fleet financing is accordingly achieved by taking operating efficiency requirements, tax effects, financing costs, capital employed, and market value into consideration.

corresponding to 10% of the SAS Group's forecast annual operating revenue with seasonal reserves taken into account. The SAS Group's liquid assets are to be held in instruments with good liquidity or a short term, less than three months. At December 31, 2002 actual liquidity amounted to approximately MSEK 10,721 (11,662). The SAS Group had total unutilized credit facilities of MSEK 8,400 at December 31, 2002. Total financial preparedness thus amounts to MSEK 19,121.

Credit risks/counterparty risk

Credit risks arise from the risk that a counterparty will be unable to fulfill his part of an agreement. For investments the credit risk is the nominal amount. The credit risk of derivative instruments is obtained by a valuation according to international market practice. Derivatives are mainly used to create the desired currency and interest rate exposure in the net debt. The financial policy stipulates that transactions should be primarily carried out with counterparties with high creditworthiness. ISDA agreements (netting agreements) are signed with most counterparties. Limits are set for each counterparty and are continuously monitored and revised.

Currency risk and currency breakdown of net debt

The SAS Group has currency exposure to both transaction risk and translation risk.

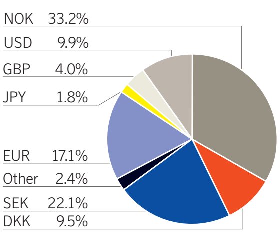
The effect on earnings on commercial flows in foreign currency when exchange rates change is called *transaction risk*. Hedging of forecast commercial currency flows (surplus and deficit currencies) is done on an ongoing basis up to 90% based on a 12-month rolling liquidity forecast. Net commercial deficit currencies are mainly DKK and USD.

Translation risk comprises the translation effects on balance sheet items in foreign currencies due to changes in exchange rates. To limit currency exposure the currency composition of liquid assets is matched against the interest-bearing gross debt. Investments and market values of aircraft are in USD, a circumstance entailing a greater need to protect this asset base against unfavorable exchange rate trends. Keeping a portion of the net debt in USD and practicing hedge accounting limits the currency effect on that portion of the debt.

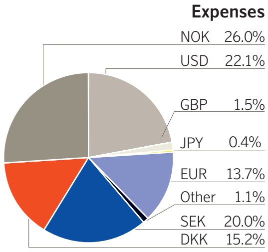
To limit the currency effect, the remaining portion of the net debt shall be kept in the accounting currencies of the SAS Group company or unit. A small portion may be kept in other currencies.

Currency breakdown by % for the SAS Group 2002

Revenues



Expenses



Estimated currency breakdown of operating income (EBITDA), 2002*

Surplus currencies		Deficit currencies	
NOK	5,600	USD	7,100
SEK	2,100	DKK	3,100
EUR	2,700		
Other	3,300		

Net EBITDA measured in MSEK amounted to 3,500.

** A table showing the impact of exchange rate fluctuations on the SAS Group's earnings is provided in Note 29 on page 96.*

Interest rate risks

The SAS Group's interest rate comprises the negative changes in market value that arise due to movement in the yield curve (market interest rates at different maturities). The fixed-rate period for the net debt is between one and six years with approximately 50% in short maturities and 50% in long maturities.

Various interest rate derivative instruments such as long-term interest rate swaps, forward rate agreements (FRAs) and futures are used to adjust interest rate terms to the desired period. The average fixed-rate period at December 31, 2002 was approximately 2.9 (2.3) years. The term of the interest-bearing gross debt amounted to approximately 4.6 (4.4) years at year-end. At December 31, 2002 the Group's interest-bearing liabilities amounted to MSEK 29,782 (26,124).

Price risks relating to jet fuel

The SAS Group is exposed to price risk regarding changes in the price levels of jet fuel. Of the SAS Group's cost base in 2002, approximately 8.5% comprised fuel costs.

The fuel cost portion of total operating expenses in the global airline industry rose from an average of 12 % in 2001 to approximately 13% in 2002.

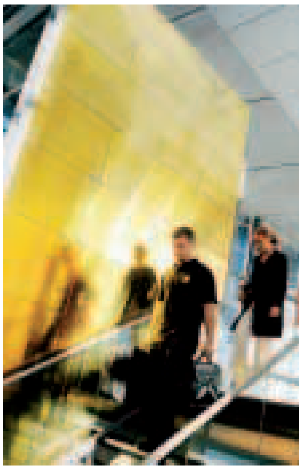
The SAS Group's policy is to hedge 40-60% of the forecast consumption on a rolling 12-month basis.

In 2002 the SAS Group hedged an average of 49% of its fuel purchases. Of the anticipated consumption in 2003, the SAS Group has so far hedged 63% in mostly the first half of the year, mainly with caps options. The high rate of hedging in 2003 is due to greater uncertainty in the world situation. The SAS Group began to coordinate price hedging of jet fuel for its recently added airlines in 2002.

SAS Group's insurance policy

All assets and operations are to have optimal insurance coverage based on competitive terms in the global insurance market. The SAS Group's airline insurance contracts are of the all risks type and cover both the aircraft fleet including spare parts and the technical equipment as well all liability exposure associated with airline operations. Insurance premiums for the SAS Group amounted to approximately MSEK 895 in 2002, which is many times higher compared with previous years.

Scandinavian Airlines



- Business area in brief
- Scandinavian Airlines' targets, strategic focus and achievement of targets
- Strategies for increasing competitiveness
- Stronger customer focus
- Traffic and market trends
- Distribution channels
- Safe travel
- Operational key figures

Scandinavian Airlines

www.sas.se

Important events

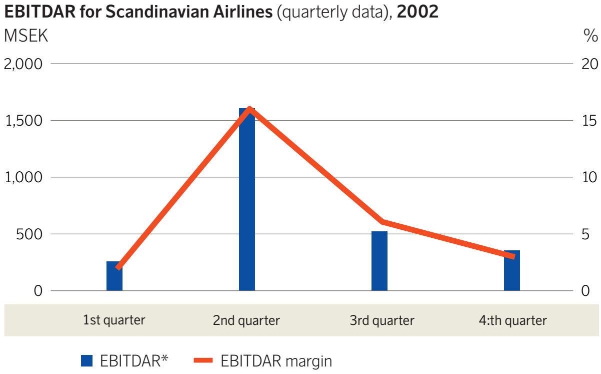
The former business area SAS Airline, which included both Scandinavian Ground Services and SAS World Sales as well as SAS Technical Services, was restructured and streamlined, and the business area Scandinavian Airlines was established on July 1, 2002 ■ On June 1, 2002 Scandinavian Airlines introduced a new travel concept "Scandinavian Direct" to provide simpler, more flexible and good value travel in Scandinavia ■ The Turnaround was introduced and its implementation was begun ■ A new production concept was implemented on October 27, 2002.

Statement of income

MSEK	2002	2001*
Passenger revenue	33,016	34,108
Freight revenue	–	856
Other traffic revenue [1]	2,509	1,313
Other revenue	1,638 [2]	4,889
Operating revenue	37,163	41,166
Payroll expenses	–6,622	–13,540
Sales costs	–5,322	–2,324
Jet fuel	–3,184	–4,030
Government user fees	–3,553	–3,842
Catering costs	–1,389	–1,647
Handling costs	–5,348	–1,863
Technical aircraft maintenance	–5,131	–2,542
Computer and telecommunications costs	–457	–1,538
Other operating expenses	–2,842	–8,038
Operating expenses	–33,848	–39,364
Earnings before depreciation and leasing costs, EBITDAR	3,315	1,802
Leasing costs	–1,702	–2,232
Earnings before depreciation, EBITDA	1,613	–430
Depreciation	–1,312	–1,785
Share of income in affiliated companies	67	66
Capital gains [3]	–436	1,100
Operating income, EBIT	–68	–1,049
Income from other shares and participations	–	1
Net financial items [3]	–964	–451
Income before tax, EBT	–1,032	–1,499

** Refers to the previous business area SAS Airline. (Income for the business area SAS Airline is available on the Internet at www.sasgroup.net).*
[1] Includes ECA with MSEK –418 (-335). See page 21.
[2] MSEK 570 in compensation from the Civil Aviation Administration regarding Terminal 2.
[3] Figures for 2001 have been reclassified relating to an exchange rate effect of MSEK 492 (see Note 1, page 88).

EBITDAR for Scandinavian Airlines (quarterly data), **2002**



** Excluding one-time effect of MSEK 570 from the Swedish Civil Aviation Authority.*

Key figures

	2002	2001*
EBITDAR margin	8.9%	4.4%
CFROI	9%	4%
Number of aircraft	199	200
Number of passengers, scheduled, millions	21.9	23.1
Number of destinations	86	94
Average scheduled flight distance (km)	1,062	1,010
Number of daily departures (average)	810	915
Average number of employees	7,556	22,364
CO_2 emissions, 000 tonnes	3,765	4,110

** The business area SAS Airline*

Business area in brief

The former business area SAS Airline, which included SAS World Sales, SAS Technical Services and Scandinavian Ground Services, has been restructured and streamlined with the establishment of Scandinavian Airlines on July 1, 2002. This establishment means that the unit's actual costs are reported more clearly. For example, handling costs, sales costs and the cost of technical aircraft maintenance for Scandinavian Airlines were exclusively externally purchased services in 2001. For Scandinavian Airlines the total costs including services purchased from the area Airline Support Businesses are reported for 2002. The operating revenue of the business area is equivalent to approximately 44% of the SAS Group's total operating revenue before Group eliminations.

Earnings performance

Scandinavian Airlines is currently implementing an all-encompassing Turnaround (*see page* 9). Under the Turnaround plan, capacity was cut by 4% compared with 2001, whereas excluding the expansion of the intercontinental routes the reduction was 10.6%. Passenger revenue for January-December amounted to MSEK 33,016 (34,108). Excluding currency effects, passenger revenue fell by 2.9% or MSEK 1,197 due to poorer yield. Pressure on the yield and revenues increased in the fourth quarter, although the yield is also negatively impacted by the higher share of traffic on the intercontinental routes that have a lower yield and negatively impact the overall yield.

Operating expenses fell in January-December because of the Turnaround and other measures. Thanks largely to fuel prices that were approximately 10% lower than in 2001, jet fuel costs had a positive effect on operating expenses. Catering costs declined mainly due to lower passenger volumes.

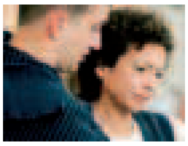
Earnings before depreciation and leasing costs (EBITDAR) improved significantly compared with 2001 and amounted for January-December to MSEK 3,315.

Income before tax was MSEK –1,032.

Scandinavian Airlines' targets, strategic focus and achievement of targets

Main points of Scandinavian Airlines' strategic development program:

- Operational strategies to provide a structure for dealing with the company's cost and productivity problem. Specific measures for ensuring its implementation are documented in a well-defined turnaround plan.
- Commercial strategies with the aim of achieving a sufficient revenue base at a time when traditional business markets are failing and have proven inadequate.



Financial targets

Scandinavian Airlines' intends to increase operating revenues by an average of 5% per year and achieve a CFROI of at least 20% over a business cycle.

Strategic focus

Scandinavian Airlines will maintain its main focus on business travel, but will widen its concentration to include the leisure travel market.

Achievement of targets in 2002

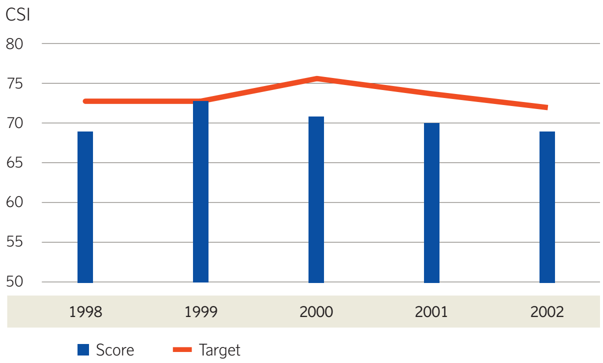
Financial targets

CFROI for 2002 came to 9%, falling short of the target by 11 percentage points.

Customer targets

The Customer Satisfaction Index, CSI, reflects how well Scandinavian Airlines meets customer expectations. For 2002, the airline set a CSI target of 72 and scored 69, which was below the 2001 level. Among other things, the CSI showed that while customer

Scandinavian Airlines – Customer Satisfaction Index 1998-2002



Paramount targets

	Target 2002	2002	2001
Customer Satisfaction Index, CSI	72	69	70
Environmental index	82	72	80

satisfaction with the fares offered by the company had fallen, its image rating had improved. Key factors in customer satisfaction are image, timetable/route network, competitive pricing, customer treatment and punctuality.

Quality targets

The target is to be Europe's most punctual airline. The punctuality target for 2002 was that a maximum of 12% of the number of flights could be delayed by a maximum of 15 minutes. Scandinavian Airlines scored 11.7% (14.9%). The corresponding figure for AEA airlines was 18.7% (21.6%).

The target for regularity, the percentage of noncanceled flights, is a minimum of 99% in the summer months and 98% during the winter. Average regularity achieved in 2002 was 98.5% (97.5%).

The target for lost phone calls in the direct sales channel is a maximum of 7%. In 2002 the result was 15.6% (13%).

Environmental targets

One of Scandinavian Airlines' paramount environmental targets is to be one of the leading players in the airline industry with respect to environmental adaptation, integrating environmental management into the business management process and making better use of resources.

One specific environmental target is to improve the environmental index by 3 points per year between 1996 and 2004. In 2002 the company improved its performance by an impressive 8 points. (*See also page 105.*)

Scandinavian Airlines

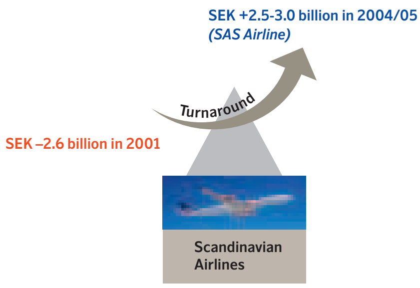
Strategies for increasing competitiveness

Scandinavian Airlines aims to deliver efficient travel solutions that fit naturally into the lives of customers. Customers should feel appreciated and look forward to their next trip.

Operational strategies and the SAS Group's Turnaround

The main causes of Scandinavian Airlines' gradually deteriorating competitiveness and profitability problem in recent years are a high unit cost and poor productivity.

The purpose of the operational strategies and the SAS Group's Turnaround is to substantially reduce costs and increase productivity. Future profitable expansion is completely dependent on the cost reductions and productivity gains that can be realized through this process.



The Turnaround is the sum of the short-term measures implemented in 2001-2002 and the structural measures being carried out and scheduled for implementation in 2002-2005. The program will cut Scandinavian Airlines' unit cost by 20%. *(See also the Turnaround section on page 9.)*

Work process program

Further development of the work process program that has been under way in Scandinavian Airlines for many years supports the Turnaround plan and focuses on identifying, measuring, analyzing, improving and developing processes.

Commercial strategies

In addition to substantial cost-cutting and productivity enhancing measures, it is necessary for Scandinavian Airlines to broaden its customer base. From previously focusing on business travelers under "The Businessman's Airline" concept, the more price-sensitive business and leisure travel market will be more clearly addressed in the concepts that will be offered to the market.

Scandinavian Airlines enjoys a strong position in the traditional business segment. The pivotal need in this segment is choice of destinations, frequencies and non-stop flights. Business travelers are willing to pay a premium for being able to make last-minute decisions and enjoying great flexibility with a high level of service. Today, however, the ticket price differential is too high in certain customer segments. This means the premium for a high service level has to be cut.

To grow its customer base Scandinavian Airlines will have to increase its share of the leisure travel market. Of the number of leisure travelers on regular flights the company currently has a share of only approximately 37% and a mere 20% of the package deals sold by tour operators. There is consequently a large potential in the leisure travel market.

Scandinavian Airlines has defined four market clusters based on the market's traffic flow.

- Traffic within and between the Scandinavian countries and Finland/the Baltic, northern Germany and northern Poland (the home market).
- Business traffic in Europe.
- Leisure traffic in Europe.
- Intercontinental traffic.

Commercial strategies in brief

- The home market will be defended and the growing low-fare competition will be met by attractive, value-for-money products offered in all broad customer segments. Supply will be stimulated proactively where potentials exist. Scandinavian Direct will be expanded.
- For the major European business destinations Scandinavian Airlines will defend its position in the competition for local traffic by offering non-stop routes where possible and introducing a new two-class product and a price structure with clear differentiation between the classes.
- For the smaller European business destinations Scandinavian Airlines will grow as the business climate permits through a strong position from hub to secondary center.
- For European leisure destinations Scandinavian Airlines will seek growth through non-stop routes. A new product with the working title "Scandinavian Light" will be introduced on March 30, 2003.
- In intercontinental travel on non-stop flights from Scandinavia to the largest markets in North America and Asia, Scandinavian Airlines will grow as the business climate permits by being a full-service company with a strong position in the home market. Scandinavian Airlines will offer products not only tailored to the need for comfort on long-haul flights but also competitive with those offered by the competition.

Facts - Scandinavian Airlines

- Scandinavian Airlines System was founded in 1946.
- Number of destinations in 2002 was 86, of which 8 were intercontinental destinations.
- On July 1, 2002 Scandinavian Airlines became a separate business unit after Scandinavian Ground Services, SAS Technical Services and SAS World Sales were taken out of the business unit.
- Average number of employees in 2002 was 7,556 of which 48% are women and 52% men.

Stronger customer focus



Uncomplicated and flexible travel is the core of what Scandinavian Airlines offers its customers. The concept is based on time, value for money, flexibility and frequency of flights.

Four customer concepts comprise the basis of Scandinavian Airlines' customer services:

- *Short-haul flights* - Efficient transportation in the home market.
- *Medium-haul flights* - Efficient travel to and from European destinations.
- *Long-haul flights* – An intercontinental travel experience.
- *"Scandinavian Light"* - Value-for-money travel concept offering simple solutions.

The concept is based on six components:

- *Scandinavian Airlines' traffic system* - The best connections to and from destinations popular with Scandinavians.
- *Scandinavian Airlines' price concept* - A clear price concept based on customer demands and what customers are willing to pay for.
- *Scandinavian Airlines' customer service* - We care about our customers and stand by our services, a concept embodied in living up to our brand.
- *Scandinavian Airlines' travel options* - Traveling with Scandinavian Airlines should be simple and quick.
- *Scandinavian Airlines' travel service* - An enjoyable and comfortable flight.
- *Scandinavian Airlines' loyalty concept* – Creating long-term customer relationships.

Customer concept

Scandinavian Direct

In the summer of 2002 Scandinavian Direct was introduced to destinations in Scandinavia. The concept focuses on simplified travel with a flexible price structure. Scandinavian Airlines was one of the first airlines in the world to introduce checking in via the Internet.

A new leisure travel concept

A new leisure travel concept under the working title "Scandinavian Light" will be introduced in March 2003. Four aircraft will serve the flights. By trying new customer concepts and more simple forms of production within the parameters of the SAS brand, Scandinavian Airlines intends to meet the needs of a growing market segment.

Long-haul products

The introduction of Scandinavian Airlines' new long-haul aircraft, Airbus A330/A340s, as replacements for Boeing 767s on intercontinental routes, began in the autumn of 2001. The first aircraft was introduced for service to Asia and despite a capacity increase of approximately 40% cabin factors on the route are higher than before. Various customer surveys also show that Scandinavian Airlines is highly rated. Scandinavian Airlines won *Business Traveller* magazine's award for best intercontinental airline in 2002. The introduction of Airbus A330/A340s will take place gradually on the North American destinations. With approximately 15% higher fuel efficiency, the new Airbus A330/A340s are helping to reduce the airline's relative impact on the environment.

Loyalty concept - EuroBonus

EuroBonus is a bonus system for frequent flyers. SAS EuroBonus' paramount strategy is to develop a long-term and profitable relationship with travelers. Dialoging with customers provides considerable information for future product development. Membership increased in 2002 by just over 10%, to 2.5 million. In compliance with a Norwegian Competition Authority decision, Scandinavian Airlines was forced to stop giving points for flights on domestic Norwegian routes starting in August 2002.

Ongoing provisions are made for unutilized bonus trips. At December 31, 2002 these amounted to MSEK 857 (757). The primary reason for the increase is that the average cost of future bonus trips is estimated to be higher because a large percentage of these points is expected to be redeemed with airlines other than Scandinavian Airlines.

Key figures EuroBonus

	2002	2001*	Change
Total number of members	**2,539,826**	2,305,832	10.1%
- in Denmark	**414,294**	368,408	12.5%
- in Norway	**808,908**	762,100	6.1%
- in Sweden	**618,908**	546,391	13.3%
- international	**697,716**	628,933	10.9%
Proportion of Gold members	**3.6%**	2.8%	0.8 pts.
Proportion of Silver members	**8.0%**	7.6%	0.4 pts.

** The figures for 2001 are revised.*

Operating standards and actual results

	2002	2001	Standards
Total loss	**0**	1*	0
Regularity	**98.5%**	97.7%	min. 99%
Flights delayed more than 15 minutes (punctuality)	**11,8%**	14.9%	max. 12%
Flights delayed more than 2 minutes	**36.9%**	41.9%	max. 25%
Percentage of customers who have to wait so long for a reply from telephone reservations that the call is lost	**15.6%**	13.0%	max. 7%
Delayed baggage	**0.7%**	0.6%	0.4%
Damaged baggage	**0.16%**	0.09%	0.05%

** The accident at Milan's Linate airport with SK 686 on October 8, 2001.*

Traffic and market trends

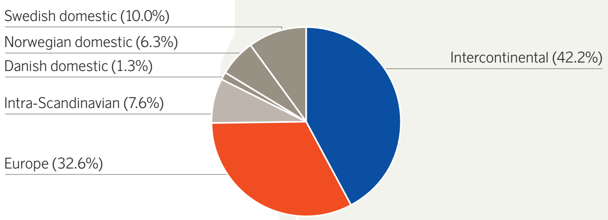
Scandinavian Airlines' total passenger traffic	2002	2001	Change
Number of passengers, (000)	**21,866**	23,063	–5.2%
RPK, millions	**23,212**	22,956	+1.1%
ASK, millions	**34,096**	35,521	–4.0%
Cabin factor	**68.1%**	64.6%	+3.5 pts. *
Cabin factor incl. other traffic/prod.	**68.2%**	64.7%	+3.5 pts. *
Cabin factor incl. EuroBonus travelers	**70.9%**	68.0%	+2.9 pts.. *
Yield, currency adjusted, SEK	**1.42**	1.49	–4.6%

** Change in percentage points (pts.).*

- Sharp growth in the intercontinental routes, particularly to Asia. Since the terrorist attacks in the U.S., Scandinavian Airlines is the only carrier operating non-stop between Scandinavia and North America.
- Scandinavian Airlines has captured large market shares in Asia and North America.
- Tough competition in European services in all major business travel flows. The large European full-service airlines are still the core of this competition, supplemented by alliance partners. Low-fare airlines are gradually expanding in European markets, generating new traffic.
- Scandinavian Airlines continues to enjoy a strong position on domestic routes and intra-Scandinavian routes. Despite the general decline in traffic, Scandinavian Airlines captured market shares in Europe.

Scandinavian Airlines - traffic by route sector, 2002

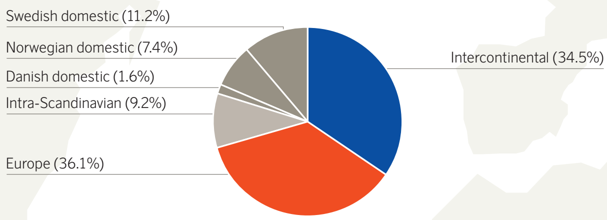
RPK, revenue passenger kilometers



The proportion of revenue passenger kilometers (RPK) for intra-Scandinavian traffic, as well as for Danish, Norwegian and Swedish domestic traffic, accounted for 25.2% of total traffic in 2002.

Scandinavian Airlines - capacity per route area, 2002

ASK, available seat kilometers



The proportion of available seat kilometers (ASK) for intra-Scandinavian, Danish, Norwegian and Swedish traffic accounted for 29.4% of total available seat kilometers in 2002.

Intercontinental traffic	2002	2001	Change
Number of passengers, (000)	**1,420**	1,220	+16.4%
RPK, millions	**9,783**	8,264	+18.4%
ASK, millions	**11,748**	10,526	+11.6%
Cabin factor	**83.3%**	78.5%	+4.8 pts. *
Yield, currency adjusted			–4.1%

** Change in percentage points (pts.).*

- Intercontinental traffic grew rapidly and the introduction of the Airbus on several long-haul routes, for example all routes to Asia and between Copenhagen and New York, has been very successful.
- Even with a capacity increase of 25-30% the traffic to Bangkok/Singapore and Tokyo had a higher occupancy rate than the previous year. The cabin factor to Beijing rose despite higher new capacity.
- Traffic to the U.S. has gradually recovered. The occupancy rate rose despite the introduction of the Airbus, which increased the number of seats by approximately 35%. Production in routes to the U.S. increased by 9% while traffic as a whole went up by 19%, pushing the average occupancy rate to 81.8%.
- In 2003 the continued phasing in of Airbus A330/340s in services to the U.S. will increase capacity by 21% compared with 2002.

European traffic	2002	2001	Change
Number of passengers, (000)	**7,604**	7,838	–3.0%
RPK, millions	**7,570**	7,937	–4.6%
ASK, millions	**12,316**	13,588	–9.4%
Cabin factor	**61.5%**	58.4%	+3.0 pts. *
Yield, currency adjusted			–1.3%

** Change in percentage points (pts.).*

- European traffic performed weakly, and the recovery took considerably longer than expected. In autumn 2002 the market was at about the same level as 2000.
- Quite a number of new low-fare players with services to European destinations arrived on the scene. The major full-service airlines introduced aggressive discounts on connecting services primarily to fill up their intercontinental flights.
- Scandinavian Airlines performed better than the overall market and captured market shares. Despite sharply reduced capacity, approximately 15% fewer flights, traffic is at about the 2001 level. The cabin factor rose by 3.0 percentage points. A large number of unprofitable routes were discontinued.
- The weak performance of the business travel market is expected to continue initially in 2003.

Intra-Scandinavian traffic	2002	2001	Change
Number of passengers, (000)	**3,638**	4,003	–9.1%
RPK, millions	**1,754**	1,900	–7.7%
ASK, millions	**3,156**	3,343	–5.6%
Cabin factor	**55.6%**	56.8%	–1.3 pts. *
Yield, currency adjusted			+1.6%

** Change in percentage points (pts.).*

- Intra-Scandinavian traffic performed weakly. The large proportion of connecting services, particularly to Copenhagen, did, however, perform relatively well.
- Somewhat fewer flights with larger aircraft provided considerably better service in high traffic periods and a better use of resources.
- 2002 saw the closure of several unprofitable routes between Copenhagen and small towns in Scandinavia. They are now operated by partners of Scandinavian Airlines, thus ensuring the continued provision of good connections to Scandinavian Airlines' route network.

Danish domestic traffic (incl. Greenland)	2002	2001	Change
Number of passengers, (000)	**877**	955	–8.1%
RPK, millions	**313**	365	–14.2%
ASK, millions	**529**	559	–5.4%
Cabin factor	**59.2%**	65.3%	–6.0 pts.. *
Yield, currency adjusted			+10.4%

Norwegian domestic traffic	2002	2001	Change
Number of passengers, (000)	**3,557**	3,839	–7.3%
RPK, millions	**1,467**	1,962	–25.2%**
ASK, millions	**2,523**	3,300	–23.5%**
Cabin factor	**58.1%**	59.5%	–1.3 pts. *
Yield, currency adjusted			+26.6% **

Swedish domestic traffic	2002	2001	Change
Number of passengers, (000)	**4,770**	5,209	–8.4%
RPK, millions	**2,326**	2,528	–8.0%
ASK, millions	**3,824**	4,204	–9.0%
Cabin factor	**60.8%**	60.1%	+0.7 pts. *
Yield, currency adjusted			+1.0%

** Change in percentage points (pts.).*
*** The reduction in traffic and production and yield increase depends on the redistribution of Norwegian domestic routes between Scandinavian Airlines and Braathens.*

Danish domestic traffic performance (including Greenland)

- Danish domestic traffic performed weakly.
- The overall weak performance is mainly the result of low demand for services to Greenland.
- Scandinavian Airlines ceased flying to and from Greenland on October 25, 2002.

Norwegian domestic traffic performance

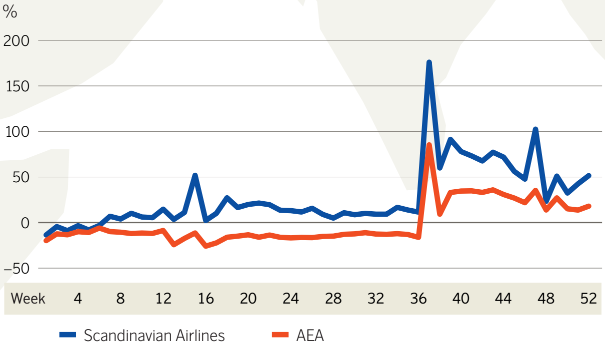
- The Norwegian domestic traffic market performed worse than expected in 2002, negatively impacting traffic development. The number of passengers in the overall market fell by 6%.
- Scandinavian Airlines' traffic performance in Norway was impacted in 2002 by the coordination with Braathens' traffic system. Scandinavian Airlines is now focusing its operations on routes in southern Norway: Oslo, Bergen, Stavanger and Trondheim, whereas Braathens operates the long routes to northern Norway. This explains the increase in yield. Together with Braathens and Widerøe's Flyveselskap, Scandinavian Airlines offers a nationwide network of routes serving nearly 40 airports in Norway.
- Before the acquisition of Braathens, there was considerable overcapacity in the Norwegian domestic market. The decrease in capacity has provided a better balance between supply and demand.

Swedish domestic traffic performance

- The Swedish domestic market performed poorly. The decline was the sharpest in business travel while the increase in leisure travel was stimulated by special offers. The overall domestic market fell by approximately 8%. Scandinavian Airlines reduced its market shares somewhat.
- Major adjustments were made in response to diminished demand. A partially new structure with fewer aircraft standing overnight across the country was introduced.
- Scandinavian Airlines currently flies 13 routes in Sweden. Two unprofitable routes were closed and are now operated by the part SAS Group-owned airline Skyways in competition with other carriers.

The diagrams below show Scandinavian Airlines' traffic performance compared with the average of European airlines (AEA). Scandinavian Airlines saw better traffic performance than other AEA carriers and took market shares in 2002. This is particularly true of the traffic across the North Atlantic and to Asia.

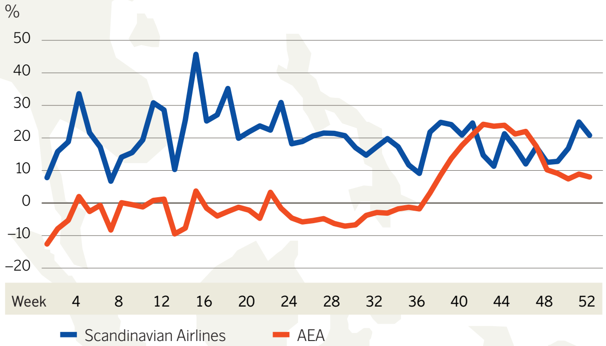
Change in RPK (revenue passenger kilometers, scheduled) per week on flights across the North Atlantic in 2002



Scandinvian Airlines saw traffic to North America grow during most of 2002 and increased its market shares thanks to the phasing in of Airbus A340/A330s.

Source: SAS Group, AEA

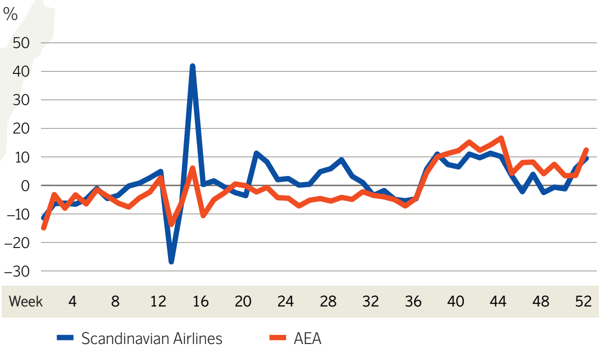
Change in RPK (revenue passenger kilometers, scheduled) per week on flights to Asia in 2002



Traffic to Asia grew rapidly in 2002 and Scandinavian Airlines increased its market share.

Source: SAS Group, AEA

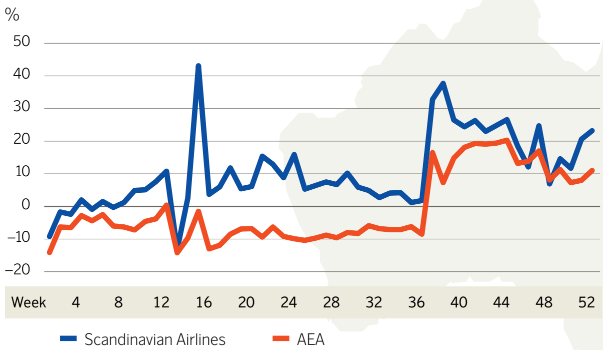
Change in RPK (revenue passenger kilometers, scheduled) per week on flights in Europe in 2002



Scandinavian Airlines managed to increase its market share somewhat despite a major reduction in traffic capacity to Europe in 2002.

Source: SAS Group, AEA

Total international RPK (revenue passenger kilometers, scheduled) per week in 2002



Among the European airlines, Scandinavian Airlines increased its market share of all international traffic in 2002.

Source: SAS Group, AEA

Distribution channels

Efficient distribution builds up both short and long-term customer relationships, impacting market shares. New distribution channels, particularly electronic ones, also generally pave the way for environmental and social benefits by reducing energy and resource consumption. Distribution strategy is a key competitive factor for airlines.

New distribution strategy

The new Scandinavian distribution strategy will streamline the travel industry through a new transparent business model between the airline and travel agencies. Streamlining can provide users with clear benefits, primarily because customers can have a say in what services they are paying for. The strategy also actively contributes to higher sales via electronic channels and creates a platform for competition with new players in the market. SAS World Sales is also committed to active channel management by which low-fare products are primarily distributed electronically.

New distribution concept

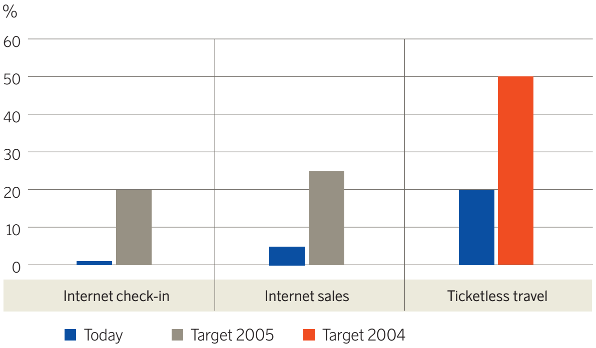
Scandinavian Airlines decided to launch a new distribution concept in Scandinavia in 2002 and starting January 1, 2003 the airline has adopted net prices in Scandinavia, lowering prices by the previous commission charge. SAS World Sales and the travel agencies will charge for their services, which most travel agencies in Scandinavia already do today. Starting at the end of 2002/beginning of 2003, Scandinavian Airlines' prices will vary according to the customer's choice of sales support, sales channel and service level. At SAS World Sales it will be cheaper to order tickets via the Internet than by phone.

Distribution costs

Scandinavian Airlines has been working hard for many years to cut distribution costs. In the base year 1999 these costs amounted to approximately 20% of the total passenger revenue. In 2002 these costs were down to 16.4%. As a result of the new distribution strategy and other streamlining in SAS World Sales, distribution costs in 2003 are expected to amount to approximately 13% of Scandinavian Airlines' total passenger revenue.

Through the new distribution strategy customers will find it advantageous to use the efficient electronic channels.

Targets for Internet check-in, Internet sales and ticketless travel



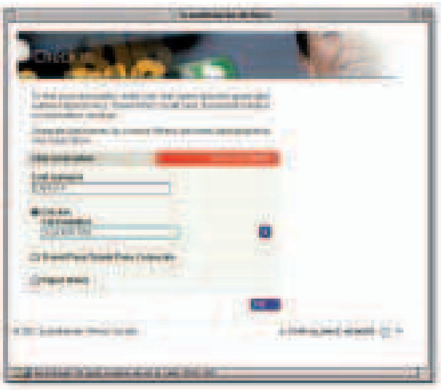
Travel agencies

Travel agencies continue to be Scandinavian Airlines' largest and most important distribution channel, accounting for approximately 79% of Scandinavian Airlines' total revenues. With the new concept, traditional travel agencies will help customers select the best travel alternative while offering at the same time electronic channels for the low-price segment. This will increase the efficiency of Scandinavian Airlines as well as travel agencies, ultimately benefiting their customers.

SAS Sales Center

Call centers and www.scandinavian.net

In 2002 SAS World Sales continued to restructure its SAS Sales Center to achieve further streamlining and increase the quality of customer service. To cut the proportion of lost calls, Scandinavian Airlines negotiated an agreement with a third party that in the latter half of 2002 helped the company achieve, on average, its target of a maximum of 10% lost calls.



In 2002, www.scandinavian.net was one of Scandinavia's most visited travel sites, with nearly 50,000 visitors per day.

In 2002 an upgrading of www.scandinavian.net was launched with a focus on new customer solutions such as booking of tickets and Internet check-in, giving customers greater choice and flexibility. The new website offers customers other benefits and it will continue to be expanded and improved as a key part of the new distribution strategy.

Safe travel

Flight safety is Scandinavian Airlines' number-one concern. Since flight safety efforts are a part of Scandinavian Airlines' quality system and are an integrated element of its business, the entire company is covered by the quality system's methods.

During the year, Scandinavian Airlines implemented a new system for reporting flight safety incidents. Reports can be made by pilots, cabin crew, station staff and technicians. The system makes it possible to ascertain the overall flight safety situation at Scandinavian Airlines and to constantly improve safety with better precision.

Airline employees, their attitudes and experience are the basic and most essential factor for achieving and further enhancing flight safety.

Traditionally, Scandinavian Airlines has kept flight safety separate from security, which is a collection of measures to protect civil aviation from unlawful acts. However, there has always been a need for coordination and support between these two spheres. The growing threat to the airline sector has led to these spheres becoming more integrated.

Scandinavian Airlines constantly makes assessments of the security of the airspace and at airports where various types of hostilities or other disturbances have occurred.

Handling and analyzing exceptions

During the year extensive work was carried out to introduce a joint exception reporting system for flight safety incidents. Web-based, the system contains a database to which various methods of analysis are applied.

Flight safety is defined as the absence of unacceptable risk. Unacceptable risk means the risk of an incident that can lead to a crash.

The system, which went into operation in the beginning of 2002, facilitates the application of a new method for risk analysis to detect risks and more efficiently allocate resources to improve flight safety.

Another aim is to find indicators that better describe the company's flight safety situation. Improvements in operations, the management system, processes and even investment in new equipment are based on conclusions drawn from the risk analyses performed.

Aviation security measures

The acts of terrorism of September 11, 2001, in the U.S. have decisively highlighted the importance of security for flight safety. The entire civil aviation industry is now engaged in minimizing the risk of similar and other acts of terrorism. The airline industry as a whole and Scandinavian Airlines as an individual company are assessing proposed security measures and their positive and negative impacts on flight safety. During 2003, a new EU regulation will be implemented that will further enhance security on the ground.






Every one of our employees has a defined responsibility for flight safety at Scandinavian Airlines. A new reporting system makes it possible with better precision to constantly improve safety.




Operational key figures

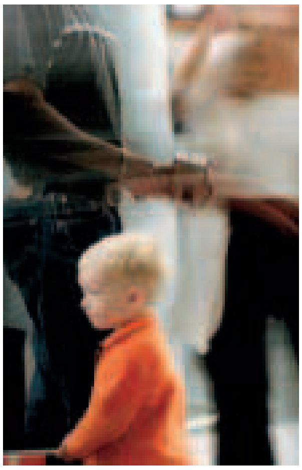
Ten-year overview for Scandinavian Airlines and SAS Cargo Group

Traffic/Production	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Number of cities served[1]	86	94	92	97	101	102	104	98	96	100
Number of flights, scheduled	295,813	334,039	343,482	343,611	328,327	320,410	309,636	295,028	297,688	314 ,940
Kilometers flown, scheduled (millions)	232.2	265.1	263.4	261.1	251.9	244.3	235.7	218.5	217.2	225.6
Total airborne hours, scheduled (000)	358.7	412.1	417.4	417.2	403.6	390.4	375.5	352.6	350.2	367.9
Number of passengers carried, total (000)[2]	22,087	23,243	23,395	22,225	21,699	20,797	19,828	18,835	18,823	18,619
Available tonne kilometers, total (millions)	4,702.2	4,846.3	4,621.5	4,621.3	4,501.1	4,346.0	4,130.8	3,586.2	3,514.0	3,576.4
Available tonne kilometers, scheduled	4,641.5	4,798.3	4,584.3	4,560.9	4,459.0	4,290.6	4,092.6	3,546.2	3,500.8	3,566.6
Available tonne kilometers, other	60.7	48.0	37.2	60.4	42.1	55.4	38.7	40.0	13.2	9.8
Revenue tonne kilometers, scheduled (millions)	3,230.8	3,034.0	3,016.7	2,834.5	2,680.0	2,571.5	2,392.2	2,172.7	2,163.2	2,106.9
Passengers and excess baggage	2,401.9	2,263.9	2,204.2	2,041.9	1,877.1	1,827.7	1,754.6	1,670.4	1,666.8	1,637.3
Freight	784.7	717.6	758.4	741.4	755.7	693.7	590.4	452.8	445.9	420.4
Mail	44.2	52.5	54.1	51.2	47.2	50.1	48.2	49.5	50.5	49.2
Total load factor, scheduled (%)	69.6	63.2	65.8	62.1	60.1	59.9	58.5	61.3	61.8	59.1
Available seat kilometers, ASK, scheduled (millions)[2]	34,626	35,981	34,189	33,910	31,766	31,333	30,646	28,447	28,154	28,581
Revenue passenger kilometers, RPK, scheduled (millions)[2]	23,621	23,296	22,923	21,707	20,883	20,339	19,487	18,506	18,466	18,138
Cabin factor, scheduled (%)[2]	68.2	64.7	67.0	64.0	65.7	64.9	63.6	65.1	65.6	63.5
Business Class, share of revenue passenger kilometers (%)	–[3]	27.4	29.0	29.1	31.0	31.7	31.5	32.0	30.7	28.7
Average passenger trip length, scheduled (km)	1,062	1,010	974	966	971	986	990	989	983	976
Traffic revenue/revenue tonne kilometers (SEK)	11,00	11.96	11.63	11.42	11.90	11.94	11.77	12.91	12.07	11.24
Passenger revenue/revenue passenger kilometers, scheduled (SEK)	1.42	1.48	1.38	1.36	1.35	1.34	1.31	1.39	1.29	1.21
Passenger revenue/available seat kilometers, scheduled (SEK)	0.97	0.96	0.93	0.86	0.89	0.87	0.83	0.90	0.85	0.77
Airline operating expense/available tonne kilometers, scheduled (SEK)	8.57	8.72	7.96	7.39	7.17	6.73	6.53	7.17	7.21	6.69
Revenue tonne kilometers/employee, scheduled (000)	147.7	135.2	126.9	121.4	127.6	129.4	119.6	119,1	115.9	108.4
Revenue passenger kilometers/employee, scheduled (000)	1.060.9	1,022.9	952.6	906.4	994.1	1,023.6	1,025.9	1,014.0	989.5	933.1
Jet fuel price (cents/gallon)	81	89	94	60	66	75	78	67	66	71
CO_2, gram/revenue passenger kilometers	159	176	179	192	196	194	193	184	181	188
Environmental index	72	80	82	88	96	97	100	–	–	–
Punctuality (% within 15 minutes)	88.2	85.1	88.0	83.5	82.7	88.0	87.8	87.6	91.3	90.0
Regularity (%)	98.5	97.5	98.3	97.8	98.1	99.0	98.7	97.5	98.7	98.7

[1] *Destinations served by Scandinavian Airlines.*
[2] *Including other traffic/production.*
[3] *No longer relevant after switch to single class in Scandinavia starting July 1, 2002.*

Definitions and concepts, see page 119.

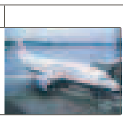
Subsidiary & Affiliated Airlines



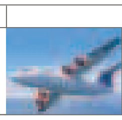
Subsidiary & Affiliated Airlines

Subsidiary & Affiliated Airlines

Spanair


Braathens


Widerøe's Flyveselskap


Air Botnia


Affiliated Airlines: airBaltic, air greenland, Skyways, bmi

Statement of Income

MSEK	2002	2001
Passenger revenue (scheduled traffic)	12,762	2,474
Charter revenue	2,679	3
Freight revenue	255	46
Other traffic revenue	378	16
Other revenue	1,451	584
Operating revenue	17,525	3,123
Payroll expenses	–3,923	–889
Sales costs	–865	–133
Jet fuel	–1,756	–224
Government user fees	–2,244	–340
Catering costs	–781	–88
Handling costs	–1,169	–149
Technical aircraft maintenance	–1,084	–190
Computer and telecommunications costs	–624	–41
Other operating expenses	–1,690	–559
Operating expenses	–14,136	–2,613
Earnings before depreciation and leasing costs, EBITDAR	3,389	510
Leasing costs	–2,007	–193
Earnings before depreciation, EBITDA	1,382	317
Depreciation	–479	–181
Share of income in affiliated companies	–482 [1]	–58
Capital gains	63	–29
Operating income, EBIT	484	49
Income from other shares and participations	–159 [2]	–
Net financial items	–205	–42
Income before tax, EBT	120	7

[1] *Includes a write-down of Cimber Air of MSEK –91 and share of income for Spanair of MSEK –300. The share of income in the affiliated company British Midland totaled MSEK –95.*

[2] *Includes a write-down of MSEK –157 of the Group's participation in Expo Investments Partnership, which holds 10% of the shares of Air Canada.*

Key figures*

	2002	2001
Number of aircraft	115	75
Number of passengers, scheduled, million	11.4	2.0
Number of destinations	78	51
Number of daily departures	661	297 **
Average number of employees	6,392	1,530

* *Spanair, Braathens, Widerøe's Flyveselskap and Air Botnia.*
** *Change in method.*

Business area in brief

The Subsidiary & Affiliated Airlines business area includes Spanair, which provides scheduled and charter domestic and international air service in Spain, and Braathens, which provides domestic and international air service in Norway. This business area also includes the Norwegian regional airline Widerøe's Flyveselskap, which is based in Norway, and Air Botnia, which has airline operations catering to the Finnish market. airBaltic, Air Greenland, British Midland and Skyways are minority owned airlines.

The business area's operating revenue corresponds to approximately 21% of the SAS Group's total operating revenue before Group eliminations.

Earnings performance

The business area reported income before tax for the twelve-month period of MSEK 120 (7).

Spanair was consolidated as a subsidiary of the SAS Group as of March 1, 2002. Goodwill amortization of MSEK 36 was charged for the months March - December. Spanair is included as a share of the income for the period November 1, 2001 - February 28, 2002, in the amount of MSEK –300. Spanair's earnings trend has been positive compared with 2001, but negative earnings of MSEK –155 (–451) were reported for March-December.

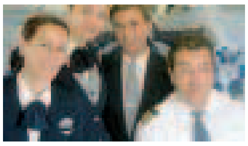
Braathens achieved a strong turnaround and reported significantly improved results for 2002 compared with 2001. Goodwill amortization of MSEK 43 for Braathens was charged against earnings for the period January - December. Income before tax was MSEK 806 (–375).

Widerøe and Air Botnia also reported an improvement in earnings compared with 2001.

The share of income in the affiliated company British Midland, 20% holding, totaled MSEK –95 (49). An adjustment of MSEK –22 relating to the previous year was charged against the income for the period.

Spanair

www.spanair.com



Important events

The SAS Group increased its holding in Spanair to 74%, and this increase was approved by the EU Commission ■ Spanair discontinued its intercontinental flights in March 2002 ■ Spanair's application for membership in the Star Alliance™ from 2003 was approved in June ■ In June Spanair was the first Spanish airline to earn ISO 9001-2000 certification for its quality management system.

Spanair — Member of the SAS Group

Key figures	2002	2001[1]	2000[1,2]
SAS Group's holding	**74%**	49%	49%
EBITDAR margin*	**15.1%**	13.1%	–
CFROI	**10%**	4%[2]	5%
Number of destinations	**25**	35	31
Number of passengers, scheduled, million	**5.2**	5.7	5.0
Number of flights, scheduled	**61,602**	65,980	49,671
Average flight distance, scheduled (km)	**785**	846	869
Punctuality (% within 15 minutes)	**87%**	86%	70%
Number of aircraft	**49**	48	39
Average number of employees	**2,496***	2,179 *	2,144
CO_2 emissions, 000 tonnes	**1,226**	1,424	1,253
Environmental index	**101**	100	–

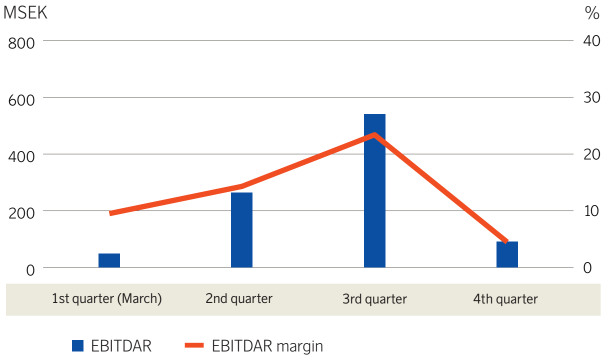
[1] *Spanair is not consolidated in the SAS Group as a share of the income.*
[2] *Fiscal year is November 1 - October 31, and the accounts are based in part on accounting principles other than those used in the SAS Group.*
* *Refers to March - December*

Spanair's scheduled route network

Background

Spanair was formed by SAS and the Spanish company Teinver in 1986. Operations started in March 1988. Scheduled flights have shown very strong growth since then, and today they account for about 75% of Spanair's flights. Spanair has scheduled flights to 25 destinations in 7 countries. More than 100 charter destinations are served from Spain, primarily in Scandinavia, the U.K., Ireland and Italy. Spanair is Spain's second largest airline and operates around 170 scheduled flights daily. Spanair's cost and efficiency level is in line with the leading low-fare airlines in Europe. In contrast to the low-service companies, Spanair offers a network and a full-service product.

EBITDAR for Spanair (quarterly data), **2002**



Target

Spanair's financial target is to achieve a CFROI of at least 20%.

Main strategy

Spanair ams to offer products with a high customer value.

- *Growth* - Spanair will grow more than the total market.
- *Competitiveness* - A unit cost on level with the low-fare airlines, in combination with an attractive price structure and full service product, will make it possible to achieve profitable expansion more rapidly and add more flights to more markets.
- *Flexibility* - Spanair will develop new, flexible and commercial products that are suitable for the markets of the future. Spanair strikes an optimal balance between charter and scheduled traffic. This reduces the negative effects of seasonal variations in demand on both a weekly and annual basis, and it also increases the utilization rate of aircraft and crews.

Statement of income		
MSEK	Mar-Dec 2002	Mar-Dec 2001[1]
Passenger revenue (scheduled traffic)	3,893	4,080
Charter revenue	2,088	2,065
Other traffic revenue	236	150
Other revenue	297	124
Operating revenue	6,514	6,419
Payroll expenses	–943	–873
Sales costs	–397	–512
Jet fuel	–951	–1,177
Government user fees	–860	–807
Catering costs	–299	–316
Handling costs	–587	–632
Technical aircraft maintenance	–509	–762
Computer and telecommunications costs	–267	–213
Other operating expenses	–717	–284
Operating expenses	–5,530	–5,576
Earnings before depreciation and leasing costs, EBITDAR	984	843
Leasing costs	–959	–1,166
Earnings before depreciation, EBITDA	25	–323
Depreciation	–59	–40
Capital gains	56	80
Operating income, EBIT	22	–283
Financial items	–177	–168
Spanair - Income before tax, EBT	–155	–451

[1] *Spanair is not consolidated in the SAS Group - it is included as a share of the income.*

Traffic trend and capacity*				
Scheduled traffic, total		**2002**	2001	Change
Number of passengers	(000)	5,205	5,687	–8.5%
Revenue passenger kilometers, RPK (million)		4,329	5,668	–23.6%
Available seat kilometers, ASK (million)		7,096	9,434	–24.8%
Cabin factor		61.0%	60.1%	+0.9 pts.
Yield, local currency				+26.3%
Spain, domestic		**2002**	2001	Change
Number of passengers	(000)	4,624	4,832	–4.3%
Revenue passenger kilometers, RPK (million)		3,264	3,175	+2.8%
Available seat kilometers, ASK (million)		5,183	5,281	–1.9%
Cabin factor		63.0%	60.1%	+2.9 pts.
Europa		**2002**	2001	Change
Number of passengers	(000)	567	652	–12.9%
Revenue passenger kilometers, RPK (million)		950	872	+8.9%
Available seat kilometers, ASK (million)		1,738	1,556	+11.7%
Cabin factor		54.7%	56.1%	–1.4 pts.
Charter traffic		**2002**	2001	Change
Number of passengers	(000)	2,241	2,163	+3.6%

* *Spanair discontinued its intercontinental operations in March 2002.*

Traffic and earnings performance

Spanair showed significant earnings improvement in 2002 in spite of the weak market trend. Spanair gained additional market shares in the scheduled flight market on both its domestic and European routes, and the unit revenue showed a very strong performance, especially on the domestic routes. The charter operations have been profitable every year since 1988.

Domestic scheduled traffic is Spanair's largest market. Due to a slowdown in the Spanish economy, the domestic market in Spain declined in 2002 compared with the previous year. The total number of passengers was 4% lower than in 2001. Spanair's market shares on the routes flown by Spanair increased to 25-30%. Its market share of the total domestic market was 17%.

Spanair discontinued its intercontinental flights in March 2002, and the intercontinental routes were subsequently replaced by code-share cooperation. Spanair currently offers code-share flights to Rio de Janeiro, São Paulo, Salvador de Bahia and Toronto. Three leased Boeing 767s were returned as a result of the discontinuation of its own intercontinental traffic.

Unprofitable routes in the domestic and European route network have been abandoned, and the capacity has been deployed in markets with a greater potential and higher volume. New routes were opened to Austria, Germany and Scandinavia during the summer season. Several of the new routes showed a favorable development, and year-round traffic was subsequently established on most of the routes to these countries.

Efficiency and earnings improvement measures

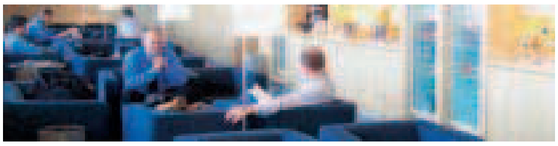
An extensive earnings improvement program was gradually implemented in 2002.

Cost efficiency was improved in a number of areas in 2002. An advanced fuel savings program was introduced, and a new contract was signed with SAS Technical Services for the heavy maintenance of Spanair's MD fleet.

All of the supplier contracts were renegotiated, and lower travel agency commission rates were introduced. To optimize traffic on scheduled routes, traffic planning and revenue management have been integrated. The goal is a more efficient price structure and distribution, and improved control of the yield, cabin factor and route network.

The planned renewal of the aircraft fleet is progressing. At the end of the year, Spanair had 10 aircraft of the Airbus A320 and A321 types. The scheduled deliveries from Airbus have been postponed to adapt to the weak market.

Spanair's production is efficient. The airline utilizes its aircraft approximately 8.5 hours per day (block hours), and a higher rate of utilization is being planned for the future. Spanair has a very high level of productivity in its operations and is very competitive.



Flight safety and quality

Flight safety is part of Spanair's quality system and has the highest priority. In June the Spanish Civil Aviation Authorities implemented the operational part of the European Joint Aviation Regulations (JAR-OPS.1). Spanair is one of the first Spanish airlines to implement all of the aviation regulations.

Comprehensive quality management system

The first phase of Spanair's extensive quality management system has been completed and certified by Det Norske Veritas in June 2002. Spanair is the first Spanish airline to earn ISO 9001-2000 certification for "Planning, Development and Control of the Operation."

Customer relations

An improvement program for customer relations has been implemented recently. It is based on the philosophy of "Complaints – an opportunity for improvement."

Punctuality guarantee

Spanair is the first airline to offer a punctuality guarantee for the majority of its domestic flights. The guarantee was introduced in February 2001 on the largest domestic route between Madrid and Barcelona. The concept entails that all passengers will be given a free ticket for an additional flight if they arrive at their destination more than 15 minutes late due to the fault of Spanair. After a very positive response from the customers, the guarantee has now been expanded to cover 60% of Spanair's domestic flights. The routes that are covered are between Madrid and Barcelona, Alicante, Bilbao, and Malaga on the Spanish mainland, and between Madrid and Las Palmas and Tenerife in the Canary Islands.

Future prospects

The air travel market in Spain is large and growing. Spain has a well-developed domestic aviation market, and it is important as a tourist and business destination. Air traffic between Europe and Spain is provided by both charter and scheduled airlines. Leisure travel is expected to increase more than business travel in the coming years. Spanair's flexibility between charter and scheduled traffic gives it a greater opportunity to adapt to any future changes in both business and leisure travel.

The capacity of the airports in Barcelona and Madrid will be expanded in 2004/2005. This offers an opportunity for expansion through the establishment of new domestic routes, as well as the development of connections to the Star Alliance™ global traffic system via its hubs in Europe.

New infrastructure

An expansion of the high-speed train network in Spain is planned for the coming years. The line between Barcelona and Madrid will for example be opened towards the end of 2004. This will eventually affect the air operations on the affected routes.

Other business units

Newco Airport Services[1]

www.newcoas.es

Newco started its operations in 2000. Newco caters to the Spanish market and performs passenger and ramp services on the ground. Spanair has a 10% holding, the SAS Group 45% and Teinver 45%.

Newco provides ground handling services to Spanair and its partners, and it provides station services to all the airlines in the SAS Group at Spanish airports. The ground handling market has been officially deregulated in accordance with an EU directive; but deregulation in Spain is expected to take place in 2003. Newco is focusing on the expansion of its operations in the future deregulated Spanish ground handling market and the provision of a full range of passenger handling and ramp services. The average number of employees March-December 2002 was 691.

Fuerza de Ventas[2]

Fuerza de Ventas, which is Spanair's sales company, was established in 2000. Spanair owns 80% and the SAS Group owns 20% of Fuerza.

Club de Vacaciones[2]

www.clubvacaciones.es

Club de Vacaciones is a tour operator that caters to the Spanish market. Spanair owns 93.3% of the shares in Club de Vacaciones.

Aerolíneas de Baleares

www.aebal.es

Up until December 2002, the SAS Group owned 25% of Aerolíneas de Baleares directly and 17% through Spanair. This holding is reported as share of equity in affiliated companies. Since the Group has acquired an additional 36% of the shares in the company, Aerolíneas de Baleares will be consolidated as a subsidiary beginning in January 2003. Aerolíneas de Baleares is a production company for Spanair Link, which flies to and from the Balearic Islands. The fleet consists of 4 Boeing 717s.

[1] Consolidated in the SAS Group. [2] Consolidated in Spanair.

Facts - Spanair

- Spanair was formed by SAS and the Spanish company Teinver. Operations as a charter company started in March 1988.
- Of the 49 aircraft in the fleet, 12 are adapted for charter traffic.
- Spanair started scheduled airline operations in February 1994. Scheduled flights account today for around 75% of Spanair's flights.
- Spanair is Spain's second largest airline, and investments in capacity have given Spanair a 25-30% market share on the domestic routes flown in Spain in 2002.
- Spanair has 14% of the landing rights at the Madrid airport.
- Spanair will become a member of the Star Alliance as of April 1, 2003.
- Average number of employees in 2002 was 2,496, 48% of which were women and 52% men.

Braathens

www.braathens.no

Important events

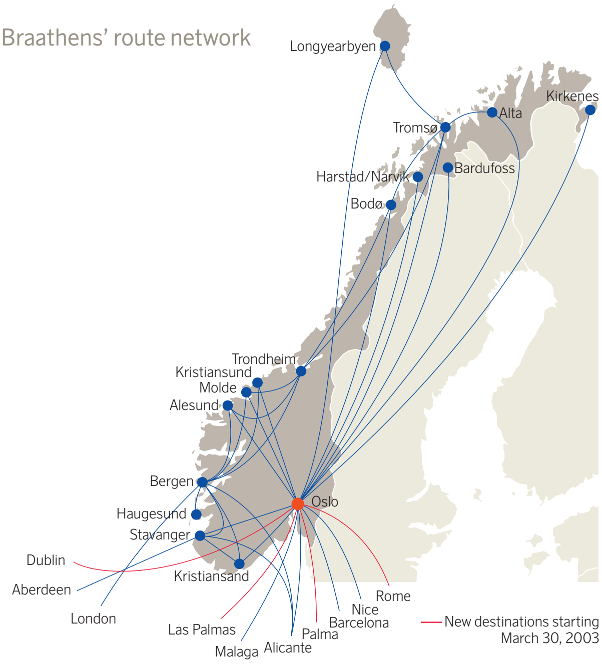
The SAS Group acquired all of the shares in Braathens ■ The cabin factor for domestic Norwegian traffic rose by 8.4 percentage points to 57.8% in 2002 ■ The route network for domestic Norwegian traffic was coordinated with Scandinavian Airlines on April 2, 2002 ■ Braathens has returned to profitability after extensive restructuring.

BRAATHENS — Member of the SAS Group

Key figures	2002	2001[1]	2000[1]
SAS Group's holding	100%	98.48%	0%
Operating revenue, MSEK	7,370	6,937	6,046
EBITDAR margin	23.0%	11.9% [2]	5.5%
CFROI	23%	10% [2]	5%
Number of cities served	25	24	24
Number of passengers, scheduled, million	4.1	5.0	5.6
Number of flights, scheduled	71,034	93,773	104,916
Average flight distance, scheduled (km)	610	513	452
Punctuality (% within 15 minutes)	88.1%	91.3%	91.3%
Number of aircraft	27	33	32
Average number of employees	2,814	3,770	–
CO_2 emissions, 000 tonnes	545	630	638
Environmental index	86	100	–

[1] *Braathens is not consolidated in the SAS Group.*
[2] *Reclassification of wet lease, MSEK 195.*

Braathens' route network

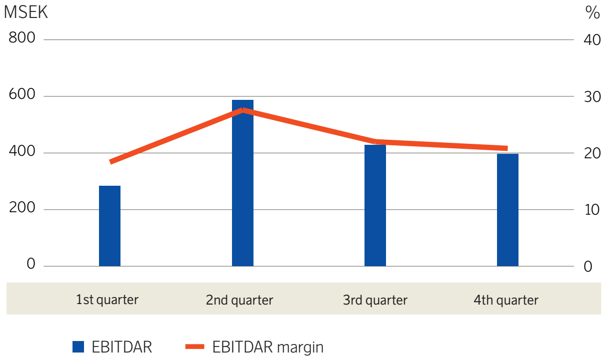


Background

Braathens is Norway's largest domestic airline. In December 2001 Braathens became a wholly owned subsidiary of the SAS Group. The coordination of the traffic systems of Braathens and Scandinavian Airlines released major synergies, and the SAS Group reinforced its position on its home market, which has resulted in a sharp improvement in profitability, more efficient use of the resources and a reduction in the environmental impact.

Braathens flies to 16 Scandinavian destinations and 10 destinations in the rest of Europe, four of which are new as of March 30, 2003.

EBITDAR for Braathens (quarterly data) **2002**



Target

The company's financial target is to achieve a CFROI of at least 20%.

Main strategy

Braathens aims to:

- focus primarily on increasing the company's cost-effectiveness and competitiveness
- exploit the company's position and competitiveness on scheduled and charter routes to selected international niche destinations
- ensure that the company's products are readily accessible in the markets and via the channels where the customers want to gather information and make their purchases.

Traffic and earnings performance

The route network was coordinated with Scandinavian Airlines as of April 2, 2002. Braathens improved its earnings significantly in 2002. Earnings before capital costs (EBITDAR) increased by 105% to MSEK 1,694 (825).

Statement of income		
MSEK	2002	2001[1]
Passenger revenue (scheduled traffic)	6,039	5,791
Charter revenue	590	413
Other traffic revenue	331	232
Other revenue	410	501
Operating revenue	7,370	6,937
Payroll expenses	–1,932	–2,151
Sales costs	–274	–229
Jet fuel	–596	–706
Government user fees	–1,000	–1,146
Catering costs	–378	–421
Handling costs	–280	–143
Technical aircraft maintenance	–355	–161
Computer and telecommunications costs	–275	–308
Other expenses	–586	–850[2]
Operating expenses	–5,676	–6,112
Earnings before depreciation and leasing costs, EBITDAR	1,694	825
Leasing costs	–750	–967[2]
Earnings before depreciation, EBITDA	944	–142
Depreciation	–170	–223
Capital gains	0	10
Operating income, EBIT	774	–355
Financial items	32	–20
Braathens - Income before tax, EBT	806	–375

[1] *Braathens is not consolidated in the SAS Group.*
[2] *Reclassification of wet lease, MSEK 195.*

Traffic trend and capacity				
Scheduled traffic, total		2002	2001	Change
Number of passengers	(000)	4,148	5,031	–17.6%
Revenue passenger kilometers	(RPK)	2,620	2,713	–3.4%
Available seat kilometers	(ASK)	4,533	5,336	–15.0%
Cabin factor		57.8%	50.8%	+7.0 pts.
Yield, local currency	(NOK)			+2,1%
Charter traffic		2002	2001	Change
Number of passengers	(000)	357	265	+34.9%

The total domestic market in Norway measured by the number of passengers declined by 6% in 2002 compared with 2001. The total market showed weak growth in the fourth quarter of 2002.

Braathens decreased its domestic capacity measured in ASK by 7.0% as a result of the coordination with Scandinavian Airlines. Braathens operates on all the routes to northern Norway and the routes to most of the smaller destinations in southern Norway. The cabin factor for Braathens' domestic routes increased from 49.4% in 2001 to 57.8% in 2002. Braathens' international routes are concentrated on Malaga, Alicante, Barcelona, Nice, London and Aberdeen. Traffic on the routes to Spain and Nice has shown a positive development, and Braathens' traffic (RPK) increased 23.7% in 2002. The cabin factor for Braathens' international routes increased from 54.4% in 2001 to 57.8% in 2002.

Braathens will introduce new international destinations in 2003. The new destinations are Rome, Palma, Las Palmas and Dublin.

Efficiency and earnings improvement measures

Braathens has undergone extensive restructuring since the autumn of 2001. The aircraft fleet was reduced by 6 aircraft, and the workforce was reduced by 25% compared with 2001. Capacity has been reduced by 15%, and all areas have implemented cost reductions to adapt to the current operations. The coordination with Scandinavian Airlines and other units in the SAS Group has also given Braathens synergies, greater efficiency and earnings improvements in 2002. In the future Braathens' efficiency efforts will focus on improving the utilization rate of the aircraft fleet and productivity in all phases of its operations. Braathens also aims to reduce the company's administrative costs and increase distribution via the Internet.

Flight safety and quality

Braathens has a very modern aircraft fleet of 27 Boeing 737s. The company's operational goal is to be one of the leading airlines in Europe with regard to regularity, productivity and cost-effectiveness compared with other operators who have routes of similar distances. Braathens strives continuously to maintain and improve flight safety in all phases of its operations.

Braathens continuously measures trends and risk factors for flight safety, the environment, punctuality and other customer service aspects. Punctuality within 15 minutes declined for example from 91.3% to 88.1% in 2002. This is attributed to the major reorganization of the route network in April 2002 and certain introductory problems with the transition to a new operator for passenger and ground services. Measures to improve punctuality were implemented during the year.

Future prospects

Opportunities for growth in the Norwegian domestic market are limited beyond natural growth on the already established routes. The airline's primary focus is to increase its cost-effectiveness and productivity. The international opportunities for growth in the leisure travel market are considered to be significantly greater.

A new price concept for the international routes to the Mediterranean was introduced in January 2003. This will reinforce Braathens' position in this market.

Facts - Braathens

- Braathens was founded in 1946.
- Braathens had around 200 daily departures in 2002.
- Braathens' fleet consists of 27 Boeing aircraft of the 737-400/500/700 types.
- Braathens carried 4.5 million passengers in 2002.
- Average number of employees in 2002 was 2,814, 44% of which were women and 56% men.
- From the summer of 2003, Braathens will be included in the SAS Group's annual working environment survey (PULS).

Widerøe's Flyveselskap

www.widerøe.no

Important events

Widerøe's Flyveselskap won the Silver Award for European Regional Airline of the Year for the second year in a row ■ Widerøe received an Award for Design Excellence from the Norwegian Design Council for its new design profile ■ In competition with seven other airlines, Widerøe was awarded 80% of the regional routes to short field airports in Norway for a new three-year period.

widerøe — Member of the SAS Group

Key figures	2002	2001	2000
SAS Group's holding	**99.4%**	63.3%	63.3%
EBITDAR margin	**17.4%**	17.4%	17.2%
CFROI*	**18.2%**	15.2%	14.7%
Number of cities served	**40**	40	38
Number of passengers, scheduled, million	**1.5**	1.4	1.5
Number of flights, scheduled	**90,636**	87,455	89,930
Average flight distance, scheduled (km)	**208**	195	194
Punctuality (% within 15 minutes)	**89.7%**	90.4%	90.3%
Number of aircraft	**29**	27	26
Average number of employees	**1,207**	1,227	1,238
CO_2 emissions, 000 tonnes	**102**	95	97
Environmental index	**101**	104	100

** Change in method.*

Statement of Income

MSEK	2002	2001	2000
Passenger revenue	**1,807**	1,502	1,356
Other revenue	**796**	633	495
Total revenue	**2,603**	2,135	1,851
EBITDAR	**453**	371	318
EBITDA	**306**	254	224
Operating income, EBIT	**164**	144	117
Income before tax, EBT	**82**	79	56

Background

Widerøe is Norway's largest regional airline. In 2002 the SAS Group acquired the shares of minority shareholders in Widerøe. The SAS Group has owned 99% of Widerøe since June 2002. Widerøe's operations consist of scheduled traffic on the Norwegian short field network and international routes.

Some of the flights on the Norwegian short field network are based on government air service procurement. In August 2002 the procurement results for the period 2003-2006 were made public. This gave Widerøe a market share of approximately 80% on the short field network, which has been the company's primary activity for more than 30 years. Today short field operations account for 50% of the company's operations, since the strongest growth in recent years has been on other domestic and international regional routes.

Target

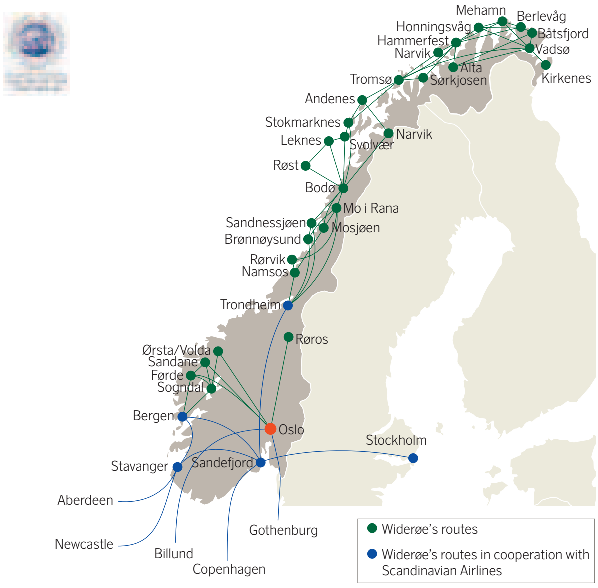
The company's financial target is to achieve a CFROI of at least 20%.

Main strategy

Widerøe aims to:

- expand its scheduled traffic on non-stop routes
- be the leading Norwegian airline on the short field network.

Widerøes route network



Traffic and earnings performance

Operating revenue for 2002 increased by 21.9% to MSEK 2,603. The increase is attributed to a 17.9% increase in passenger traffic (RPK). Income before tax was MSEK 82 (79).

The international operations are growing and continue to have development potential. In 2002 the airline opened three new international routes: Stavanger-Aberdeen, Oslo-Billund and Trondheim-Copenhagen.

Future prospects

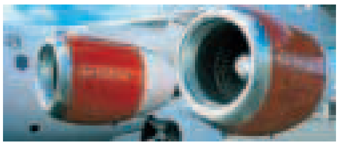
In 2003 the greatest challenge will be to make further efficiency improvements to reduce unit costs and meet the increasing competition on the international routes at the same time, in order to create a foundation for profitable growth. Priority will be given in the coming year to better aircraft utilization, increasing the cabin factor and a significant improvement in productivity.

Facts - Widerøe

- Widerøe was founded in 1934, and its head office is located in Bodø.
- Widerøe is Norway's oldest and largest regional airline, and it has a fleet of 29 deHavilland Q100/300/400 turboprop aircraft with 37-72 seats.
- Widerøe flies to 40 destinations, 6 of which are outside Norway.
- In 2002, 1.5 million passengers flew with Widerøe.
- Average number of employees in 2002 was 1,207, 35% of which were women and 65% men.

Air Botnia

www.airbotnia.fi



Important events

The Civil Aviation Authority granted Air Botnia a JAR-145 certificate for its own technical organization for SAAB 2000 maintenance at Arlanda airport ■ Air Botnia and the company's pilot association signed a collective wage agreement that offers greater flexibility and competitiveness. The agreement is valid until December 2004 ■ New direct connection from Helsinki to Brussels.

Air Botnia — Member of the SAS Group

Key figures	2002	2001	2000
SAS Group's holding	**100%**	100%	100%
EBITDAR margin	**23.9%**	13.2%	8.0%
CFROI*	**24.0%**	18.6%	21.0%
Number of cities served	**10**	11	14
Number of passengers, scheduled, million	**0.5**	0.5	0.4
Number of flights, scheduled*	**17,956**	20,975	20,681
Average flight distance, scheduled (km)	**580**	503	488
Punctuality (% within 15 minutes)	**94%**	92%	92%
Number of aircraft	**10**	10	11
Average number of employees	**291**	303	264
CO_2 emissions, 000 tonnes	**98**	94	88
Environmental index	**77**	100	–

** Change in method.*

Air Botnia's route network

Statement of Income

MSEK	2002	2001	2000
Passenger revenue	**1,022**	974	771
Other revenue	**3**	0	1
Total revenue	**1,025**	974	772
EBITDAR	**245**	129	62
EBITDA	**94**	2	11
Operating income, EBIT	**83**	–34	–4
Income before tax, EBT	**83**	–33	–5

Background

Oy Air Botnia Ab has been a wholly owned subsidiary of the SAS Group since 1998. Air Botnia functioned earlier as a domestic Finnish feeder company in cooperation with Finnair. The objective of acquiring Air Botnia was to reinforce the SAS Group's market position in Finland. Air Botnia has code-share cooperation with Scandinavian Airlines on all of its routes, and the products and service concept are integrated.

Target

The company's financial target is to achieve a CFROI of at least 20%.

Main strategy

Air Botnia aims to:

- develop business opportunities in the Finnish market and function as the SAS Group's player in this market
- create profitability through competitive production costs
- focus on increasing aircraft utilization and raising productivity.

Traffic and earnings performance

Operating revenue for 2002 increased by 5.2% to MSEK 1,025. The increase is attributed to a 30.5% increase in passenger traffic (RPK). Operating expenses were reduced by 6% in 2002 to MSEK 941, and unit costs were reduced by 18%. The cost improvements are attributed to greater utilization of the aircraft and higher productivity. Air Botnia is a competitive airline in the Finnish market.

The number of passengers on international routes declined by 2.4% in Air Botnia's primary market Finland. Passenger growth in Air Botnia's local regions Sweden, Denmark and Norway was weak in 2002. In spite of the weak market, the number of passengers carried by Air Botnia increased by 18.4% compared with 2001. Passenger traffic (RPK) increased by 30.5% since the average distance flown increased due to the new traffic program. Cabin factor was 49.5% (44.0%) and the business travel share was 39.7% (47.7%).

Future prospects

Market growth in 2003 is expected to be modest. The company's planned growth in 2003 includes a significant expansion in production. The increase in production is expected to improve the unit costs by 7%.

Facts - Air Botnia

- Air Botnia was established on March 16, 1988.
- Air Botnia flies to 10 destinations and had 49 daily departures in 2002.
- At the end of 2002 the fleet consisted of 5 SAAB 2000 turboprop aircraft and 5 Avro RJ-85 jet aircraft with an average age of 3.5 years. Air Botnia has one of Europe's youngest and environmentally friendly aircraft fleets.
- In 2002, 0.5 million passengers flew on Air Botnia.
- Average number of employees in 2002 was 291, 59% of which were women and 41% men.

Affiliated Airlines

Affiliated Airlines include all the minority owned airlines in the SAS Group. The Group's strategy dictates that the Group shall primarily have equity interests of 50% or higher in companies in the Group.

www.airbaltic.lv

airBaltic

Facts	2002	2001	2000
SAS Group's holding	**47.2%**	47.2%	34.2%
Operating revenue, MSEK	**444**	462	369
EBITDAR, MSEK	**81**	91	65
EBIT, MSEK	**7**	15	1
Number of passengers (000)	**262**	249	218

The SAS Group has an equity interest of 47% in the Latvian airline airBaltic. The airline was founded in 1995.

airBaltic's base is in Riga, Latvia. The airline's principal markets are Denmark, Sweden, Finland, Germany, the Benelux countries, the U.K., Russia and Ukraine.

airBaltic flies to a total of 12 destinations in Scandinavia, Finland, Eastern and Western Europe. Five new destinations were added to airBaltic's route network in 2002, including Moscow, Prague and Vienna. Most of the traffic is from Riga to Copenhagen and Stockholm and then into the traffic system of Scandinavian Airlines. The company has six aircraft that will be replaced successively during the next year or two.

In addition to business travel, the airline will also focus on the leisure travel segment through the introduction of a number of holiday destinations in Europe. The company also operates domestic flights. In connection with the Baltic States' entrance into NATO in 2003, and the EU in 2004, the company will be developed as a pan-Baltic carrier. This creates an opportunity for the airline to strengthen its position in these countries and develop a business with good profitability.

www.airgreenland.com

air greenland

Facts	2002	2001	2000
SAS Group's holding	**37.5%**	37.5%	37.5%
Operating revenue, MSEK	*	849	738
EBITDAR, MSEK	*	148	46
EBIT, MSEK	*	40	–15
Number of passengers (000)	**264**	260	308

The SAS Group owns 37.5% of Air Greenland (formerly Grønlandsfly). Since October 27, 2002 only Air Greenland has flown the Copenhagen-Greenland route. *(See also page 21.)*

www.skyways.se

Skyways

Facts	2002	2001	2000
SAS Group's holding	**25%**	25%	25%
Operating revenue, MSEK	**1,487**	1,807	1,731
EBITDAR, MSEK	**207,0**	282.7	181.2
EBIT, MSEK	**5.4**	14.9	7,3
Number of passengers (000)	**1,111**	1,326	986

The SAS Group owns 25% of Skyways. The company is the largest regional airline in Sweden. The SAS Group's cooperation with Skyways encompasses code-share flights and EuroBonus. This cooperation is based on their feeder operations to Scandinavian Airlines' traffic system in Stockholm and Copenhagen.

www.cimber.dk

CIMBER AIR

Facts	2002	2001	2000
SAS Group's holding	**26%**	26%	26%
Operating revenue, MSEK	**853**	926	779
EBITDAR, MSEK	**160**	138.5	106.9
EBIT, MSEK	**64**	34.1	20.0
Number of passengers (000)	**783**	889	870

Cimber Air is a Danish airline that operates primarily domestic Danish and German routes. The SAS Group has given notice to terminate the shareholders' agreement and cooperation agreement with Cimber Air, since positive effects have failed to materialize, and the agreement will expire on October 1, 2003. The SAS Group sold its stake in Cimber Air back to Cimber Air Holding in February 2003.

** Information not available in February 2003.*

www.flybmi.com

british midland bmi

Facts	2002	2001	2000
SAS Group's holding	**20%**	20%	20%
Operating revenue, MSEK	*	11,028	10,994
EBITDAR, MSEK	*	2,091	1,989
EBIT, MSEK	*	213	224
Number of passengers (000)	**7,487**	6,730	7,098

The SAS Group owns 20% of British Midland, Lufthansa owns 30% and the company's Board Chairman Sir Michael Bishop owns the remaining 50%. The company has had major profitability problems. British Midland has a joint venture agreement (ECA) with Lufthansa and Scandinavian Airlines, which entails a distribution of profit and loss among the airlines.
(See the section on Alliances and partnerships, page 19.)

Airline Support Businesses

- SAS World Sales (SWS)
- SAS Technical Services (STS)
- Scandinavian Ground Services (SGS)
- SAS Cargo Group

Airline Support Businesses

Statement of income	
MSEK	2002
Operating revenue	20,628
Payroll expenses *	–7,406
Sales costs	–2,006
Handling costs	–1,194
Technical aircraft maintenance	–1,944
Computer and telecommunications costs	–2,450
Other operating expenses	–4,832
Operating expenses	–19,832
Earnings before depreciation, EBITDA	796
Depreciation	–501
Share of income in affiliated companies	–9
Operating income, EBIT	286
Net financial items	–27
Income before tax, EBT	259

** Includes restructuring costs of MSEK –23.*

Key figures 2002			
MSEK	Operating revenue	Operating income, EBIT	% of operating outside the SAS Group
SAS World Sales	6,287	127	10.7
SAS Technical Services	5,874	91	13.0
Scandinavian Ground Services	6,083	–87	13.1
SAS Cargo Group	2,844	1	95.5
			Total
Average number of employees			13,188

Business area in brief

The business area includes the independent business units SAS World Sales, SAS Technical Services, Scandinavian Ground Services and SAS Cargo Group.

SAS World Sales (SWS) is responsible for airline sales and distribution within and outside the SAS Group.

SAS Technical Services (STS) provides aircraft maintenance for both companies of the SAS Group and for external customers.

Scandinavian Ground Services (SGS) offers passenger and ramp services, primarily at destinations Scandinavian Airlines serves and their vicinity. The biggest customer is Scandinavian Airlines, but the share of other customers inside and outside the SAS Group is rising.

SAS Cargo Group conducts air freight operations to, from and within Scandinavia, as well as operating large air-freight terminals in Scandinavia. Customers are mainly cargo agents.

The business area's operating revenue accounts for 24% of the SAS Group's total operating revenue before Group eliminations.

Earnings performance

The business area was formed in 2002 and comparative figures for 2001 are therefore not available.

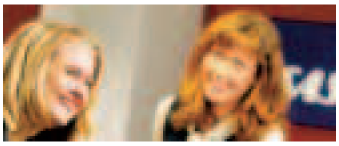
The statements of income for the business areas are based on the pricing models and the contract structures (SLAs - Service Level Agreements) that exist between the units and the airline companies in the Group. It is a firm principle that contracts be market-based or arm's-length. The work of making the contract even more market-based will continue in 2003.

In 2002, all the units worked on market adaptation of their operations to lower volumes in the airline companies in the Group.

Operating revenue for the business area was MSEK 20,628. Operating income (EBIT) was MSEK 286.

Income before tax (EBT) amounted to MSEK 259.

SAS World Sales (SWS)



Important events

Separate business unit from July 1, 2002 ■ Agreements were signed with Scandinavian Airlines, Braathens, Air Botnia and Lufthansa ■ New distribution strategy based on the net price concept will be developed.

Key figures*	2002
Operating revenue, MSEK	6,287
of which external operating revenue, %	10.7
Earnings before depreciation, EBITDA, MSEK	183
EBITDA margin	2.9%
Operating income, EBIT, MSEK	127
Average number of employees	2,490

** New business unit. Comparative figures for the year 2001 are not available.*

Operations

SAS World Sales (SWS) is responsible for sales and distribution for a number of airlines inside and outside the SAS Group. Scandinavian Airlines is the biggest customer of SAS World Sales. In addition, the sales organization supplies administrative services outside Scandinavia to Scandinavian Ground Services, SAS Technical Services and SAS Cargo Group.

Operations were previously integrated into Scandinavian Airlines. Relations with the group companies for whose sales and distribution SWS is responsible are based on commercial contracts that make the customer-and-supplier relationship clear as well as specifying service and price with the aim of ensuring competitive terms. The contracts are renegotiated annually. In 2002 SWS signed contracts with Scandinavian Airlines, Braathens and Air Botnia regarding global sales and with Lufthansa regarding sales in Scandinavia and Finland.

A new distribution concept has been created for Scandinavia, based on a net price concept that leads to greater transparency – and thereby competition – in the distribution channels. This benefits customers: prices fall, while commissions disappear and are replaced by service fees. For the end-customer, this means that the sales price varies by distribution channel and market player, but also that certain products are not available in all channels and for all segments. The aim is to increase revenue and cost-efficiency in the distribution channels.

During the year, the Braathens sales organization was integrated. On-line sales and ticketless travel increased dramatically, largely thanks to the new version of www.scandinavian.net launched in May 2002 and the introduction of fees for paper tickets. The first phase of the process of enhancing the efficiency of Sales Centers was completed by the closure of all shops in Scandinavia and continued consolidation of the global call centers, and the launch of a new call center in Tallinn, Estonia.

Objective

SWS' objective is to maintain a strong focus on revenues and at the same time implement the SAS Group's Turnaround, thereby reducing sales costs for the Group's airline companies. The ambition is to reduce costs in 2003 by about 20% compared with 2002.

Main strategy

SWS aims to:

- have as its customer strategy a focus on three groups: leisure travelers, business travelers as passengers and the company's travel manager function.
- endeavor to establish long-term customer relations based on concepts and competitive products adapted to the customer's total requirements.
- implement a new distribution strategy on January 1, 2003. This will be based on the airlines' products being available in the channels where the customers seek information and where they do their purchasing. The products will be sold via agents, travel operators, Sales Centers (telephone sales) and electronic channels. Not all products will be available on all channels or to all customers.

Earnings performance

Operating revenue increased to MSEK 6,287. Operating income was MSEK 127.

2002 was characterized by SWS strengthening its cost control. During the year SWS completed the first phase of the Turnaround plan, reducing costs by about 8%. In 2002 SWS delivered a cost level that was better than what SWS had committed itself to vis-à-vis Scandinavian Airlines.

Future prospects

In 2003 SWS will continue to work on improving its internal processes, strengthening its commerciality and implementing the remainder of the Turnaround plan. This will be done through continued sales via electronic channels, efficiency enhancement and consolidation of internal Sales Centers, streamlining of overheads and administration plus implementation of the new distribution strategy.

Facts - SAS World Sales

- SAS World Sales is a sales and distribution company for the SAS Group's airlines.
- SAS World Sales has 34 sales offices worldwide.
- The biggest customers are Scandinavian Airlines, Braathens, Air Botnia and Lufthansa.
- The average number of employees in 2002 was 2,490, of which 1,465 in Scandinavia.

SAS Technical Services (STS)

Important events

Separate business unit effective January 1, 2002 ■ Organizational transfer to Airline Support Businesses on July 1, 2002 ■ A full-service agreement with Spanair on maintenance of their MD80 fleet was signed in 2002.

SAS Technical Services

Key figures	2002*
Operating revenue, MSEK	5,874
of which external operating revenue	13.0%
Earnings before depreciation, EBITDA, MSEK	365
EBITDA margin	6.2%
Operating income, EBIT, MSEK	91
Number of customers	121
Average number of employees	3,808

** SAS Technical Services (STS) became a separate business unit on January 1, 2002. Comparative figures for the year 2001 are not available.*

Operations

In 2002 SAS Technical Services was established as an independent business unit within the SAS Group. The business unit provides technical maintenance of aircraft, engines and other components to Scandinavian Airlines and other airlines inside and outside the SAS Group.

Operations are concentrated in Copenhagen, Oslo and Stockholm. The business unit is also represented at a large number of airports in and outside Scandinavia and has agreements with a large number of subcontractors, in for example the engine maintenance area. STS is one of the world's fifteen biggest providers of technical maintenance and has a full-service agreement for more than 180 aircraft. Operations are concentrated primarily on the MD80/90 and the Boeing 737. In 2002 a cooperation agreement was signed with Airbus via the French company Sogerma in the components area. This agreement means that STS/Sogerma together join the Big Five of materiel supply and maintenance of components for Airbus aircraft.

Scandinavian Airlines is the biggest customer and accounts for approximately 80% of operating revenue. In the second half of 2002 Spanair signed a full service agreement for technical maintenance of Spanair's MD80 fleet of more than 30 aircraft. The agreement was for five years and is worth approximately MSEK 1,300. Air Greenland also chose STS as its full-service supplier for the company's new Airbus A330, just as the Italian airline AirOne did for its four Boeing 737s. SAS Component, which is a part of this business unit, has been active for a long time in the external market, and has approximately 30% of its operating revenue outside the SAS Group. Besides the above-mentioned service contract, SAS Component signed several new agreements in 2002 with MyTravel, Skyways, Estonian Air and Lion Air, along with an agreement with Boeing and Honeywell as subcontractors within specific component areas.

Like the rest of the aviation industry, in 2002 the market for technical maintenance was hard-hit by falling volumes, overcapacity and price pressure. At the same time, there is a tendency for many airlines to outsource their technical maintenance, creating market opportunities.

Objective

STS' objective is, within the business area of technical maintenance, to conduct competitive operations on a level with the best in the industry regarding profitability, quality and safety.

The business unit shall provide the owners with a market return on capital and create enhanced future value.

Main strategy

STS aims to:

- become the obvious supplier of technical maintenance within the SAS Group and at the same time grow in the external market.
- offer a full-service product, primarily for the aircraft types MD80/90 and Boeing 737.
- establish cooperation agreements for aircraft types where its own critical mass is lacking, or for other products which STS cannot produce competitively by itself.
- continue to streamline operations.

Earnings performance

Financially speaking, 2002 was satisfactory, with an operating income of MSEK 91. This result was achieved despite a lower level of revenues than planned; costs were held down thanks to an ongoing efficiency enhancement program and a general restraint on the costs side.

An important service parameter vis-à-vis Scandinavian Airlines is unscheduled downtime (UDT), that is, the time the aircraft spends on the ground due to unplanned maintenance. In 2002 UDT was sharply reduced and is now considerably better than the level specified in the contract with Scandinavian Airlines.

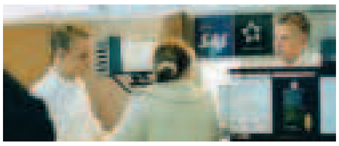
Future prospects

STS will, through a comprehensive rationalization program and partner agreement, strengthen its competitiveness and thereby create a platform for a profitable growth, which is expected to occur both within the Group and in the external market. The program will be implemented in 2003-2004.

Facts - SAS Technical Services

- A business unit within the SAS Group conducting technical maintenance.
- Has a full-service contract for more than 180 aircraft.
- Operations are concentrated mainly at bases in Copenhagen, Oslo and Stockholm.
- Average number of employees in 2002 was 3,808.

Scandinavian Ground Services (SGS)



Important events

In 2002 SGS won the contract for handling passenger and ramp services for Braathens throughout Norway ■ Expansion of the charter market through contracts with Britannia, Sterling and MyTravel ■ Investment in better working environment through purchase of 50 RampSnakes for better efficiency in loading and unloading of aircraft.

SAS Scandinavian Ground Services

Key figures	**2002***
Operating revenue, MSEK	6,083
of which external operating revenue	13.1%
Earnings before depreciation, EBITDA, MSEK	48
EBITDA margin	0.8%
Operating income, EBIT, MSEK	–87
Average number of employees	6,891
Number of customers	70
Number of stations with own personnel	57
Number of flights handled	459,248
Number of passengers handled (million arrivals + departures)	65.2
Punctuality (% within 15 min.)	1.4%
Baggage quality (number of reports per 10,000 baggage items)	74

** Scandinavian Ground Services (SGS) became a separate business unit on January 1, 2001, and the same year completed organizational changes which involved taking over the responsibility for all ground handling within Scandinavian Airlines.*

Operations

Scandinavian Ground Services is responsible for the SAS Group's passenger and ramp service on the ground. The business unit maintains a presence at approximately 120 airports worldwide, either through its ground handling operations or through an agent. The business unit has a large number of customers, of which 70 have contracts. Its biggest customer is Scandinavian Airlines, which accounts for 77% of the operating revenue. During the year, a total of 240 different companies were serviced.

The core business is done primarily in Scandinavia, in competition with other providers. The business has, however, in recent years expanded outside Scandinavia. The unit currently has its own operations in the U.K., Finland, France, Lithuania, Poland, Thailand and the U.S.

In recent years, the market for ground handling has been turbulent, with increasing deregulation all over the world. Many small and independent players have been bought up. Currently Servisair/GlobeGround and Swissport are regarded the market-leaders. Like the airlines, the market has been hard-hit by the weak economy.

The number of travelers has fallen, which means that the airlines have reduced flight frequency and volumes, which in turn puts pressure on the ground handling market.

Beginning September 1, SGS will be handling passenger and ramp service for Braathens at all Norwegian airports. Braathens will be SGS' second-biggest customer, with about 75,000 flights per year, or 15% of total production. In the Norwegian market, Braathens is the biggest customer.

SGS has expanded vigorously into the charter segment and landed several new customers, including Britannia and Sterling in 2002, and MyTravel from April 2003.

In order to improve the working environment for loading and unloading of aircraft, SGS has invested in 50 RampSnakes, (see page 68), which are expected to reduce the physical strain on the loading personnel. The equipment will be delivered on a rolling basis throughout 2003.

Objective

The objective is to ensure maximum customer utility in two links of the chain – the airline and the airline's customers.

Main strategy

Scandinavian Ground Services aims to:

- be the leading ground handling provider in selected markets.
- offer a high level of service to the SAS Group's airlines.
- develop products and service and offer third-party customers further growth in the Nordic market.
- establish greater geographical coverage through organic and/or structural changes.

Earnings performance

In 2002, new customers largely compensated for the revenue lost from volume cutbacks from other customers. Despite structural changes in 2002, the weakened market, together with one-time effects, impacted earnings negatively during the year. In its second year as an independent business unit SGS had an operating income of MSEK –87, but, adjusted for one-time effects, operating income amounted to MSEK –13.

Future prospects

SGS is conducting comprehensive work to streamline and develop its business concept. The concept being developed is an increasingly automated passenger flow plus automated baggage handling. For a long time SGS has been an industry leader in the development of ground handling, which is expected to yield major returns in 2003 and subsequently.

Facts - Scandinavian Ground Services

- SGS became a separate business unit January 1, 2001.
- Active at approximately 120 airports and has about 70 customers.
- Average number of employees in 2002 was 6,891, of which 39% women and 61% men.

SAS Cargo Group

www.sascargo.com

Important events

SAS Cargo Group took over Braathens Cargo in Norway on July 1, 2002 ■ SAS Cargo Group won the bid for postal traffic in Norway for the coming four-year period in competition with nine other carriers. The agreement has an annual value of approximately MSEK 200 ■ SAS Cargo Group's share of 30% in Trade Vision AB was sold.

Key figures	2002	2001[1]	2000[1]
Operating revenue, MSEK	**2,844**	2,698	2,225
of which traffic revenue, MSEK	**2,269**	2,170	–
Share of external operating revenue, MSEK	**95.5%**	–	–
Earnings before depreciation, EBITDA, MSEK	**47**	–	–
Operating income, EBIT, MSEK	**1**	–	–
Income before tax, EBT, MSEK	**–4**	–	–
EBITDA margin	**1.7%**	–	–
SAS Group's ownership share	**100%**	100%	100%
Flown tonnes	**271,103**	263,431	286,785
Tonne km (000)	**928,307**	878,364	944,342
Cargo yield, SEK/tonne km	**2.27**	2.44	2.33
Average number of employees	**1,146**	1,180	1,184

[1] Operations conducted in a separate limited company since June 1, 2001. Prior to this date operations were integrated into Scandinavian Airlines, which is why earnings cannot be stated separately for 2001 and 2000.

Freight and mail traffic, 2002/2001(excluding Braathens Cargo)

Total million tonne km	2002	2001	Change
Intercontinental	**561,039**	481,503	+16.5%
Europe	**29,666**	34,617	–14.3%
Intra-Scandinavian	**6,001**	5,146	+16.6%
Total international	**596,706**	521,266	+14.5%
Denmark	**6,280**	6,850	–8.3%
Norway	**7,062**	11,155	–36.7%
Sweden	**524**	401	+30.7%
Total domestic	**13,866**	18,406	–24.7%
All cargo	**317,735**	338,692	–6.2%
Total	**928,307**	878,364	+5.7%

Operations

SAS Cargo Group offers fast and reliable freight transportation to, from and within Scandinavia. SAS Cargo Group sells its services primarily to cargo agents, postal companies and other airlines. SAS Cargo Group is part of the air freight alliance WOW, together with Singapore Airlines Cargo, Lufthansa Cargo and Japan Airlines Cargo.

Growth

In 2002, SAS Cargo Group took over Braathens Cargo in Norway. In Denmark, Novia Cargo was acquired on January 1, 2003, increasing capacity by more than 20% in Copenhagen. An agreement was made with the Swedish Civil Aviation Authority for a new terminal at Arlanda in 2005/2006. This gives SAS Cargo Group modern terminals in its home markets of Oslo, Copenhagen and Stockholm.

During the year SAS Cargo Group signed a five-year agreement with Kim Johansen International Transport A/S for about 20,000 feeder transports per year to several destinations in Scandinavia and Europe. A new agreement was also signed with Norway Post.

Objective

SAS Cargo Group's objective is to conduct competitive operations with reliable freight transportation to, from and within Scandinavia through achieving a number of operational targets.

Main strategy

SAS Cargo Group's operations are based on the belly capacity (cargo hold capacity during passenger transport) that the SAS Group's airline companies can deliver, which affects:

- the network's design and capacity
- possible product offers

This is complemented by pure-play aviation operations, All Cargo, and land-based products via SAS Cargo Trucking.

Earnings performance

Operating revenue increased by 5.4% to MSEK 2,844 (2,698). The bulk of the increase was attributed to the integration of Braathens Cargo in June 2002 and to a lesser extent to increased volumes. The cargo factor increased by 3.0 percentage points. The yield was reduced by 7.0% due to changed currency exchange rates plus increased competition. Income before tax (EBT) was MSEK –4.

Future prospects

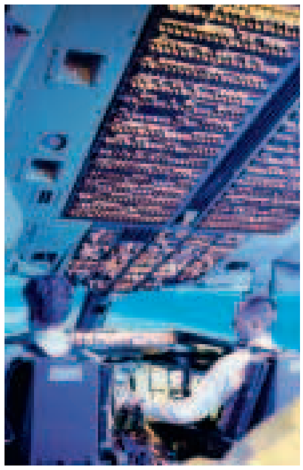
Increased volumes, together with synergies from Braathens Cargo and Novia Cargo and the effects of the Turnaround, are expected to result in improved profitability.

The decision to certify the environmental management system under ISO 14001 is a result of higher customer standards and is expected to enhance SAS Cargo Group's business relations.

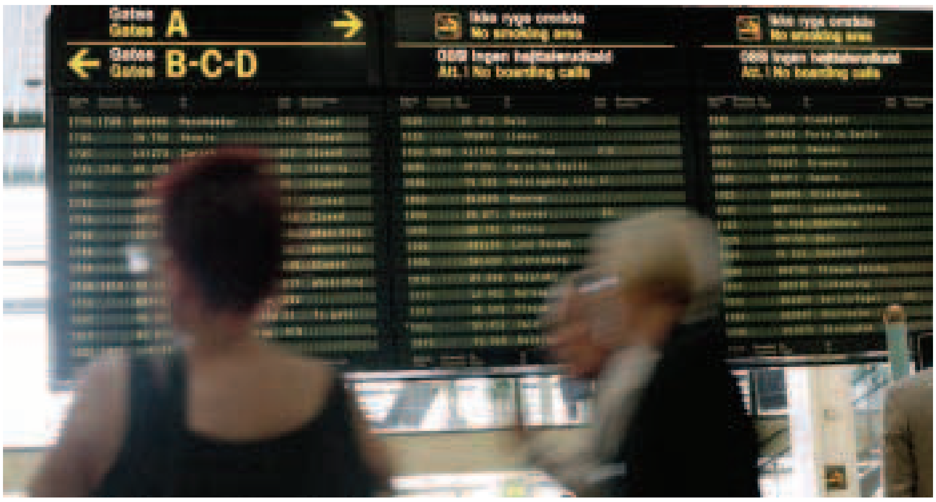
Facts - SAS Cargo Group

- SAS Cargo Group was formed as an independent corporation on June 1, 2001. The company is wholly-owned by the SAS Group.
- SAS Cargo Group is part of the WOW alliance, which has 44 cargo aircraft and belly capacity on more than 770 passenger aircraft.
- During the year, 60 full-time positions were cut. Average number of employees in 2002 was 1,146, of which 18% women and 82% men.

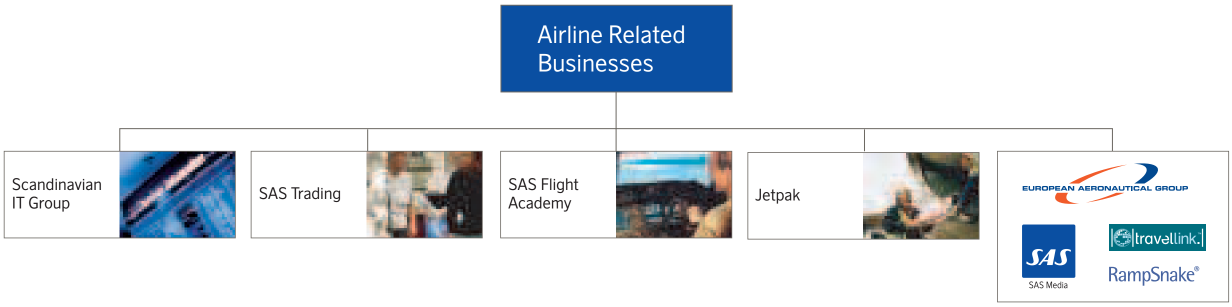
Airline Related Businesses



- Scandinavian IT Group
- SAS Trading
- SAS Flight Academy
- Jetpak
- European Aeronautical Group
- RampSnake
- SAS Media
- Travellink



Airline Related Businesses



Statement of income		
MSEK	2002[1]	2001[2]
Operating revenue	6,052	8,148
Payroll expenses	–1,828	–2,032
Handling costs	–257	–216
Cost of sold goods, incl. concession fees	–1,562	–1,727
Computer and telecommunications costs	–828	–1,176
Other operating expenses	–1,106	–2,395
Operating expenses	–5,581	–7,546
Earnings before depreciation, EBITDA	471	602
Depreciation	–312	–334
Share of income in affiliated companies	–19	–119
Capital gains	–6	8
Operating income, EBIT	134	157
Income from other shares and participations	–27	0
Net financial items	–23	3
Airline Related Businesses - income before tax, EBT	84	160

[1] SMART was sold in August to Amadeus and is consolidated in the SAS Group's accounts for the first 8 months of the year.
[2] SAS Cargo Group became part of the business area in 2001.

Business area in brief

The business area Airline Related Businesses consists of Scandinavian IT Group, SAS Trading, SAS Flight Academy, Jetpak, European Aeronautical Group, RampSnake, SAS Media and Travellink. The bulk of sales are to external customers. Airline Related Businesses accounts for 7% of the SAS Group's operating revenue before Group eliminations.

Scandinavian IT Group meets the aviation's needs for IT support, with the bulk of its sales within the Group.

SAS Trading purchases, markets and sells goods in airport shops.

SAS Flight Academy trains pilots, cabin crew, aircraft technicians and ship's officers.

Jetpak develops and markets, among other things, local courier services and customized service logistics solutions.

Earnings performance

In July 2002 the SAS Group signed an agreement to sell its shareholding in SMART to Amadeus. The transaction was completed on August 31 following approval by the Swedish Competition Authority. SMART is thereby consolidated in the SAS Group's accounts in the first eight months of the year, and is included in consolidated operating revenue in the amount of MSEK 306 (593), in EBITDA in the amount of 33 (71) MSEK, and in income before tax in the amount of MSEK 3 (95).

Due to a lower level of activity in the Group's airlines, all the major units in the business area reported a weaker income before tax in 2002 than in 2001. The total income before tax (EBT) for the business area fell from MSEK 160 in 2001 to MSEK 84. The business area was also charged with a write-down of SMART's holding in ICSA T in the amount of MSEK 27 in 2002.

In 2002, Scandinavian IT Group focused on volume adaptations and efficiency enhancements, and income before tax was MSEK 70 (96). SAS Trading accounts for the biggest income drop in the business area, and is currently undergoing restructuring after the company lost concessions in Sweden in 2002. The fall in the number of air travelers also had a negative impact on the business. Income before tax was MSEK –34 (–1).

SAS Flight Academy reported an improved EBITDA margin, despite a fall in operating revenue of nearly 10%. Income before tax was MSEK 38 (56).

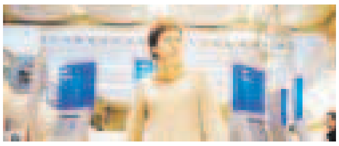
Jetpak's operating revenue was MSEK 385 (355).

Key figures									
	Operating revenue			Operating income, EBIT			% of operating revenue outside the SAS Group		
MSEK	2002	2001	2000	2002	2001	2000	2002	2001	2000
Scandinavian IT Group	**2,255**	2,463	2,121	**72**	104	74	**6.7**	3.6	4.3
SAS Trading	**1,964**	2,275	2,148	**–24**	2	64	**96.9**	98.0	99.0
SAS Flight Academy	**568**	627	606	**44**	62	98	**30.6**	35.4	37.6
Jetpak	**385**	355	244	**–2**	10	16	**99.5**	99.5	97.4

Average number of employees	2002	2001
Total for Airline Related Businesses	4,188	4,038

Scandinavian IT Group

www.scandinavianIT.com



Important events

SAS Hosting transferred to Scandinavian IT Group ■ Four-year agreement made with the SAS Group for development and deliveries of standard products ■ Multi-year cooperation agreement made with SAS World Sales for operation and administration of systems.

SAS
Scandinavian IT Group

Key figures	2002	2001	2000
Operating revenue, MSEK	**2,255**	2,463	2,121
of which external operating revenue	**6.7%**	3.6%	4.3%
Earnings before depreciation, EBITDA, MSEK	**192**	245	207
EBITDA margin	**8.5%**	9.9%	9.8%
Operating income, EBIT, MSEK	**72**	104	74
Income before tax, EBT, MSEK	**70**	96	61
EBT margin	**3.1%**	3.9%	2.9%
Average number of employees	**1,289**	1,274	1,182

Operations

Scandinavian IT Group is a wholly owned subsidiary in the SAS Group. Operations are oriented toward meeting the airline industry's needs for IT support in combination with creative solutions that enhance the competitiveness of the airline industry.

The product portfolio range includes a business support system for bookings and ticket reservation, self-service functions, resource optimalization, revenue management and airport administration. Services include development, administration and operation of systems.

Important contracts with customers outside the SAS Group:

- Star Alliance agreement on *development and operation of sales follow-up systems.*
- Multi-year agreement with Icelandair on *hosting of station systems.*
- *Booking Trend System* for Maersk Air and Estonian Air.
- *Non Stop (Himalaya) operating agreement* with Handelsbanken Finans.
- *New system for passenger service* (check-in, baggage service, timetables etc.) for a large number of Swedish domestic stations.
- *Multi-year operating agreement* for MyTravel's booking system.
- *Speech recognition applications* for AB Trav & Galopp (ATG), Swebus, Y-buss, Svenska Spel, and Swedish Posten.

Objective

The primary objective is to create value for shareholders, customers and employees.

The business requirement is that the company should grow organically by 10% and, during a period of three to four years, generate an income before tax of 9-10% of operating revenue.

The objective for 2005 is that the market outside the SAS Group should account for 25% of Scandinavian IT Group's total operating revenue.

Main strategy

The revenues from Scandinavian Airlines will not be sufficient to secure the satisfactory value growth of Scandinavian IT Group. Consequently, the Group's future strategic and business positioning will be based on:

- marketing and sale of already developed products and applications within the SAS Group.
- own product and application development.
- further development of business and customer relations.
- increase of the share of external customers outside the SAS Group.

Earnings performance

Despite a reduction in operating revenue of MSEK 208 to MSEK 2,255, Scandinavian IT Group was able to maintain its income before tax (EBT) at a reasonable level, MSEK 70 (96).

2002 was characterized by the market's strong focus on cost-cutting in the wake of the structural problems afflicting the airline industry. Scandinavian IT Group has met these challenges through volume adaptation and streamlining.

Future prospects

The plan for coming years' expansion is based on the assumption of ambitious growth in markets outside the SAS Group. Volumes and prices with the main customer, Scandinavian Airlines, are expected to be subjected to continued pressure. Future development for Scandinavian IT Group is expected to include:

- continuous cost and productivity improvements plus securing of competitiveness and capacity adaptation
- fewer assignments from the main customer, Scandinavian Airlines
- increased business focus vis-à-vis other airlines in the SAS Group
- continued focus on sales of hosting services
- value-creation partnerships and/or acquisitions.

Facts - Scandinavian IT Group

- The company was established as an IT supplier in the SAS Group in 1958.
- Subsidiary of the SAS Group since 1990.
- Administration and operation of more than 600 applications.
- System operation 24 hours a day, year round.
- Installation and maintenance of 26,000 computer-based workplaces worldwide.
- Monitoring of 235 local networks worldwide.
- Handles 4.3 billion transactions in the global communications system per year.
- Average number of employees in 2002 was 1,289 in Scandinavia, of which 26% women and 74% men.

SAS Trading

www.scandinavian.net

Important events

In the third quarter of 2002 SAS Trading obtained concessions at Torp/Sandefjord airport in Norway and at Copenhagen Airport ■ A new organization, based on the local market, with shorter decision-making lines and more efficient goods delivery chains, was unveiled.

SAS Trading

Key figures	2002	2001	2000
Operating revenue, MSEK	**1,964**	2,275	2,148
of which external operating revenue	**96.6%**	98.0%	99.0%
Earnings before depreciation, EBITDA, MSEK	**13**	38	97
EBITDA margin	**0.7%**	1.7%	4.5%
Operating income, EBIT, MSEK	**–24**	2	64
Income before tax, EBT, MSEK	**–34**	–1	75
Average number of employees	**471**	658	639

SAS Trading's stores and shops at European airports.

Background

SAS Trading is an independent business unit within the SAS Group. As a retailer and wholesaler in travel retail, its business concept is to offer goods and services with flair, good quality and customer-perceived price advantage. The preconditions are set partly by the airport owners, who sign concession agreements with the operators to run the stores, and partly by the general development of airline traffic. Concession agreements are put out for competitive bidding in which all major travel retail operators participate.

In February 2002 a retail-supply chain project was initiated to develop and streamline the goods supply chain from supplier to shop. On July 1, 2002 large parts of operations at Arlanda and Gothenburg ceased as a result of lost concessions.

During the autumn an organizational restructuring was implemented with the aim of making SAS Trading into a stronger player in coming concession negotiations. The idea is to have SAS Trading base itself on the local market, so as to strengthen and develop local relations with airport owners and suppliers and to streamline the goods delivery chain to stores. Functions that can provide economies of scale, such as purchasing, will be managed centrally.

Objective

SAS Trading aims to be a competitive operator in the travel retail industry.

Main strategy

Focusing on profitability, relations with concession-awarders and growth, the main strategy of SAS Trading is:

- to develop, streamline and profit-focus on existing business
- to create, maintain and cultivate relationships with existing and new concession-awarders
- through organic growth and/or with an industry partner, to seek new business in travel retail, as a retailer and wholesaler.

Earnings performance

SAS Trading generated sales during the year of MSEK 1,964. Operating revenue sank by 14% in comparison with the preceding year. Comparable store sales rose 5%.

Income before tax was MSEK –34. Lost concessions in Sweden, together with the negative trend in the number of air travelers, are the decisive causes of the year's decline in both operating revenue and income. Restructuring costs in the amount of MSEK 12 were charged against earnings.

Future prospects

Historically speaking, the travel retail market has seen rapid growth and is expected to continue to grow in the next decade. At the same time, the market climate is hardening, with rising concession fees, and expected slower growth in number of air travelers. Attractive concepts and product ranges will become ever more important.

Given the increasing pressure on margins, the size and cost-efficiency of the operator is crucial to winning the competition for concessions.

EURO SHOP

Facts - SAS Trading

- Established operator in the travel retail business since 1964.
- At year-end, operations comprised 35 shops at 20 airports in 6 countries, namely Denmark, Norway, Sweden, Estonia, Latvia and Poland.
- SAS Trading's loyalty program EuroShop Plus has more than 350,000 members.
- Average number of employees in 2002 was 471, of which 72% women and 28% men.

SAS Flight Academy

www.sasflightacademy.com

Key figures	2002	2001	2000
Operating revenue, MSEK	**568**	627	606
of which external operating revenue	**30.6%**	35.4%	37.6%
Earnings before depreciation, EBITDA, MSEK	**141**	150	176
EBITDA margin	**24.8%**	23.9%	29.0%
Operating income, EBIT, MSEK	**44**	62	98
Income before tax, EBT, MSEK	**38**	56	92
Average number of employees	**174**	200	193

Important events

During the year SAS Flight Academy updated its Airbus A320 full flight simulator with the latest technology.

SAS Flight Academy was chosen as a partner for an EU project intended to improve aviation safety in China.

During the year, the company sold its holdings in two schools of basic pilot training (Norwegian Aviation College, Norway, and European Aviation College, Spain).

Operations

SAS Flight Academy is a wholly owned subsidiary in the Group and one of the world's leading training centers for pilots, cabin crew, aircraft technicians and ship's officers. The company is ISO 9001 certified and is a Type Rating Training Organization (TRTO), approved by the civil aviation authorities for type training of pilots. The customer base includes about 150 different airlines and military organizations from all over the world. The head office is at Arlanda airport but operations are also conducted by a subsidiary at Copenhagen Airport.

Objective/strategy

More than half of the revenues will come from external customers, at the same time as SAS Flight Academy will continue to be the primary supplier of pilot training and training of other flight-personnel within the SAS Group and will offer the best training solutions. The company must come across as if it were the customer's own training center.

Earnings performance

The negative trend in the airline industry has precipitated low demand for training. Many airlines have actually phased out and mothballed aircraft, reducing the need for further training. Operating revenue fell in 2002 by 9% partly due to divestments, and income before tax (EBT) amounted to MSEK 38 (56).

Future prospects

SAS Flight Academy intends to attract more civilian and military customers and strengthen its long-term competitiveness. The company is working to consolidate all pilot and cabin training within the SAS Group through the most cost-efficient alternative for this training.

Jetpak

www.jetpak.com

Key figures	2002	2001	2000
Operating revenue, MSEK	**385**	355	244
of which external operating revenue	**99.5%**	99.5%	97.4%
Earnings before depreciation, EBITDA, MSEK	**4**	19	20
EBITDA margin	**1.0%**	5.4%	8.2%
Operating income, EBIT, MSEK	**–2**	10	16
Income before tax, EBT, MSEK	**–3**	10	17
Average number of employees	**153**	125	83

Important events

The sales and marketing functions between Jetpak and Adena Picko's are being integrated. A new business system will be put into operation in the first quarter of 2003.

Operations

Jetpak is a wholly-owned subsidiary of the SAS Group. Jetpak develops and markets solutions for express consignments, door-to-door in the Nordic countries and Northern Europe. The services range from locally-integrated ground transport to air services, whether direct or via subcontractors but where Jetpak takes total responsibility vis-à-vis the customer, or as a subcontractor with the quality stamp "Jetpak Inside."

A large part of the business is done in franchise and agent form, via, for example, the wholly owned courier chain Adena Picko's. A joint business platform for courier operations and express service has been created, and the administration of Adena Picko's and Jetpak has been coordinated. Braathens/Jetpak has been integrated in Norway.

Objective/strategy

Jetpak will focus on growth, though both intra-Nordic business and logistics from Central Europe to the Nordic countries. Jetpak intends to become known for its vision "cutting time and adding value."

Through a simple ordering system and high quality service, Jetpak aims to increase business with the existing customer base, adding new volumes through cooperation with partners in the transportation value chain.

Earnings performance

Since 1997 the Jetpak Group's volume has increased and earnings have stagnated. Measures were taken to facilitate a drastic improvement in earnings. For 2002 income before tax (EBT) amounted to MSEK –3 (10), against which restructuring costs and the costs of a new business system were charged. The earnings performance in the second half of the year was positive.

Future prospects

The Jetpak Group works in a segment of the transportation sector that is growing rapidly. Consequently, continued determined efforts to enhance customer utility and streamline the sales process will create the conditions for higher growth.




European Aeronautical Group

www.euronautical.com

Key figures	2002	2001	2000
Operating revenue, MSEK	112	98	87
- external	31.3%	25.5%	39.1%
- EBT, MSEK	4	–24	5
Average number of employees	87	87	82

European Aeronautical Group AB (previously SAS Flight Support AB) is a wholly owned subsidiary in the SAS Group. The company makes available aeronautic data in the form of charts, flight-plan systems and aircraft performance calculation systems. Pursuant to its strategy of becoming a considerable and profitable player on the global market, 2002 saw the acquisition of a British competitor, Aeronautical Service Group, from Thales Avionics. Through this acquisition customers will be offered a complete product portfolio.

During the year the market was characterized by a certain amount of stagnation, as many airline companies reduced their fleets. The market is facing a technological revolution in the changeover from paper-based products to an increasing number of electronic products. A lot of work was done through the year to improve product quality and create a more cost-efficient organization, in order to increase market share and capture a leading position.

Operating revenue for 2002 amounted to MSEK 112 and income before tax to MSEK 4.

RampSnake

www.rampsnake.com

RampSnake is a wholly owned subsidiary in the SAS Group. The company has been built up around a product idea for streamlining and facilitating loading and unloading of aircraft, thereby improving the working environment for baggage handlers. The product has been developed in close collaboration with the users. Organization and production are in the build-up phase.

There is a very high level of interest in RampSnake. Up to now two contracts have been signed and the company expects to sell almost a hundred units in 2003. The U.S. will be an increasingly important market as the airline industry recovers.

It is important to be able to rapidly increase sales volumes to achieve economies of scale and offer RampSnake at an attractive price.

The company has two main strategic lines, now being pursued in parallel. The high-priority line is to find one or more partners to offer global "after sales" support and a stepped-up production capacity. Alternatively, in-house competency and production will be stepped up. RampSnake will be put into production in the beginning of 2003.

SAS Media

www.sasmedia.se

SAS Media is a wholly-owned subsidiary in the SAS Group. In 2002 the average number of employees was 44. The company has offices in Stockholm and Oslo. It publishes advertisement-financed in-flight magazines for Scandinavian Airlines. The company's vision is to foster interaction with and among Scandinavians through travel. Destination information is given increased focus, and apart from the separate city guides published in the Scanorama in-flight magazine, guides can also be found at www.scandinavian.net. Scandinavian Airlines' intercontinental passengers will be presented with a large number of city guides on individual video screens that will be fitted in aircraft starting in early 2003.

For many years now, SAS Media has had a well-developed environmental management system that also includes working environment aspects.

The year 2002 was the worst year in the history of the company, with a market shrinkage of over 30% in "business to business" advertising. Thanks to cost-saving decisions the company expects to be profitable again in 2003.

Travellink

www.travellink.com

Travellink is 60% owned by the SAS Group, with the remainder held by Amadeus and Tele2. The company employs the Internet as its distribution channel for travel-related services.

Travellink is a full-service travel agency focusing on sales via the Internet, with services aimed at business and leisure travelers alike. Vis-à-vis the business market its business concept is to offer high levels of availability and cost-effectiveness through booking over the Internet along with security in the form of personal service 24-hours a day via telephone. Leisure travelers are offered a wide range of airlines, hotels and car rental firms to choose from.

Launched in 2002 in Sweden, Norway and Denmark, Travellink became during the year the fastest growing Internet travel agency in Scandinavia. Internet sales of travel in Scandinavian are still in a growth phase and are expected to enjoy robust growth in coming years. The company is still in the process of getting established.

Hotels

Hotels

www.rezidorsas.com

Hotels

Rezidor SAS

Important events

The Malmaison operations were sold ■ In September 2002, Rezidor SAS Hospitality signed a 30-year master franchise agreement with Carlson Hotels Worldwide ■ A comprehensive reorganization is implemented to meet the new demands of more brands ■ Radisson SAS expanded robustly in the Middle East.

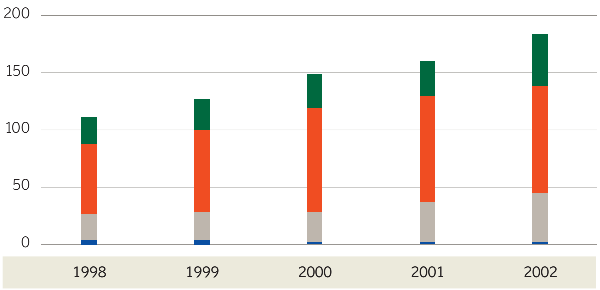
Statement of income		
MSEK	2002	2001
Rooms revenue	1,695	1,591
Food and beverage revenue	1,160	1,163
Other revenue	715	756
Operating revenue	3,570	3,510
Operating expenses	–1,151	–1,191
Payroll expenses	–1,373	–1,331
Leasing costs, property insurance and property tax	–860	–714
Earnings before depreciation	186	274
Depreciation	–124	–143
Share of income in affiliated companies	34	36
Capital gains	6	63
Operating income, EBIT	102	230
Financial items	–17	–22
Rezidor SAS Hospitality - Income before tax	85	208

Key figures		
EBITDA*, MSEK	220	310
EBITDA, MSEK	220	265 **
Investments, MSEK	265	176
Capital employed, MSEK	1,509	1,593
The SAS Group's holding	100%	100%
Average number of employees	3,117	3,103

* *Earnings before depreciation including share of income in affiliated companies.*
** *Pro forma, adjusted for the sale of properties.*

Hotel growth, 1998-2002

Number of hotels



Two hotel properties are now owned: one in Oslo and one under construction at Stanstead Airport. At year-end 2002 the total number of hotels was 184 (including 51 hotels under development).

Rezidor SAS

Operational key figures*	**2002**	2001	2000
Operating revenue, including franchise, MSEK	10,158	10,083	8,735
Gross profit margin, %	29.3	33	34
REVPAR, SEK	632	638	619
Occupancy rate	65%	67%	69%
Number of rooms occupied (000)	4,646	4,964	4,876
Energy consumption, per m², kWh	289	292	304
Water, consumption per guest-night, liter	423	436	520
Customer Satisfaction Index	87.1	86	–
Personnel satisfaction	80.5	79.2	78.5

* *Including hotels operated on management contracts.*

Vision

Rezidor SAS aims to become one of Europe's leading hospitality management companies – with a portfolio of strong, profitable brands focused on different market segments with corresponding high-performance products.

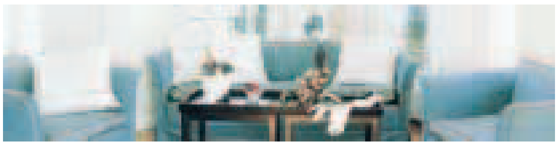
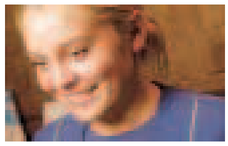
Objective

Rezidor SAS's objective is to be the most attractive hotel company to patronize, work for or do business with.

Main strategy

The main strategy is to bring about rapid growth in all brands in three or four different segments and offer:

- *property owners* - the optimal solution for each property
- *guests* - a broad spectrum of hotel experiences in various price categories
- *shareholders* - active value creation through rapid and focused growth
- *employees* - greater career opportunities and continuous personal development
- *society* - respect and an increase in value in the areas where the company operates hotels.

Operations in 2002

Rezidor SAS Hospitality runs the Group's hotel business under four brands.

The travel market continued to be weak in 2002. Market uncertainty has fostered caution regarding economic forecasts as well as dampened interest in long-term investments. The Middle East was hardest hit, with a fall of four percentage points in demand after the events of September 11, 2001, whereas Europe saw a drop of two percentage points. In Europe the bottom was thought to have been reached in the summer months, with prices and occupancy at their lowest point during the year.

A new factor in the travel industry is budget hotels. This indicates future robust growth for hotels in the middle class segment.

Master franchise holder of Carlson's brands

In September 2002, Rezidor SAS Hospitality took a crucial step in its strategy of becoming a hotel company with several brands through a master franchise agreement with Carlson Hotels Worldwide. The agreement gives Rezidor SAS Hospitality the exclusive right under the coming 30-year period to operate, in addition Radisson, three of Carlson's other brands in Europe, the Middle East and Africa. Carlson is one of the largest privately held companies in the U.S., with hotel operations in 66 countries.

The new agreement with Carlson Hotels Worldwide strengthens Rezidor SAS's role as a multi-brand hospitality management company, now that the company operates clearly defined hotel brands from the middle class to the luxury segment. The various hotels have different profiles:

- Park Inn - stands for efficient, fresh and innovative middle class hotels in city centers
- Country Inn -symbolizes charming, cozy and welcoming hotels with a local flavor in the middle class segment
- Radisson SAS - is associated with first class hotels for business and pleasure trips in city centers, at airports and in resort destinations
- Regent - luxury hotels in key destinations.

A hotel brand focusing on the lifestyle concept is in development. This brand is being developed to build on the experience the company had with the Malmaison brand and take advantage of the growth that exists with the lifestyle concept.

This portfolio of brands enables Rezidor SAS to offer a broad range of management, franchise and investment opportunities to developers and hoteliers, while reaching a larger customer group.

Earnings performance in 2002

Rezidor SAS Hospitality has its customer base in Europe, which means that its hotels have not been as adversely impacted by the fall in travel from the U.S. as other market players. However, earnings for 2002 were adversely affected by the downturn in the world economy and the tense geopolitical situation.

Operating revenue amounted to MSEK 3,570 (3,510), an increase of 2%. Operating revenue in the entire chain totaled MSEK 10,158. This increase is attributed to an expanded number of hotels.

REVPAR shrank in 2002 from SEK 638 to SEK 632, a reduction of 0.9%. This is a somewhat better performance than for the rest of the European hotel business (the industry average was a decline in REVPAR of 3.3%).

Occupancy in the entire hotel system (excluding hotels with license agreements) fell to 65% (67%), while the gross profit margin (owned, leased and hotels with management contracts) remained at the same level as the previous year, 33% (33%).

Meeting financial targets

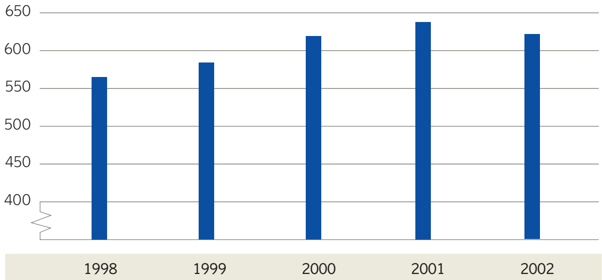
Rezidor SAS's objective is to reach its financial return targets. The most important financial target is to attain annual growth in value in EBITDA of 15% on average over a five-year period through expansion and profitability.

Income before tax fell to MSEK 85 in 2002. This was due to the weak economy as well as to the fact that no capital gains from the sale of properties were realized in 2002. Income before net financial items and depreciation (EBITDA) fell to MSEK 220 (310). Investments during the year totaled MSEK 265 (176).

Thirty-six new hotels in 2002

At the end of 2002 the total number of hotels was 184. In 2002, 36 hotel contracts were signed with Rezidor SAS. Through the

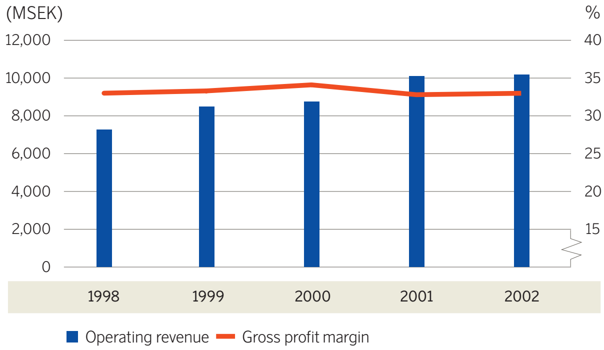
Performance of REVPAR[1], 1998-2002
(Revenue per available room)



REVPAR shows average revenue per available room and thus reflects the occupancy rate and revenue per room.

[1] *Including hotels operated on a management basis.*

Total operating revenue[1] and gross profit margin[2] 1998-2002
(MSEK)



[1] *Including hotels operated on a management basis and hotels with franchise agreements.*
[2] *Including hotels operated on a management basis.*

Carlson agreement, 12 Country Inn hotels in the U.K., Austria, France and Germany joined Rezidor SAS's portfolio. To these can be added two Regent hotels in Germany and Kazakhstan and two Park Inns, one in South Africa and one in Berlin. In addition, 20 hotels signed with the Radisson SAS chain, in Scandinavia, Germany, Turkey, Saudi Arabia, Lebanon and the United Arab Emirates, among other places. The new hotels in the Middle East changed their brand from Hyatt and Holiday Inn to Radisson SAS. New Radisson SAS hotels were signed in Belgium and Switzerland even before opening.

A total of 13 new Radisson SAS hotels opened in 2002. Four hotels opened in the Middle East, in Beirut, Sharjah, Taba and Yanbu; three hotels opened in the U.K./Ireland, in the cities of Limerick, Glasgow and Leeds; two hotels in Poland, in Warsaw and Wroclaw, respectively; and one each in Paris, Moscow, Sochi and Silkeborg.

Two hotel properties are currently owned: one in Oslo and one under construction at Stanstead Airport.

Responsible business

In 2002 Rezidor SAS continued to develop its responsible business program, which was launched in 2001. The hotels under the Radisson SAS brand successfully introduced the program, plus a long series of improvement measures. During the year, 88 Radisson SAS hotels introduced their own action plans for responsible business, with guidelines for improving their performance on the basis of a 17-point program.

35% of hotel employees underwent training in the area of responsible business. The purpose of the training was to show employees the environmental and social impacts of the hotel industry and the activities that can lessen hotels' adverse impacts.

In 2002, Radisson SAS hotels also began monthly reports of its environmental performance, which has improved the quality of data collected.

During the year company continued its sponsorship of UNESCO and Save the Children. In addition, a total of MSEK 2.3 was donated by the hotels to various charitable projects.

Business model
- streamlined operations

Rezidor SAS's business model is managing other people's assets, brands and employees, i.e. running hotels rather than owning properties. In certain cases the hotels are run according to operating agreements that limit financial liability and in others through franchise agreements. During the year, Malmaison was sold back to the company's joint venture partner Marylebone Warwick Balfour (MWB).

Expansion strategy

Rezidor SAS's growth strategy is to have 700 hotels under different brands by 2012 at the latest. Working under several brands will enable Rezidor SAS to grow more quickly, obtain a larger customer base, finance its investments and benefit from economies of scale in marketing, reservation and distribution systems and IT, technical and retailing services. All brands will also develop the same strategy for safety and the environment.

Continued growth is of great strategic importance for each hotel brand at Rezidor SAS to reach critical mass with regard to brand awareness, geographical coverage and economies of scale.

"Corporate Hotelier of the World"

In November 2002, Kurt Ritter, President and CEO of Rezidor SAS, was voted "Corporate Hotelier of the World". This is one of the most prestigious distinctions a hotelier can receive. It was awarded to Kurt Ritter for extraordinary performance, leadership and vision, not only for Rezidor SAS but also for the hotel industry as a whole. "The Hoteliers of the Year Awards" are bestowed by the American publication HOTELS, a leading magazine for the hotel industry worldwide.

Human resources

The average number of employees of Rezidor SAS grew to 3,117 (3,103). This includes employees of owned as well as leased hotels. Of these, 45% are men and 55% women. The entire business area had approximately 13,500 (12,000) full-time employees.

Future prospects

The strategy is to expand in all of Rezidor SAS brands in the EMEA (Europe, Middle East and Africa) region. The hotel industry in Europe, the world's biggest market in the number of hotels, consists primarily of privately owned hotels and smaller chains unconnected to global brands or reservation systems. Today, 30% of the hotels in Europe are affiliated with major international hotel chains, while the comparable share in the U.S. is approximately 80%.

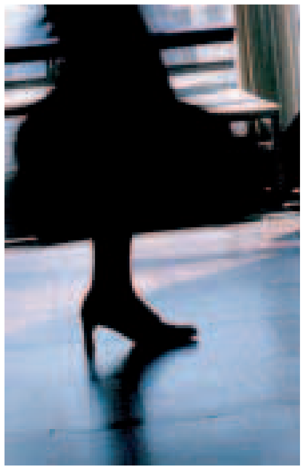
The trend of affiliating with brands is strong and is expected to accelerate in coming years. That is why the company believes there is huge potential for growth in the EMEA region for all Rezidor SAS brands. Meanwhile, each brand will have a specific character related to size (number of hotels), geographical location, type of contract (managed, leased or franchised) and type of hotel (city center, airport or resort).

Facts - Rezidor SAS Hospitality

- The first SAS hotel opened in 1960.
- 1994 an agreement was signed with Carlson Hotels Worldwide for Radisson in the EMEA region.
- 2002 a new agreement was signed with Carlson for Country Inn, Park Inn and Regent.
- Rezidor SAS has grown from 29 to 184 hotels since 1994.
- At year-end 2002, Rezidor SAS had 184 (160) hotels, of which 168 (152) are under the Radisson SAS brand, 12 (0) under Country Inn, 2 (0) under Park Inn, 2(0) under the Regent brand.
- The number of available rooms per day (including franchise) grew to approximately 40,000 (35,000).
- Today, 13,500 employees in 40 countries work at Rezidor SAS (including franchises).
- The average number of employees of Rezidor SAS (excluding management and franchises) in 2002 was 3,117, of whom 55% were women and 45% men.

Financial report

- Report by the Board of Directors
- Segmental reporting
- The SAS Group's statement of income, incl. comments
- The SAS Group's balance sheet, incl. comments
- The SAS Group's cash flow statement, incl. comments
- Summary statement of income
- Comments and notes to the Report by the Board of Directors - Accounting and valuation policies
- Notes
- Parent Company, SAS AB, Statement of income, balance sheet and notes (including legal structure)
- Proposed disposition of earnings
- Auditors' report
- Board of Directors and auditors
- Corporate governance
- SAS Group Management



Report by the Board of Directors

Corporate identity number 556606-8499

The Board of Directors and the President of SAS AB hereby submit the annual report for SAS AB and the SAS Group for 2002 fiscal year.

Market performance

2002 was marked by feeble economic activity in the market and modest growth.

The events of September 11, 2001, and the weaker economy prompted a majority of central banks to lower interest rates at the end of 2001 to prevent a deeper recession. In 2002 there were signs and expectations of increased demand and recovery in the world economy in the second half of the year. However, performance in 2002 was weaker than expected and the recovery was continually postponed compared with the estimates from early 2001. Moreover, the SAS Group's biggest customers were extremely hard hit, which indirectly resulted in considerably less travel.

The economic situation in Sweden continues to be weak, with a further fall in households' confidence in the future, according to a survey by the Swedish National Institute of Economic Research in December. The strong Norwegian krone is a burden on the Norwegian export industry. The Danish economy continues to be in a weakening phase, and the economic situation in the other major European markets is not positive, either.

During the year, Scandinavian Airlines saw robust growth on its intercontinental routes, especially routes to Asia, and increased its market share of traffic to and from Asia and North America.

In European traffic, competition was stiff on all major destinations. The major European airlines are still the core of this competition, supplemented by alliance partners. However, low-fare carriers continue to expand in Europe, where they are generating new traffic. Despite the general decline, Scandinavian Airlines took market shares in Europe and continues to enjoy a strong position on domestic and inter-Scandinavian routes.

Despite a weak market, the other airlines in the SAS Group performed well.

Thanks to a strong European customer base, Rezidor SAS Hospitality performed better than other market players.

New Group structure

On July 1, 2002, the SAS Group was organized into five business areas. Beginning with the fourth quarter 2002 the SAS Group's results will be reported for five business areas as opposed to the previous four.

Scandinavian Airlines comprises passenger air transportation operations including the production company SAS Commuter.

Subsidiary & Affiliated Airlines comprises the other airlines in the Group.

Airline Support Businesses contains the business units SAS World Sales, SAS Technical Services, Scandinavian Ground Services as well as SAS Cargo.

Airline Related Businesses includes Scandinavian IT Group, SAS Trading and SAS Flight Academy, among others.

Hotels comprises Rezidor SAS Hospitality (REZSAS), which operates the SAS Group's hotel business.

Key acquisitions and divestments

In November 2001 SAS signed an agreement to increase its holding in Spanair from 49% to directly and indirectly owning 74%. The agreement was scrutinized by the EU Commission, and on March 5, 2002, the acquisition of a further 25% of the shares in Spanair was approved.

The purchase price for the 25% of the shares Spanair was MEUR 67.6. Pursuant to a shareholder agreement from March 2002, an additional purchase price of MEUR 18 was made. The total price paid for the shares was MEUR 85.6 or MSEK 780. A review of Spanair to prepare an acquisition balance sheet revealed that Spanair had applied in part different accounting principles from the SAS Group, for which the acquisition balance sheet was adjusted. When the decision was made to close down the airline's intercontinental services, a reserve was also made for restructuring costs. The total adjustment amounted to MEUR 87.3 after tax. Goodwill from the acquisition, after adjustment of the acquisition balance sheet for tax effect, was calculated to be MEUR 112.8 or MSEK 1,025.

As part of the changeover from affiliated company accounting to subsidiary consolidation of the Group's holding in Spanair as of March 1, 2002, a difference arose due to the fact that Spanair's negative equity was MSEK 389 below book negative value in the Group. This difference has been carried to unrestricted equity in the Group.

During the year, participation in a new issue and capital injection to Spanair totaled MEUR 118.4.

In connection with the SAS Group's acquisition of Braathens in December 2001, a study was done on coordinating both companies' handling operations. At the beginning of 2002 an action program was laid out to close down Braathens' handling operations. Estimated restructuring costs were MNOK 322. After adjustments for deferred tax, these costs affected the acquisition balance sheet in the amount of MNOK 232. With the addition of further acquisition costs in 2002 of MSEK 37, acquired goodwill in all increased by MSEK 313.

In May 2002 the Group acquired a further 33.1% of the shares in Widerøe´s Flyveselskap from minority shareholders. A voluntary offer with the same terms was made to the other minority shareholders, corresponding to 3.6% of the shares. After the offer was accepted by shareholders corresponding to 3% of the shares, the Group's holding amounts to 99.4%. The total purchase price for 36.1% of the shares was MNOK 149.

Acquired goodwill from this transaction was MNOK 9 or MSEK 11.

In the fourth quarter Aeronautical Services Group was acquired from Thales Avionics. The purchase price was MGBP 4 including acquisition costs. Acquired goodwill was MGBP 3.4 or MSEK 48.

On July 5, 2000, the Group signed an agreement to sell its subsidiary SMART to Amadeus. After the approval of the Swedish Competition Authority, the shares were disposed of as of August 31, 2002. Revenue from the sale totaled MSEK 995 and the capital gain was MSEK 811.

European Cooperation Agreement (ECA)

The European Cooperation Agreement is a joint venture agreement between Scandinavian Airlines, Lufthansa and British Midland International, which took effect in January 2000. Scandinavian Airlines' share of any losses is 45%. The agreement was approved by the EU Commission for a period of eight years until December 31, 2007.

With the aim of creating a competitive intra-European traffic system, the ECA combines the three airlines' route networks within the EEA (European Economic Area) to, from and via London Heathrow and Manchester airports.

Weak performance in the British market due to a strong British pound, a slower economy and a general decline in tourism to the London area as a result of the events of September 11, 2002, all had a negative impact on earnings in 2001. In 2002 the lackluster performance continued, with growing competition from low-fare airlines. Although a major effort has been made to adapt to a changed market, the ECA continued to have a negative impact of the SAS Group's earnings in the amount of MSEK –418 (–335).

Changes in the Board and Management

All the shareholder-elected Members of SAS AB's Board of Directors were reelected by the Annual General Meeting on April 17, 2002. Two new employee representatives were named during the year.

Henry Sténson and Marie Ehrling left their posts in May and June 2002, respectively.

In September 2002, Gunilla Berg became CFO and John Dueholm took on the responsibility for Airline Support Businesses and Airline Related Businesses.

Work of the Board of Directors

SAS AB, the parent company of the SAS Group, is the company whose Board of Directors is responsible for Group-wide management. The Board's work and duties adhere to the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board each year, which regulates the division of work and responsibility among the Board, its Chairman and the President and CEO. Among the duties of the Board are setting the overarching objectives and strategies of the SAS Group, adopting a budget and business plan, discussing and approving the year-end and interim reports and deciding on major investments and changes in the organization and activities of the SAS Group.

The Board of Directors consists of nine members, of whom six are elected by the Annual General Meeting. The three other members and six deputies are elected by the employee organizations in Denmark, Norway and Sweden in accordance with the Articles of Association and special agreements. Deputies attend only in the absence of the ordinary member.

At the Annual General Meeting of SAS AB on April 17, 2002, all the shareholder-elected members were reelected, namely Egil Myklebust, Jacob Wallenberg, Berit Kjøll, Fritz H. Schur, Anitra Steen and Lars Rebien Sørensen. In addition to the Board members elected by the General Meeting, Ulla Gröntvedt, John Lyng and Flemming Beinov joined the Board during the year as employee representatives.

At the statutory meeting of the Board of Directors held the same day, Egil Myklebust was elected Chairman and Jacob Wallenberg Vice Chairman. Working closely with the President, the Chairman is to follow the company's performance, plan Board meetings and see to it that the other members of the Board always receive the information necessary for the Board to do its work properly.

Meetings of the Board of Directors are led by the Chairman, or in his absence, the Vice Chairman. The President and CEO and Vice President and CFO attend the meetings of the Board in a reporting capacity. Other key members of SAS Group management attend if they have significant matters to report to the Board. The SAS Group's General Counsel serves as the secretary to the Board. The work of the Board follows a yearly agenda with special topics and permanent items.

Since its statutory meeting the Board of Directors has held eight meetings, including the meeting at which this annual report was approved. At these meetings the Board discussed the permanent items presented at the respective meetings, such as business and market conditions, financial reporting and follow-up, the company's financial position and investments. Additionally, at various meetings, the Board discussed matters involving the new Group and management structure, the Turnaround process, the SAS/Braathens integration, the financing of investments in aircraft, new franchise agreements for Rezidor SAS Hospitality, the sale of the subsidiary SMART, flight safety work, risk management, the year-end report, interim reports, the business plan and budget.

The company has a compensation committee appointed by the Board, consisting of the Chairman, Vice Chairman and Fritz H. Schur. During the year the committee had three recorded meetings as well as a number of informal contacts.

According to the Articles of Association for SAS AB, the election of a nomination committee for the following year's Board of Directors' election is to take place at the Annual General Meeting. The 2002 Annual General Meeting decided to elect the following persons to the nomination committee for the Board of Directors' election at the 2003 Annual General Meeting: Ramsay Brufer, Alecta, Karsten Dybvad, Danish Ministry of Finance, Henrik Heideby, PFA, Pia Rudengren, the Wallenberg Foundations, Reier Søberg, Norwegian Ministry of Trade and Industry, Ragnhild M. Wiborg, Odin Forvaltning, and Claes Ånstrand, Swedish Ministry of Industry, Employment and Communications, as convener.

Environmental impact

Flight operations account for almost 80% of the SAS Group's total environmental impact. The most significant environmental impact from airline operations is caused by the consumption of non-renewable fuels, emissions of carbon dioxide and nitrogen oxides, and noise. Globally, airline emissions mainly affect the climate. The local and regional environmental impact consists mainly of noise during takeoff and landing, as well as acidification and eutrophication of soil and water. The greatest potential for environmental improvements lies in continuous renewal of the aircraft fleet, which means always choosing the best commercially available technology. Environmental aspects are a key element in the SAS Group's choice of new aircraft and engines. The significant environmental impact of cabin, ground and hotel operations is caused by energy and water consumption and by waste.

Commercial aviation uses internationally type-approved aircraft. Environmental approval is an integral part of national registration of aircraft. Environmentally based national and/or local permits, rules and regulations provide a framework for aircraft use. The trend is toward stricter environmental framework conditions for the airline industry. The SAS Group is not aware, however, of any changes to these conditions that during the coming fiscal year could have significant operational or financial consequences for its business. Yet there is a risk that in coming years tightened emissions standards may affect the Group' traffic to certain airports.

The only part of the SAS Group's operations requiring a permit under environmental legislation is ground operations at Stockholm, Oslo and Copenhagen airports. Of the SAS Group's 256,000 sq.m of space at Arlanda, operations requiring a permit are conducted on 56,000 sq.m. The permit covers maintenance bases and regulates emissions to air, chemicals and waste management and sets target and monthly mean values for effluent from the purification plant. SAS Technical Services (STS) submits an annual environmental report to Sigtuna Municipality.

At Oslo Airport, operations requiring a permit are conducted on 30,900 of a total 87,500 sq.m. The permit covers water from a purification plant connected to hangars and maintenance bases. STS submits an annual report to Ullensaker Municipality and the Norwegian Pollution Control Authority.

Of the SAS Group's 210,000 sq.m of space at Copenhagen Airport, operations requiring a permit are conducted on 17,472 sq.m. The Group has applied for an environmental permit for an additional 44,010 sq.m, and is expecting a decision from the environmental authorities during the first half of 2003. The permit regulates the environmental impact mainly of maintenance bases and hangars.

The component workshops' environmental permits expire at the end of June 2003 and are expected to be reevaluated during the year. Otherwise, none of the three aforementioned environmental permits is due for renewal, but STS applied for a change in the permits during the coming fiscal year. During the year the SAS Group did not receive any injunctions from the issuing authorities.

The SAS Group has no permit requirements for airline operations in Finland or Spain or for any Rezidor SAS Hospitality hotel.

In 2002 the SAS Groups' airlines sometimes deviated from local approach and takeoff rules, which prompted a dialog with local authorities.

The threshold values for cadmium emissions were exceeded on three occasions at Oslo and Stockholm airports. An oil leak with subsequent soil cleanup occurred at Scandinavian IT Group in Copenhagen.

All incidents were reported to the proper authorities and dealt with. None of these incidents had any significant financial or environmental consequences.

The Group was not involved in any significant environment-related disputes or complaints and has no known environment-related debts. However, civil suits were brought in nine cases against Radisson SAS Hotel Atlantic in Stavanger as a consequence of an outbreak of Legionnaires' disease in summer 2001. The plaintiffs claim that the infection was caused by the hotel. Radisson SAS rejects this claim, stating that the hotel neither acted negligently nor violated any applicable laws.

For several years the SAS Group has been measuring its eco-efficiency using an environmental index. Since the base year 1996, the index of Scandinavian Airlines, its main business, has improved by 28 points. The objective is a relative mean improvement of three points each year in the period 1996-2004, which is likely to be reached.

The Group is working on environmental indexes for its other operations as well, which will improve opportunities for internal benchmarking.

Dividend 2002

The SAS Group is reporting negative earnings for 2002 as well, and given the prevailing uncertainty surrounding the airline industry's market performance, financial strength is of utmost importance.

The Board of Directors therefore proposes that no dividend be paid to SAS AB's shareholders for the 2002 fiscal year.

Outlook for the full year 2003

In its traffic reporting for November 2002 to January 2003 the SAS Group reported weak demand with lower yield, due to the slower economy in Scandinavia and Europe.

The lackluster economy is expected to continue in 2003, and combined with the uncertain global political situation, continued pressure on revenues is expected.

The implementation of the Turnaround is on schedule. The short-term measures have now been fully carried out. The structural measures now being implemented are comprehensive and their effects will gradually accumulate in 2003. These measures, however, are not sufficient for reaching the objectives of long-term profitability and competitiveness. Thus, further structural measures will be implemented to give the Group's various airlines a stronger position in the future.

In light of the prevailing uncertain global political situation and uncertain market, the SAS Group will not make any detailed estimate for the full year 2003.

Segmental reporting

Income by business area*

	Scandinavian Airlines		Subsidiary & Affiliated Airlines		Airline Support Businesses		Airline Related Businesses		Hotels		Group-wide and eliminations		SAS Group	
STATEMENT OF INCOME	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
External sales	35,906	39,616	17,373	3,103	4,954	–	3,148	5,322	3,472	3,392	91	–503	64,944	50,930
Sales between segments	1,257	1,550	152	20	15,674	–	2,904	2,826	98	118	–20,085	–4,011	0	503
Total operating revenue	37,163	41,166	17,525	3,123	20,628	–	6,052	8,148	3,570	3,510	–19,994	–4,514	64,944	51,433
Payroll expenses	–6,622	–13,540	–3,923	–889	–7,406	–	–1,828	–2,032	–1,373	–1,331	–1,200	–	–22,352	–17,792
Other operating expenses	–27,226	–25,824	–10,213	–1,724	–12,388	–	–3,753	–5,514	–2,011	–1,905	20,293	4,494	–35,298	–30,473
Earnings before depreciation and leasing costs, EBITDAR, by segment	3,315	1,802	3,389	510	834	–	471	602	186	274	–901	–20	7,294	3,168
Leasing costs	–1,702	–2,232	–2,007	–193	–38	–	–	–	–	–	–	–	–3,747	–2,425
Earnings before depreciation, EBITDA, by segment	1,613	–430	1,382	317	796	–	471	602	186	274	–901	–20	3,547	743
Depreciation	–1,312	–1,785	–479	–181	–501	–	–312	–334	–124	–143	–225	–	–2,953	–2,443
Share of income in affiliated companies	67	66	–482	–58	–9	–	–19	–119	34	36	–	5	–409	–70
Capital gains	–436	1,100	63	–29	–	–	–6	8	6	63	870	–1	497	1,141
Operating income, EBIT, by segment	–68	–1,049	484	49	286	–	134	157	102	230	–256	–16	682	–629
Income from other shares and participations	0	1	–159	0	0	0	–27	0	–	–	6	–	–180	1
Net financial items	–964	–451	–205	–42	–27	0	–23	3	–17	–22	284	–	–952	–512
Income before tax, EBT	–1,032	–1 499	120	7	259	0	84	160	85	208	34	–16	–450	–1,140
Unallocated income items														
Tax on income for the year													267	103
Minority shares													51	–27
Income after tax													–132	–1 064
OTHER DISCLOSURES														
Assets	34,340	54,826	12,399	7,057	7,904	–	3,190	4,232	2,478	2,533	5,994	–7,014	66,305	61,634
Equity shares	–112	–141	507	1,018	7	–	4	37	96	214	3		505	1,128
Total assets	34,228	54,685	12,906	8,075	7,911	–	3,194	4,269	2,574	2,747	5,997	–7,014	66,810	62,762
Total liabilities	25,207	40,788	8,325	5,948	5,398	–	1,846	2,775	1,565	1,652	9,281	–3,945	51,622	47,218
Investments for the year	6,169	10,227	1,618	429	1,165	–	408	498	265	220	429		10,054	11,374

** Beginning with the fourth quarter of 2002, the SAS Group reports its income broken down into five business areas as opposed to the previous four business areas in 2001.*

Geographical breakdown

	Domestic		Intra-Scandinavian		Europe		Intercontinental		TOTAL	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Passenger revenue	15,875	10,754	5,280	5,502	18,819	15,014	5,804	5,312	45,778	36,582
Freight and mail revenue	811	699	166	193	311	388	1,548	1,213	2,836	2,493
Charter revenue	51	20	–	–	2,899	192	–	–	2,950	212
Other traffic revenue	419	174	180	95	686	253	219	97	1,504	619
Total traffic revenue	17,156	11,647	5,626	5,790	22,715	15,847	7,571	6,622	53,068	39,906

Other operating revenue	Denmark	Norway	Sweden	Europe	North America	Asia	Other	TOTAL
2002	1,996	4,538	2,233	2,082	160	127	740	11,876
2001	1,936	4,437	2,305	1,509	1,126	148	66	11,527

The SAS Group's statement of income (Note 1)

MSEK	Note	2002	2001
Operating revenue	2	64,944	51,433
Payroll expenses	3	–22,352	–17,792
Other operating expenses	4	–39,045	–32,898
Earnings before depreciation, EBITDA		3,547	743
Depreciation	5	–2,953	–2,443
Share of income in affiliated companies	6	–409	–70
Income from the sale of shares in subsidiaries and affiliated companies		817	–24
Income from the sale of aircraft and buildings	7	–320	1,165
Operating income		682	–629
Income from other shares and participations	8	–180	1
Interest income and similar income items	9	1,146	617
Interest expenses and similar income items	10	–2,098	–1,129
Income before tax		–450	–1,140
Tax on income for the year	11	267	103
Minority shares	22	51	–27
Net income for the year		–132	–1,064
Earnings per share (SEK) [1]		–0.81	–6.65

[1] Earnings per share is calculated on a weighted average of the number of outstanding shares (RR18), 163,747,100 shares for 2002 and 160,018,622 shares for 2001.

Comments to the statement of income

In the SAS Group's statement of income for 2002, Braathens is included from January 1 and Spanair from March 1. SMART is included only until August 31, 2002. The first two companies were not included in 2001's figures, whereas SMART was consolidated for the entire previous year. For comparison with 2001 this is corrected for under the term "noncomparable units." Last year the currency effect of the sale and leaseback of aircraft was reported in the Group's net financial items in the amount of MSEK 492. In the comparative figures for 2001 in this year's annual report the amount was reclassified as income from the sale of aircraft. *(See also Note 1.)*

The SAS Group's operating revenue amounted to MSEK 64,944 (51,433), an increase of MSEK 13,511 or 26.3%. On November 12, 2002, the Swedish Supreme Court did not grant the Civil Aviation Administration's leave to appeal in its dispute regarding the SAS Group's lease obligations for Terminal 2 at Arlanda. The ruling by the Göta Court of Appeal of April 2001 in SAS's favor stands. Including interest, the amount repaid of the payments made by the SAS Group from 1993 to 1996 totaled MSEK 570, which was taken to revenue. Adjusted for noncomparable units of MSEK 13,518, currency effects of MSEK 273, and revenue from Terminal 2, MSEK 570, the Group's operating revenue fell by 1.6%. Scandinavian Airlines' passenger traffic measured in revenue passenger kilometers RPK , increased by 1.1% compared with 2001. The unit revenue or yield, adjusted for currency effects, fell by 4.6%.

For the entire Group, restructuring costs charged against net income for the year were MSEK 537, of which MSEK 529 was the expense for idle notice periods as well as contractual pensions covering just over 1,000 persons. The remaining MSEK 8 primarily went for expenses for unused leased premises.

Payroll expenses increased by MSEK 4,560, or 25.6% and amounted to MSEK 22,352 (17,792). Excluding noncomparable units, restructuring costs and currency effects, payroll expenses were MSEK 18,689 or 5% higher than the previous year. The Group's pension costs have increased significantly compared with the previous year. The Group's expected long-term rate of return on pension funds in Alecta was reduced during the year by one percentage point to 8.8%, with a full year effect of MSEK 120. The total cost increase for defined-benefit pension plans amounted to MSEK 876, which except for acquired companies is due to lower returns on fund assets and the amortization of actuarial deviations from estimates.

The number of employees in the SAS Group increased by 14.4%. In comparable units the number of employees fell by 3.4%.

The Group's other operating expenses increased by MSEK 6,147, or 18.7% to MSEK 39,045. Excluding noncomparable units and currency effects, operating expenses fell by 8.1%. Other operating expenses include the Group's costs for jet fuel, which amounted to MSEK 4,938 (4,254). Of this, Scandinavian Airlines represents MSEK 3,184 (4,030) and other airlines MSEK 1,754 (224). SAS's price for fuel in 2002 was approximately 9% lower than in 2001.

Earnings before depreciation, EBITDA, amounted to MSEK 3,547 (743). The gross profit margin increased from 1.4% till 5.5%.

Depreciation amounted to MSEK 2,953 (2,443), an increase of MSEK 510, of which about half came from acquired units.

Share of income in affiliated companies amounted to MSEK –409 (–70). Spanair is reported as an affiliated company until the end of February 2002. The share of income amounts to MSEK –300 and covers the period November 1, 2001 to February 28, 2002. Excluding a reversal of a stock reserve the previous year of MSEK 80 and Spanair's share of income for 2001, MSEK –153, the shares of income were MSEK –109 (3). The primary reason for the change is British Midland, where the Group's share of income amounted to MSEK –95 (49) and Polygon, MSEK –21 (–111). There is also the write-down of the Group's holdings in Cimber Air of MSEK 91. As part of the restructuring in the industry, the value of the company has fallen, and the SAS Group has therefore written down its holdings to an estimated market value.

Income from the sale of shares in subsidiaries and affiliated companies, MSEK 817 (–24), comprises a capital gain on the sale of SMART, MSEK 811, as well as the sale of Malmaison and SAS Hotels Amsterdam NV. The previous year included an adjustment in the capital gain relating to British Midland in the amount of MSEK –31 MS and a capital gain on the sale of shares in FM Partner AB and Ego.

The Group's income from the sale of aircraft and buildings amounted to MSEK –320 (1,165) in the period. This includes the sale of aircraft through sale and leaseback of seven Boeing 737s, two Airbus A320s, one Airbus A330 and one Airbus A340 and the sale of one Fokker F28, totaling MSEK 264. After deduction for phasing in and phasing out costs, which due to the phasing out of the Douglas DC9 in particular and phasing in of the new Airbus fleet amounted to MSEK –574 (–684), income from the sale of aircraft is reported at MSEK –310 (295).

In the previous year, one Boeing 767, nine Boeing 737s, three deHavilland Q400s, one Airbus A340, one Fokker F28 and one Dash 8 were sold.

Income from the sale of buildings amounted to MSEK –10 (870) and covers the sale of building fixtures at SAS Trading. In the previous year, airport buildings and hotel properties were sold.

Income from other shares and participations, MSEK –180 (1), includes a write-down of the Group's participation in Expo Investments Partnership, which holds 10% of the shares in Air Canada. In light of the performance of Air Canada's share, this participation was written down MSEK 157. SMART's holding in ICSA T was also written down MSEK 27. Other sales provided MSEK 4 (1) in capital gain.

The Group's net financial items amounted to MSEK –952 (–512). Net interest was MSEK –882 (–300). The currency effect was MSEK 36 (–160). Other net financial expenses were MSEK–106 (–52).

Income before tax amounted to MSEK –450 (–1,140).

Of the Group's tax, MSEK 312 (264) comprised change in deferred tax.

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 22% of operating revenue and 20% of operating expenses are in Swedish kronor.

The aggregate effect of changed exchange rates on the SAS Group's operating income for 2002 compared with 2001 was MSEK 522 (–117). This is mainly a consequence of a rise in the Swedish krona against most currencies except the Norwegian krone. The difference between the years in the effect of exchange rate differences on the financial net debt was MSEK 196 (–175).

The total effect on income before tax was therefore MSEK 718 (–292).

Change (MSEK)	2001/02	2000/01
Operating revenue	273	3 251
Payroll expenses	–185	–1 024
Other expenses	358	–2 280
Translation of working capital	207	–100
Income from hedging of commercial flows	–131	36
Operating income	522	–117
Net financial items	196	–175
Income before tax	718	–292

Currency effects on net income for the year (MSEK)	2002	2001
Translation of working capital	129	–78
Income from hedging of commercial flows	–10	121
Operating income	119	43
Currency effect on the Group's financial net debt	36	–160
Income before tax	155	–117

The SAS Group's balance sheet

ASSETS			
MSEK	Note	2002	2001
Fixed assets			
Intangible fixed assets	12	3,169	1,515
Tangible fixed assets	13		
Land and buildings		2,687	2,714
Aircraft		24,144	19,678
Spare engines and spare parts		3,112	2,398
Workshop and aircraft servicing equipment		412	359
Other equipment and vehicles		1,922	1,962
Construction in progress		234	165
Prepayments for tangible fixed assets	14	1,172	4,110
		33,683	31,386
Financial fixed assets	15		
Equity in affiliated companies	16	505	1,128
Long-term receivables from affiliated companies	17	314	950
Shares and participations	18	191	359
Pension funds, net	19	6,298	5,172
Deferred tax receivable	11	1,553	544
Other long-term receivables		1,132	1,353
		9,993	9,506
Total fixed assets		46,845	42,407
Current assets			
Expendable spare parts and inventories	20	1,407	1,521
Prepayments to suppliers		3	16
		1,410	1,537
Current receivables			
Accounts receivable		5,147	3,727
Receivables from affiliated companies		69	138
Other receivables		1,577	1,618
Prepaid expenses and accrued income		1,041	1,673
		7,834	7,156
Short-term investments	21	9,672	10,382
Cash and bank balances		1,049	1,280
Total current assets		19,965	20,355
TOTAL ASSETS		66,810	62,762

SHAREHOLDERS' EQUITY AND LIABILITIES			
MSEK	Note	2002	2001
Shareholders' equity	22		
Restricted equity			
Share capital		1,645	1,618
Restricted reserves		6,417	6,588
Unrestricted equity			
Unrestricted reserves		7,258	8,402
Net income for the year		–132	–1,064
Total shareholders' equity		15,188	15,544
Minority interests	22	166	263
Provisions			
Pensions and similar commitments		47	45
Deferred tax liability	11	3,606	3,856
Other provisions	23	1,791	1,384
		5,444	5,285
Long-term liabilities	24		
Subordinated debenture loan	25	915	920
Bond issues	26	5,371	5,539
Other loans	27	15,036	12,479
Long-term liabilities to affiliated companies	28	0	60
Other liabilities		330	286
		21,652	19,284
Current liabilities			
Current portion of long-term loans		804	2,463
Short-term loans	30	7,552	4,603
Prepayments from customers		165	79
Accounts payable		4,259	2,621
Liabilities to affiliated companies		61	36
Tax payable		152	236
Unearned transportation revenue	31	3,582	2,837
Other liabilities		2,298	2,325
Accrued expenses and prepaid income		5,487	7,186
		24,360	22,386
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		66,810	62,762
Book equity per share (SEK) [1]		92.33	96.06
Pledged assets	32	985	2,382
Contingent liabilities	33	503	1,617
Leasing commitments	34		

[1] *Calculated on 164,500,000 shares for 2002 and on 161,816,396 shares for 2001.*

Comments on the balance sheet

Assets

The SAS Group's total assets increased by 6.4% in 2002, from MSEK 62,762 to MSEK 66,810.

The consolidation of Spanair increased assets by MSEK 5,133. The MSEK 1,654 increase in intangible assets stems from acquired goodwill of 1,386 MSEK, of which Spanair comprises MSEK 1,025 and Braathens MSEK 313. In addition there were development costs in the IT area of MSEK 168, and, net of exchange rate differences, depreciation, etc., of MSEK 100.

The book value of aircraft increased by MSEK 4,466. This change comprises an increase owing to investment in Boeing 737s, Airbus A340/A330s and Airbus A321s including earlier prepayments with a total of MSEK 10,593. Deductible items are depreciation for the year of MSEK 1,425 and residual value of sold aircraft, etc., MSEK 4,702.

Long-term prepayments to suppliers of flight equipment fell during the year by MSEK 2,938. Advances to Boeing, Bombardier and Airbus were utilized in an amount of MSEK 3,393 in connection with aircraft deliveries during the year. MSEK 64 was utilized for other deliveries. Prepayments of MSEK 493 were made for future deliveries. There was an additional book value of prepayments in Spanair of MSEK 377 in connection with its consolidation as a subsidiary. Capitalized financial expenses amounted to MSEK 11, and translation differences due to a weaker USD reduced the value by MSEK 362.

Equity in affiliated companies decreased by MSEK 623 to MSEK 505. Shares of income after tax for the year were negative at MSEK 393. The shares in Malmaison and SAS Hotels Amsterdam were sold, reducing the equity by MSEK 112. In addition, equity fell by MSEK 118 due to write-downs, dividends, exchange rate fluctuations, etc.

For all defined benefit pension plans the pension commitments are calculated and all funded assets are taken into account. At December 31, 2002, book net pension funds totaled MSEK 6,298 (5,172) (*see also Note 19*).

At year-end short-term liquid assets totaled MSEK 10,721 (11,662), or 16.0 (18.6)% total of assets.

Shareholders's equity

Shareholders' equity decreased by MSEK 356, to MSEK 15,188 (15,544). In addition to income for the year after tax, the change comprised a new issue, translation differences in subsidiaries and affiliated companies and changes in connection with the consolidation of Spanair. At year end the equity/assets ratio was 23% (25%) and return on book equity amounted to –1% (–6%).

Liabilities

MSEK 29,782 (26,124) of total liabilities were interest bearing. The increase is mainly attributable to new borrowing in connection with investments in aircraft.

In December 2001 a general agreement was concluded for just over MUSD 1,000 with four banks and the three export financing institutions in the U.K., France and Germany, of which MUSD 575 was utilized in 2002. MUSD 120 was unutilized at December 31, 2002. At year-end 2002 the SAS Group had unutilized restricted credit facilities of MUSD 952.

The interest-bearing net debt amounted to MSEK 11,574 (7,652) at December 31, 2002. The SAS Group's average net debt during the year was MSEK 12,050 (4,178).

Financial net debt excluding net pension funds totaled MSEK 17,872 (12,824).

The debt/equity ratio calculated on the financial net debt at December 31, 2002, was 1.16 (0.81).

Provision for marginal costs associated with the provision of free travel in exchange for redeemed EuroBonus points amounted to MSEK 929 (905) at December 31, 2002.

Total capital employed amounted to MSEK 45,136 (41,931) at year-end. Average capital employed during the year was MSEK 43,587 (37,337). Return on capital employed was 4% (0%).

The SAS Group's cash flow statement

MSEK	Note	2002	2001
THE YEAR'S OPERATIONS			
Income before tax		–450	–1,140
Depreciation		2,953	2,443
Income from the sale of fixed assets	35	–1,075	–1,826
Adjustment for items not included in cash flow, etc.	36	663	–94
Paid tax		–273	–200
Cash flow from operations before change in working capital		1,818	–817
Change in:			
Expendable spare parts and inventories		275	–125
Operating receivables		1,999	–1,058
Operating liabilities		–1 954	1,650
Cash flow from change in working capital		320	467
Cash flow from the year's operations		2,138	–350
INVESTMENT ACTIVITIES			
Aircraft		–7,200	–4,262
Spare parts		–814	–879
Buildings, equipment and other facilities		–793	–916
Shares and participations, goodwill, etc.		–354	–792
Prepayments for flight equipment		–493	–4,001
Acquisition of subsidiaries	37	–265	–826
Total investments		–9,919	–11,676
Sale of subsidiary	38	733	–
Sale of fixed assets		5,375	8,738
Translation differences, etc.		–53	–356
Cash flow from investment activities		–3,864	–3,294
FINANCING ACTIVITIES			
New issue		197	–
Borrowing, amortization and early redemption incl. translation differences, net		1,098	8,963
Other financial receivables/liabilities, net		–898	–1,987
Change in minority interest		388	105
Dividend		–	–754
Cash flow from financing activities		785	6,327
Cash flow for the year		–941	2,683
Liquid assets, January 1		11,662	8,979
Liquid assets, December 31		10,721	11,662

Comments on the cash flow statement

The SAS Group's cash flow from the year's operations before changes in working capital amounted to MSEK 1,818 (–817). Working capital decreased by MSEK 320 (467), which resulted in cash flow from the year's operations of MSEK 2,138 (–350).

Total investments including prepayments to aircraft suppliers amounted to MSEK 9,919 (11,676). This includes delivery payments of MSEK 7,200 for three Airbus A340s, two Airbus A330s, seven Airbus A320/A321s, four Boeing 737s and nine deHavilland Q400s as well as prepayments to aircraft suppliers of MSEK 493.

Investments in shares and participations amounted to MSEK 31, and MSEK 323 was invested during the year in intangible assets, excluding goodwill in Spanair, Widerøe and Aeronautical Services Group.

Acquisition of subsidiaries refers to acquisition of shares in Spanair, Widerøe and Aeronautical Services Group. The purchase price for Spanair was MSEK 780. After deduction for funds paid into a blocked account in 2001 and the conversion of loans totaling MSEK 615 plus a deduction for Spanair's liquid assets of MSEK 135, the Group's cash flow was affected by MSEK 30. The purchase price for the minority shares in Widerøe acquired in May was MSEK 181. Aeronautical Services Group was acquired in December for MSEK 54, and after merging with SAS Flight Support, has formed European Aeronautical Group.

Sale of subsidiary refers to the sale of SMART (Scandinavian Multi Access Systems), which in August was sold to for MSEK 995. After deduction for liquid assets in SMART of MSEK 262, the affect on the Group's cash flow was MSEK 733.

Sale of fixed assets generated MSEK 5,375 (8,738), of which proceeds from the sale of aircraft amounted to MSEK 5,220 (5,168). Sale of properties provided MSEK 29 (3,540), while shares and participations were sold for MSEK 126 (30).

During the year a private new issue in SAS AB was made that brought in MSEK 197. Financial liabilities rose by MSEK 1,098 in 2002, which mainly comprised a net of just over MSEK 5,700 in new borrowing as well as amortization and redemption of loans. Other financial assets increased by MSEK 898, mainly owing to an increase in net pension assets. No dividend was paid to shareholders in 2002.

Overall, the SAS Group's liquid assets decreased by MSEK 941.

Summary statement of income

Quarterly figures

	2000		2001					2002				
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	12,809	47,540	12,137	13,811	12,675	12,810	51,433	13,775	17,868	16,592	16,709	64,944
Payroll expenses	–3,701	–14,932	–4,083	–4,570	–4,314	–4,825	–17,792	–5,209	–5,497	–5,335	–6,311	–22,352
Other operating expenses	–7,294	–27,000	–6,883	–8,004	–7,479	–8,107	–30,473	–7,982	–9,123	–9,127	–9,066	–35,298
Earnings before depreciation and leasing costs, EBITDAR	1,814	5,608	1,171	1,237	882	–122	3,168	584	3,248	2,130	1,332	7,294
Leasing costs	–509	–1,898	–509	–579	–679	–658	–2,425	–878	–1,050	–932	–887	–3,747
Earnings before depreciation, EBITDA	1,305	3,710	662	658	203	–780	743	–294	2,198	1,198	445	3,547
Depreciation	–749	–2,192	–576	–565	–591	–711	–2,443	–651	–715	–781	–806	–2,953
Share of income in affiliated companies	–49	–1	35	36	–43	–98	–70	–328	–12	3	–72	–409
Income from the sale of shares in subsidiaries and affiliated companies	1,016	1,033	5	–31	1	1	–24	0	1	829	–13	817
Income from the sale of aircraft and buildings	228	490	122	201	377	465	1,165	–133	–118	–208	139	–320
Operating income, EBIT	1,751	3,040	248	299	–53	–1,123	–629	–1,406	1,354	1,041	–307	682
Income from other shares and participations	4	15	1	0	0	0	1	0	–24	4	–160	–180
Net financial items	–34	–226	–209	–119	–160	–24	–512	–40	–291	–405	–216	–952
Income before tax, EBT	1,721	2,829	40	180	–213	–1,147	–1,140	–1,446	1,039	640	–683	–450
Taxes	–383	–699	–27	–28	3	155	103	99	–100	–102	370	267
Minority shares	10	5	0	–24	2	–5	–27	25	29	–32	29	51
Income after tax	1,348	2,135	13	128	–208	–997	–1,064	–1,322	968	506	–284	–132

Comments and notes to the Report by the Board of Directors

Accounting and valuation policies

General

The SAS Group's financial statements are prepared in accordance with generally accepted accounting principles in Sweden, which are based on the Annual Accounts Act and recommendations from the Swedish Financial Accounting Standards Council.

The Group's earnings and financial position upon application of the International Accounting Standards (IAS) recommendations, are stated in Note 41.

Consolidated accounts

The SAS Group's accounts comprise the Parent Company SAS AB and all companies in which SAS directly or indirectly owned more than 50% of the voting rights or has a controlling influence.

Revenues and expenses in companies acquired or divested during the year are included in the SAS Group's statement of income only with the values relating to the ownership period.

Holdings in affiliated companies where 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 value according to an acquisition analysis. If the acquisition value of shares in subsidiaries exceeds the calculated fair 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.

Consolidation of SAS Danmark A/S, SAS Norge AS and SAS Sverige AB is carried out through a consolidation of all assets and liabilities at the values at which they are stated in the respective unit.

Minority interests in non-wholly owned subsidiaries are calculated on the basis of the subsidiaries' accounts and stated in the consolidated balance sheet as a separate item between shareholders' equity and liabilities. Minority share of income after tax is stated in the statement of income.

All intra-Group receivables and liabilities, intra-Group sales and intra-Group profits are eliminated entirely.

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 company's equity comprises its share of shareholders' equity, taking into account deferred tax 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 tax, 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. Write-downs of equity are also reported as shares of income from affiliated companies.

Intra-Group profits are eliminated based on the Group's participation in the affiliated company.

Translation of financial statements of foreign subsidiaries

All of the SAS Group's subsidiaries are classified as independent. 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. The currency exposure arising from translating the financial statements of foreign subsidiaries is not hedged.

Receivables and liabilities in foreign currency

Current and long-term receivables and liabilities in currencies other than the reporting currency (SEK) are stated in the balance sheet translated at closing rates. Both realized and unrealized exchange rate gains and losses on receivables and liabilities are reported in the statement of income. Receivables and liabilities that were currency hedged are reported at the hedged rate.

The value of assets in the form of aircraft is not translated, but when aircraft are purchased and market valued in foreign currency (USD), the asset base is exposed to currency risks. Linking financing in a corresponding currency (USD) to the investment minimizes the effect of changes in exchange rates. This financing constitutes a hedging transaction since it effectively counteracts the change in value of the underlying asset, both at the date it was contracted and during the hedging period. The specific assets and liabilities covered by hedging are stated at the exchange rate on the acquisition date. When an asset is sold, the currency effects attributable to the underlying asset and hedging transaction are set off against capital gain.

Exchange rates

			Closing rate		Average rate	
			2002	2001	**2002**	2001
Denmark	DKK	100	**123.75**	126.65	**123.28**	124.15
Norway	NOK	100	**125.95**	118.35	**122.00**	114.99
U.S.	USD		**8.83**	10.67	**9.73**	10.33
U.K.	GBP		**14.15**	15.48	**14.57**	14.87
Switzerland	CHF	100	**632.35**	636.00	**624.28**	612.80
Japan	JPY	100	**7.40**	8.13	**7.76**	8.50
EMU countries	EUR		**9.19**	9.42	**9.16**	9.25

Financial instruments

Short-term investments are valued at the lower of acquisition value or fair value.

Currency derivatives

Outstanding currency derivatives (forward exchange contracts, currency swap contracts and currency options) are valued at the closing rate. Realized and unrealized exchange gains are reported in the statement of income. Forward premiums are allocated over the contract period and are stated under net interest. Option premiums are allocated over the contract period and are stated as a cost/revenue.

Currency derivatives that are taken out to hedge forecast commercial currency flows and investments are subjected to hedge accounting. In order for hedge accounting to be applied, the derivatives' effectiveness has to be demonstrated when the contract is entered into and during the hedge period. In addition, the flow must be expected to occur with a high probability.

Currency effects on hedge transactions are reported in the statement of income at the same date as the currency effects on the hedged underlying position (investment or currency flow).

Interest rate derivatives

Interest rate derivatives (interest rate swaps), forward rate agreements (FRAs) and futures are taken out to alter the underlying interest rate structure of the financial net debt. The interest rate derivatives' (net) earnings effect of interest income and interest expenses are stated as incurred under net interest. Accrued interest is stated for outstanding interest rate derivatives.

Expendable spare parts and inventories

Expendable spare parts and inventories are stated at the lower of acquisition value or net sales value. Some spare parts related to aircraft are valued according to the lower of cost or market value principle collectively with the aircraft concerned. Appropriate deduction is made for obsolescence.

Intangible assets

Intangible assets comprise goodwill, capitalized costs for systems development and other intangible assets.

Intangible assets are stated in the balance sheet when,

- an identifiable non-monetary asset exists,
- it is probable that the future financial advantages that can be attributable to the asset will accrue to the company and
- the acquisition value of the asset can be calculated in a reliable manner.

Goodwill: Goodwill that arises upon consolidation consists of a value which at acquisition of operations exceeds the book value of the assets acquired and the liabilities taken over. Goodwill is reported as an intangible asset. Goodwill is amortized using a straight line method over the estimated useful economic life of the asset. Investments in other airlines are regarded as strategic in nature and are therefore amortized over a period of 20 years. The estimated useful economic life of goodwill is reviewed at the end of each fiscal year. In cases where the estimated useful life differs significantly from earlier assessments, the amortization period is changed accordingly.

Goodwill that arises from acquisition of subsidiaries is stated separately in the balance sheet. Goodwill amortization is included in the item depreciation in the statement of income.

Goodwill that arises from acquisition of an affiliated company is included in the reported value of the affiliated company.

If a business to which a goodwill item is attributable is sold, the goodwill item remaining at divestment is included in the result from the divestment.

Systems development costs: Development costs that do not meet the criteria specified above are expensed in the period they arise.

Costs for development of computer systems are reported as an asset provided that they meet the criteria specified above.

Capitalized development costs are amortized on a straight line basis over the estimated useful economic life of the asset. The maximum useful economic life is 5 years. Amortization of capitalized development costs is included in the item depreciation in the statement of income.

Tangible fixed assets

Tangible fixed assets are reported at historic acquisition value less accumulated depreciation and any write-downs. Depreciation is straight-line over the estimated useful economic life of the assets.

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

Costs for routine aircraft and engine maintenance as well as repair costs are expensed on an ongoing basis. Extensive modifications and improvements to fixed assets are capitalized and written off together with the asset to which the work is related, over its remaining useful economic life.

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

Income from the sale or disposal of a tangible fixed asset is calculated on the difference between sales value and book value. The gain or loss that arises is reported in the statement of income.

In conjunction with major replacements of the aircraft fleet when one aircraft type is replaced by another, additional costs arise directly related to such replacement. The additional costs for phasing in new aircraft types arise in the form of training for crews and technical personnel. SAS is also charged with additional costs for phasing out aircraft that are to be delivered back to their owners or sold, for retention of crews for aircraft types being phased out and written-down surplus equipment. These additional costs reduce the capital gain on the sale of aircraft.

Depreciation is based on the following estimated periods of useful economic life:

Asset class	Depreciation
Aircraft	20*
Spare engines and spare parts	20*
Workshop and aircraft servicing equipment	5
Other equipment and vehicles	3-5
Buildings	5-50

** Estimated residual value after a useful economic life of 20 years is 10%. Through 1998 the estimated useful economic life was 15 years with an estimated residual value of 10%.*

Leasing – Finance and Operating

As a lessee, SAS has entered into finance and operating leasing contracts. Leasing contracts where SAS in principle takes over all the risks and benefits of the asset are reported as finance leasing contracts. At the beginning of the leasing period, finance leasing contracts are reported at fair value. Assets held under finance leases are taken up in the balance sheet as a fixed asset and the future commitment to the lessor as a liability. Assessment of leased assets' useful economic life corresponds to the principles SAS applies to acquired assets.

Leasing agreements where in principle all risks and benefits remain with the lessor are reported as operating lease contracts. The leasing cost for operating lease contracts is expensed on an ongoing basis during the contract period.

For aircraft leased under operating leases, the contract states that when the aircraft is returned, it must be in a certain specified condition. To meet this commitment, SAS carries out maintenance on these aircraft, both regularly and at the expiration of the leasing. These costs are expensed on an ongoing basis when the maintenance is carried out.

Write-downs

At the end of every reporting period an assessment is made of the reported value of tangible and intangible assets in order to determine the extent to which there is a value impairment for these assets. This assessment is made by calculating the asset in question's recoverable amount to establish the magnitude of any value impairment.

The recoverable amount comprises the higher of value in use of the asset or its net sales value.

For the Group's aircraft fleet and related spare equipment and spare parts, SAS mainly calculates the recoverable amount by estimating the market value at the end of the reporting period. Valuations specify the net sales value per aircraft type, among other things taking the aircraft's age into account.

If the net sales value of the aircraft fleet is assessed at lower than the reported value, a write-down is undertaken. Write-downs are reported as an expense in the statement of income.

At the end of every reporting period an assessment is also made of the extent to which an earlier write-down, total or partial, is no longer motivated. This assessment is also normally based on a comparison between market value and the reported value. A reversal of a write-down is reported in the statement of income and thus reduces depreciations, amortizations and write-downs for the period.

Financial fixed assets

Financial fixed assets include equity in affiliated companies. Participations in affiliated companies are reported in the consolidated accounts by applying the equity method. Additional information on treatment of affiliated companies is provided in the section on principles for consolidated accounts and consolidation.

Provisions, contingent liabilities and contingent assets

Provisions are reported when SAS identifies legal or informal commitments as a result of historic events, where the outcome is probable and where the financial resources required to settle these commitments can be estimated with reasonable certainty.

Pension commitments

The SAS Group'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 the employer has accepted responsibility for defined contribution solutions, the obligation 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. The SAS Group calculates its pension commitments for the defined benefit pension plans. Calculations of commitments are based on estimated future final salary. An estimate of accumulated funded assets is made at the same time.

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 funded assets. Amortization of deviations from estimates and plan amendments is 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. An alternative method is used in accordance with IAS19 for amortizing deviations between anticipated and actual results for calculated pension obligations and funded assets. Cumulative actuarial deviations from estimates of up to 10% of the greater of pension obligations or pension assets are exempted. When the cumulative actuarial deviations from estimates exceed this 10% limit, amortization starts of the excess amount over 5 years.

Revenue recognition

Passenger revenue: Ticket sales are reported as traffic revenue when the air transport has been carried out.

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

Freight revenue: SAS Cargo's transport services are recognized as revenue when the air transport is completed.

Other revenue: Sales of hotel accommodation and conferences are recognized as revenue when completed. Sales of goods and services are recognized as revenue when the goods are delivered or the service carried out.

Loyalty programs

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

Borrowing costs

Borrowing costs that arise in operations are expensed in the period in which they are incurred. Borrowing costs for prepayments attributable to aircraft not yet delivered are described in the section "Tangible fixed assets."

Tax

Actual tax for the period is based on earnings for the period, adjusted for non-tax deductible costs and revenues not liable to tax. The actual tax is calculated on the basis of tax rates applying on the closing date.

Deferred tax is reported according to the balance sheet method whereby temporary differences, differences between the reported and fiscal values of assets, result in a deferred tax receivable or deferred tax liability. A deferred tax liability is normally reported for all temporary differences liable to tax, while a deferred tax receivable is reported to the extent it is probable that a taxable surplus will be created against which the deductible temporary difference can be utilized.

A deferred tax liability is reported for all taxable temporary differences attributable to investments in subsidiaries and affiliated companies except in cases where the Group can control the timing of reversal of the temporary differences, and it is probable that such reversal will not take place in the foreseeable future.

Deferred tax is calculated based on the tax rates that are expected to apply in the period the tax is realized. Deferred tax is reported in the statement of income.

A deferred tax receivable and deferred tax liability are reported net if the items pertain to the same tax authority.

Segmental reporting

Information is provided for business areas and geographical markets. This information is based on the SAS Group's accounting principles and the Group's internal reporting to company management.

The primary segment comprises the SAS Group's five business areas and Group-wide functions and Group eliminations.

The Group's statement of income is shown by business area for income before tax, EBT. Tax and minority shares are not broken down by business area.

Business area assets comprise all assets used directly in the business area's operations. Equity shares in affiliated companies, however, are presented separately. Business areas liabilities and provisions comprise all commitments that are directly attributable to the business area's operations.

The secondary segment comprises the SAS Group's geographical markets and revenues are broken down by the geographical market where operations are conducted.

Traffic revenue from domestic service in Denmark, Norway and Sweden is allocated to domestic. Traffic between the three countries is allocated to Intra-Scandinavian. Other traffic revenues are allocated to the geographical area where the destination is located.

Other revenues are allocated to a geographical area based on

1) the customer's geographical location, for example, goods exported to a customer in another country.
2) the geographical location where the service is performed, for example, training in flight simulators or hotel stays.

Assets broken down by geographical areas do not include the Group's airlines, since the bulk of their assets comprises aircraft with appurtenant spare parts. Since aircraft are utilized in a flexible manner across the route network, there is no justifiable basis for allocating these assets.

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

Note 1 - Reclassification in the Group's 2001 statement of income

Net financial items of MSEK –20 were reported in the SAS Group's 2001 statement of income. Net interest was MSEK –300, exchange rate differences MSEK 332 and other financial income and expenses MSEK –52. The exchange rate differences included MSEK 492, corresponding to the portion of capital gains from the sale and leaseback of aircraft that arose due to the stronger U.S. dollar in 2001.

In this year's consolidated statement of income the comparable figures for 2001 have been reclassified, whereby net financial items fell by MSEK 492 and were entered at MSEK –512. Income from the sale of aircraft and buildings improved by MSEK 492 and is stated at MSEK 1,165.

Note 2 - Operating revenue

	2002	2001
Traffic revenue:		
Passenger revenue	45,778	36,582
Freight	2,439	2,176
Mail	397	317
Other traffic revenue	4,454	831
Other operating revenue:		
Sales of goods	2,096	2,275
Computer services	2,152	2,242
Rooms revenue	1,864	1,591
Food and beverage revenue	1,165	1,163
Administration systems services	2,332	1,043
Ground services	6,249	1,005
Distribution systems services	663	888
Technical maintenance	5,751	835
Flight simulator training	622	627
Terminal and forwarding services	955	518
Sales commissions	5,539	216
Other operating revenue	3,688	3,135
Group eliminations	–21,200	–4,011
SAS Total	64,944	51,433

Note 3 - Payroll expenses

Average number of employees

The average number of employees in 2002 within the SAS Group's different business areas was 35,506 (31,035), of whom 7,556 (22,364) were employed at Scandinavian Airlines, 6,392 (1,530) at Subsidiary & Affiliated Airlines, 13,188 (–) in Airline Support Businesses, 4,188 (4,038) in Airline Related Businesses, 1,065 (–) Group-wide and 3,117 (3,103) in Hotels.

A breakdown of the average number of employees by country is provided in the table below.

The average number of employees in Denmark was 9,192 (10,099), in Norway 11,407 (8,857) and in Sweden 9,318 (9,310).

	2002		2001	
	Men	Women	Men	Women
Denmark	5,729	3,463	6,512	3,587
Norway	6,683	4,724	5,119	3,738
Sweden	5,154	4,164	5,110	4,200
U.K.	209	324	210	339
Germany	174	186	168	188
France	152	130	45	87
Japan	21	25	27	19
Finland	110	175	114	191
Belgium	190	380	241	349
Spain	1,272	1,412	8	9
U.S.	162	106	153	94
Other countries	206	355	190	337
Total	20,062	15,444	17,897	13,138
Total men and women	35,506		31,035	

Note 3, cont.

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses amounted to MSEK 21,357 (17,140), of which social security expenses comprised MSEK 2,727 (2,411) and pensions MSEK 1,681 (604).

	2002		2001	
MSEK	Salaries and other remuneration	Soc. security (of which pension costs)	Salaries and other remuneration	Soc. security (of which pension costs.)
SAS AB	12	2 (2)	2	0 (–)
SAS Consortium	10,600	2,719 (978)	10,368	2,024 (303)
Other subsidiaries	6,337	1,687 (701)	3,755	991 (301)
SAS Group total	16,949	4,408 (1 681) *	14,125	3,015 (604)

** Of the Group's pension costs, MSEK 15 (6) pertains to the Group Board and President.*

A breakdown of salaries and other remuneration between Board members, presidents and vice presidents and other employees is provided in the table below.

	2002		2001	
MSEK	Board, president and vice president (of which variable component)	Other employees	Board, president and vice president (of which variable component)	Other employees
SAS AB	12 (–)	–	2 (–)*	–
SAS Consortium	5 (–)	10,595	27 (5)	10,341
SAS Commuter Consortium	2 (–)	531	2 (–)	524
Air Botnia	1 (–)	102	1 (–)	114
Widerøe's flyvelselskap	2 (–)	797	2 (–)	656
Braathens	13 (–)	1,383	–	–
Spanair[1]	11 (–)	767	–	–
Newco Airport Services[1]	4 (–)	112	–	–
Rezidor SAS Hospitality	10 (3)	1,061	11 (3)	983
SAS Cargo Group	2 (0)	505	1 (–)	428
Scandinavian IT Group	0 (–)	757	0 (–)	717
SAS Flight Academy	1 (0)	79	2 (0)	86
European Aeronautical Group	1 (–)	25	1 (–)	26
Other subsidiaries	10 (0)	161	10 (1)	191
SAS Group total	74 (3)	16,875	59 (9)	14,066

** Board fees for the period July 1- December 31, 2001 amounting to SEK 1,731,000.*
[1] Included in the Group as a subsidiary as of March 2002.

Pension costs

	2002	2001
Defined benefit pension plans	763	–113
Defined contribution pension plans	918	717
Total	1,681	604

Remuneration and fringe benefits of senior executives

The Board

At the Annual General Meeting of SAS AB on April 17, 2002 it was resolved not to change the total fees paid to shareholder-elected members, i.e. SEK 2,150,000. Within the authority of the general meeting, it was also resolved to set the remuneration of the employee-elected board members and deputies at SEK 1,350,000. In 2002, remuneration of SEK 3,500,000 was paid to members and deputy members of SAS AB's Board of Directors, of which SEK 550,000 to the Chairman of the Board, SEK 400,000 to the Vice Chairman, SEK 300,000 to each of the seven ordinary Board members, and SEK 75,000 to each of the six deputy employee representatives.

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in 2002. No Board member not employed by the SAS Group received any remuneration or benefit from any company in the SAS Group beyond customary travel benefits and the fee received for board work.

President and CEO

Salary and the value of benefits paid in 2002 to SAS AB's President, who also serves as chief executive officer, totaled SEK 8,309,000, of which SEK 1,125,000 pertains to the variable component for the year 2001 that is set and paid in 2002. The variable component for 2001 was part of the employment contract and is cal-

Note 3, cont.

culated in relation to length of service but is not based on SAS's earnings or personal targets.

Effective July 1, 2002, the President's fixed annual salary amounts to SEK 7,100,000. The maximum possible variable component for the President is 50% of fixed annual salary and the target criteria for the variable component are set annually by the Board's compensation committee. The criteria cover budget and earnings targets as well as organizational and business targets that are accorded different weights. The variable component is paid annually in the arrears following the Board's approval of the annual accounts for the SAS Group for the fiscal year in question and according to the achievement of targets determined by the Board.

The variable component is not pensionable.

A variable remuneration is paid per whole year for a maximum of 20% of the aforementioned fixed annual salary for the period the President also held the office of acting chief operating officer of Scandinavian Airlines (July 1, 2002 - February 14, 2003). The remuneration will be set and paid in the arrears based on the achievement of specific target criteria for the assignment.

The President's retirement age is 62. Retirement pension, which is lifelong, is as of 2002 a defined benefit pension plan. Earnings are on a straight-line basis up to the retirement age of 62. With fully earned entitlement (at least 180 months of employment from entry into the plan) the pension amounts to 70% of pensionable salary up to 30 base amounts (currently SEK 1,137,000) and 35% of pensionable salary in excess of that amount. Provided the President remains in office until retirement age, the service period factor is 0.6333 (i.e. 63.33% of full earnings). Expressed in 2002 terms, the maximum pension from 62 years is SEK 1,826,000/year, approx. 26% of the fixed annual salary. The pension is not coordinated with previously earned pension rights. In 2002 the costs of the President's pension benefits amounted to SEK 2,557,000 (calculated according to IAS 19), approx. 36 % of the fixed pensionable salary.

In addition to retirement pension the President's pension benefits also include disability benefit up to ordinary retirement age and a survivor annuity not to exceed 10 years.

Severance pay is payable to the President in the event employment is terminated by SAS for reasons other than material breach of contract, gross neglect of duty or criminal acts against SAS. The amount corresponds to one and a half times the applicable fixed annual salary. Should new employment be obtained within 30 months after termination by SAS the awarded severance pay shall be reduced by the remuneration received from the new position, though, however by a maximum 50% of the severance pay. No severance pay is paid if the President resigns of his own accord.

The notice period is six months in the event the President resigns and 12 months if the termination of employment is by SAS.

Other senior executives

Salary and the value of benefits paid in 2002 to other senior executives, who include Group Management members Gunilla Berg, John S. Dueholm, Gunnar Reitan and Bernhard Rikardsen, amounted to a total of SEK 10,655,000. Of this the variable component for 2001 amounted to SEK 685,000.

The variable component totals a maximum of 40% (or in one case a maximum of 50%) of the fixed annual salary and is set on the basis of the achievement of individually contracted earnings and personal targets.

In the event of full target achievement the variable component paid is 80% of the maximum variable salary and if all targets are exceeded 100% of the variable salary is paid. The President sets the target criteria annually and approves the payment of the variable salary portion.

Retirement age is 60 years. Pension benefits for this group are partly defined benefit (two persons) and partly defined contribution (two persons).

The defined benefit pension plan means that earnings are on a straight-line basis until retirement age. The pension level with fully earned entitlement amounts to 70% of pensionable salary up to 30 base amounts/Norwegian basic pension (currently SEK 37,900/NOK 54,150) and 35% of the pensionable salary in excess of that amount. Pensionable salary refers to the annual fixed salary with the addition of the average variable component paid in the last three years.

Under the defined contribution plan, a fixed percentage of the annual salary is paid as pension. In the one case 20% is paid and in the other 21.5%. The percentage rate differences are due to different individual assumptions upon entry into the pension system.

SAS's total pension cost for 2002 in the category for other senior executives amounted to SEK 3,217,000, of which SEK 2,086,000 refers to defined benefit pension plans and SEK 1,131,000 refers to defined contribution pension plans. The pension benefit provides a vested benefit.

Severance pay for other senior executives is set according to basically the same principles as for the President, with, however the following differences:

I severance pay is not paid if the senior executive is offered another position in the SAS Group and the position has the same classification level as the previous position.

II the severance pay corresponds to two fixed annual salaries,

III the reconciliation against income from another appointment or assignment can total a maximum of one annual salary, and

IV severance pay may also be paid if the senior executive resigns if his or her responsibilities or authority are materially changed through ownership or organizational changes.

The notice period is 12 months (in one case six months) in the event of termination of employment by SAS and six months if the employee resigns.

Share price-related incentive program

Because the SAS Group does not have a share price-related incentive program, no such benefits were given to any senior executives in the SAS Group.

Other

Other typical managers' contracts in SAS are based on salary being paid in a fixed amount and a variable component. The variable component is based on contracted targets between the employee and his or her manager. The targets measured are usually linked to SAS's financial results, customer targets and employee targets. If financial results are negative or the target is not reached, no result-related bonus is paid on this component. For targets apart from the SAS Group's financial results, target achievement is measured and payment of the variable component is made in relation to achieved targets. The total variable salary component including financial results targets varies, with 100% target achievement, between 7.2% -32% of the fixed annual salary. Payment in 2003 of the total variable salary component for 2002 is expected to account for approx. 0.17% of SAS's total payroll expenses.

Other senior executives at SAS are entitled to a pension at age 60 and earn on a straight-line basis up to retirement age. With fully earned entitlement, the pension level for a Swedish employee in SAS's senior management amounts to 70% of pensionable salary up to 30 base amounts (SEK 1,137,000) and 35% of pensionable salary in excess of that amount. Pensionable salary refers to annual fixed basic salary with the addition of the average variable component paid in the last three years. Alternatively, a defined contribution pension plan is provided. The same basic pension systems structure applies to Danish and Norwegian senior SAS executives, adjusted to Danish and Norwegian conditions, respectively.

Severance pay is paid according to the same principles as for the category other senior executives.

Neither the President nor other senior executives are normally entitled to fees for representation on boards in the SAS Group or in companies in which SAS has ownership interests or with which SAS cooperates. In cases where a Board fee is nevertheless paid, the fee is not linked to employment in SAS and is therefore paid where appropriate directly by the company involved to the board representative.

Over and above salaries and remuneration described above, no transactions with related parties have occurred.

Discussion and decision-making process

The issue of the Board's fees is discussed by the nomination committee, which consists of seven representatives elected at the Annual General Meeting. Proposals concerning Board fees are presented to the Annual General Meeting by the nomination committee.

The primary task of the Board-created compensation committee, which consists of the Chairman, Vice Chairman and Fritz H. Schur, is to prepare for the decision of the Board questions pertaining to the President's salary and other employment terms and to lay down the main principles and general conditions applying to setting of salaries and other remuneration and employment terms (including variable component and severance pay policy) for the group management and other senior executives in the SAS Group.

Note 4 - Other operating expenses

	2002	2001
Leasing costs	3,747	2,425
Sales costs	2,825	2,457
Jet fuel	4,938	4,254
Government user fees	5,893	4,203
Catering costs	2,242	1,735
Handling costs	2,584	2,228
Technical aircraft maintenance	3,164	2,733
Computer and telecommunications costs	2,689	2,646
Cost of sold goods, incl. concession fees	1,562	1,727
Other operating expenses, SAS Trading	167	240
Other operating expenses, REZSAS	1,978	1,871
Other	7,256	6,379
Total	39,045	32,898

Note 5 - Depreciation

	2002	2001
Goodwill	107	20
Other intangible assets	219	128
Aircraft	1,425	1,019
Spare engines and spare parts	240	281
Workshop and aircraft servicing equipment	154	116
Other equipment and vehicles	589	607
Work in progress	–1	1
Buildings and fittings	219	270
Land improvements	1	1
Total	2,953	2,443

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

	2002	2001
British Midland PLC[2]	–95	49
Polygon Group Ltd[3]	–21	–111
Cimber Air A/S	–81	–14
Spanair S.A.[4]	–300	–153
Skyways Holding AB	–21	–20
Air Greenland A/S	12	0
airBaltic Corporation A/S	1	–1
Aerolínas Baleares S.A.	1	6
Airnet I/S	–	0
Newco Airport Services S.A[5]	–5	–5
Tradevision AB	–9	–10
Commercial Aviation Leasing Ltd	27	26
Reversal of intra-group profit for Commercial Aviation Leasing Ltd.	40	40
Casino Copenhagen K/S	23	24
ZAO St. Petersburg	–1	–4
SNR Amsterdam Hotel CV	18	16
Reversal of stock reserve	–	80
Others	2	7
Total[6]	–409	–70

[1] *Share of income in affiliated companies is reported before taxes.*
[2] *Share of income includes goodwill amortization of MSEK 9 (15) and adjustment of last year's income figure by MSEK –22 (5).*
[3] *The share of income includes adjustment of last year's income figure by MSEK –16 (–40).*
[4] *Spanair became a subsidiary of the SAS Group as of March 2002. The share of income for the period includes income from November – December 2001 and January – February 2002.*
[5] *Newco became a subsidiary of the SAS Group as of March 2002.*
[6] *Includes goodwill amortization totaling MSEK 23 (29).*

In some cases, the SAS Group'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

	2002	2001
Airbus A320	56	–
Airbus A330	26	–
Airbus A340	3	–80
Boeing 737	72	843
Boeing 767	–	203
Fokker F28	5	15
deHavilland Dash 8	–	18
deHavilland Q400	102	–20
Phasing in costs, new aircraft types	–237	–469
Phasing out costs in connection with sale of aircraft	–337	–215
Hotel properties	–	63
Other properties	–10	807
Total	–320	1,165

Note 8 - Income from other shares and participations

	2002	2001
Capital gains from sale of shares and participations	4	1
Write-down of shares	–184	–
Total	–180	1

Note 9 - Interest income and similar income items

	2002	2001
Interest income	1,097	597
Exchange rate differences, net	36	0
Other financial income	13	20
Total	1,146	617

Note 10 - Interest expenses and similar income items

	2002	2001
Interest expenses	1,979	897
Exchange rate differences, net	0	160
Other financial expenses	119	72
Total	2,098	1,129

Note 11 - Tax

The following components are included in the Group's tax expense.

	2002	2001
Actual tax	–61	–210
Deferred tax	312	264
Tax attributable to the Parent Company and its subsidiaries	251	54
Tax attributable to participations in affiliated companies	16	49
Total	267	103

Actual tax is calculated based on the tax rate in each country. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

The tax expense for the fiscal year can be reconciled against income before tax as follows:

	2002	2002 (%)	2001	2001(%)
Income before tax	–450		–1,140	
Tax according to weighted tax rate in Denmark, Norway and Sweden (28.6%)	128	–28.6	326	–28.6
Tax effect of non-deductible costs	–45	10.0	–192	16.8
Tax effect of revenues not liable to tax	82	–18.2	22	–1.9
Tax attributed to previous year	98	–21.8	–57	5.0
Effect due to other tax rates in countries outside Denmark, Norway and Sweden	4	–0.7	4	–0.3
Tax income/expense and effective tax rate for the fiscal year	267	–59.3	103	–9.0

Deferred tax liability/tax receivable

	2002	2001
Deferred tax liability	3,606	3,856
Deferred tax receivable	–1,553	–544
Deferred tax liability, net	2,053	3,312

Note 11, cont.

The tables below show the Group's most significant deferred tax liabilities and tax receivables according to category and how these liabilities and receivables changed in 2002.

	2002	2001
Deferred tax liability in the balance sheet:		
Fixed assets	2,704	2,881
Provisions	107	238
Tax allocation reserve	208	216
Other temporary differences	916	688
Fiscal loss carryforward	–329	–167
	3,606	3,856
Deferred tax receivable in the balance sheet:		
Fiscal loss carryforward	1,700	836
Provisions/receivables	317	210
Other temporary differences	–464	–502
	1,553	544
Deferred tax liability, net	2,053	3,312
Reconciliation of deferred tax liability, net:		
Opening balance	3,312	3,893
Net tax receivable in acquired companies	–961	–263
Change according to statement of income	–312	–264
Exchange differences etc.	14	–54
Deferred tax liability, net, at year-end	2,053	3,312

Note 11, cont.

On the closing date the Group had unutilized loss carryforwards amounting to a total of MSEK 7,190 (3,862). Based on these loss carryforwards, the Group reports a deferred tax receivable of MSEK 2,030 (1,003). For loss carryforward amounting to MSEK 334 (312), no deferred tax receivable is reported due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 5,927 has a due date in 2012 or earlier. There are no due dates for the remaining loss carryforwards.

No provision has been made for deferred tax on temporary differences related to non-distributed profits in subsidiaries and affiliated companies, since these profits will not be distributed within the foreseeable future, alternatively a distribution can be made without the profits being subject to tax.

Note 12 - Intangible fixed assets

	Goodwill 2002	Goodwill 2001	Other assets 2002	Other assets 2001	Total intangible fixed assets 2002	Total intangible fixed assets 2001
Opening acquisition value	983	453	1,156	714	2,139	1,167
Investments	1,495	535	198	447	1,693	982
Company acquisitions[1]	–	–	110	31	110	31
Sales/disposals	–	–	–	–10	–	–10
Reclassifications	114	–5	6	–28	120	–33
Exchange rate differences	93	–	–	2	93	2
Closing accumulated acquisition value	2,685	983	1,470	1,156	4,155	2,139
Opening depreciation	–277	–257	–333	–218	–610	–475
Depreciation for the year	–107	–20	–219	–128	–326	–148
Company acquisitions[1]	–	–	–30	–10	–30	–10
Sales/disposals	–	–	–	7	–	7
Reclassifications	–	–	–3	16	–3	16
Exchange rate differences	–2	–	–	–	–2	–
Closing accumulated depreciation	–386	–277	–585	–333	–971	–610
Opening write-down	–	–	–14	–	–14	–
Company acquisitions[1]	–	–	–	–14	–	–14
Exchange rate differences	–	–	–1	–	–1	–
Closing write-down	–	–	–15	–14	–15	–14
Closing planned residual value	2,299	706	870	809	3,169	1,515

[1] *Change for the year due to company acquisitions pertains to the Group's purchase of Spanair. Braathens was acquired the previous year.*

Breakdown of planned residual value:

	2002	2001
Goodwill	2,299	706
Capitalized system development costs	765	757
Development projects	68	43
Leases etc.	37	9
Total residual value	3,169	1,515

Goodwill

	2002	2001
Spanair	1,000	–
Braathens	846	524
Widerøe	175	147
Newco	111	–
Goodwill in Hotels business area	74	7
Aeronautical Services Group	48	–
Club de Vacaciones	24	–
Air Botnia	15	16
Other	6	12
Total goodwill	2,299	706

Note 13 - Tangible fixed assets

	Buildings and land 2002	Buildings and land 2001	Aircraft[1] 2002	Aircraft[1] 2001	Spare engines and spare parts 2002	Spare engines and spare parts 2001	Workshop and servicing equipment for aircraft 2002	Workshop and servicing equipment for aircraft 2001
Opening acquisition value	4,618	6,873	26,465	20,145	3,814	2,718	1,262	932
Investments	50	73	7,200	4,262	814	879	138	130
Company acquisitions[3]	113	233	155	2,389	389	347	77	256
Capitalized interest[4]	–	–	–	–	–	–	–	–
Sales/disposals	–253	–2 784	–5,433	–4, 666	–241	–184	–47	–48
Sale of company[5]	–	–	–	–	–	–	–	–
Reclassifications	43	122	3,393	4,199	–92	34	31	–8
Exchange rate differences	54	101	157	136	41	20	16	–
Closing accumulated acquisition value	4,625	4,618	31,937	26,465	4,725	3,814	1,477	1,262
Opening depreciation	–1,904	–1,820	–6,718	–5,886	–1,416	–991	–903	–640
Depreciation for the year	–220	–271	–1,425	–1,019	–240	–281	–154	–116
Company acquisitions[3]	–58	–153	–43	–208	–42	–240	–51	–195
Sales/disposals	203	442	388	430	73	111	41	42
Sale of company[5]	–	–	–	–	–	–	–	–
Reclassifications	79	–40	60	36	34	–4	14	6
Exchange rate differences	–20	–62	–55	–71	–22	–11	–12	–
Closing accumulated depreciation	–1,920	–1,904	–7,793	–6,718	–1,613	–1,416	–1,065	–903
Opening write-down	–	–	–69	–	–	–	–	–
Company acquisitions[3,6]	–18	–	–	–69	–	–	–	–
Sales/disposals	–	–	69	–	–	–	–	–
Closing write-down	–18	–	0	–69	–	–	–	–
Closing planned residual value	2,687	2,714	24,144[2]	19,678	3,112	2,398	412	359

	Other equipment and vehicles 2002	Other equipment and vehicles 2001	Construction in progress 2002	Construction in progress 2001	Prepayments fixed assets 2002	Prepayments fixed assets 2001	Total tangible fixed assets 2002	Total tangible fixed assets 2001
Opening acquisition value	6,841	5,467	166	118	4,110	3,575	47,276	39,828
Investments	267	399	338	314	493	4,001	9,300	10,058
Company acquisitions[3]	38	1,079	14	–	377	–	1,163	4,304
Capitalized interest[4]	–	–	–	–	11	219	11	219
Sales/disposals	–860	–537	–2	–16	–	–	–6,836	–8,235
Sale of company[5]	–158	–	–	–	–	–	–158	–
Reclassifications	160	308	–281	–246	–3,457	–4,331	–203	78
Exchange rate differences	84	125	–1	–4	–362	646	–11	1,024
Closing accumulated acquisition value	6,372	6,841	234	166	1,172	4,110	50,542	47,276
Opening depreciation	–4,879	–3,673	–1	–	–	–	–15,821	–13,010
Depreciation for the year	–589	–607	1	–1	–	–	–2,627	–2,295
Company acquisitions[3]	–40	–791	–	–	–	–	–234	–1,587
Sales/disposals	826	349	–	–	–	–	1,531	1,374
Sale of company[5]	153	–	–	–	–	–	153	–
Reclassifications	155	–41	–	–	–	–	342	–43
Exchange rate differences	–63	–116	–	–	–	–	–172	–260
Closing accumulated depreciation	–4,437	–4,879	–	–1	–	–	–16,828	–15,821
Opening write-down	–	–	–	–	–	–	–100	–
Company acquisitions[3,6]	–13	–	–	–	–	–	–	–69
Sales/disposals	–	–	–	–	–	–	69	–
Closing write-down	–13	–	–	–	–	–	–31	–69
Closing planned residual value	1,922	1,962	234	165	1,172	4,110	33,683	31,386

[1] *Insured value of aircraft on December 31, 2002 amounted to MSEK 67,789. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 40,717.*
[2] *On the closing date, December 31, 2002, estimated market value, excluding options, in Swedish kronor exceeded the book value by MSEK 841 (1,907).*
[3] *Change for the year due to company acquisitions pertains to the Group's purchase of Spanair and Aeronautical Services Group. Aeronautical Services Group accounts for MSEK 3 of the change. Braathens was acquired the previous year.*
[4] *Capitalizing of interest was done at an average interest rate of 2.5% (5.3%).*
[5] *SMART was sold during the year.*
[6] *2002 pertains to the correction of Braathens' acquisition balance sheet.*

Of previous years' aircraft acquisitions, 6 Douglas MD-90s, 3 Airbus A321s and 2 Airbus A340s were acquired formally through finance lease contracts, with original terms of 10 years. In 2002, 5 Airbus A321s and four Airbus A340/A330s were acquired via finance leases with terms of 10 years.

With regard to finance leased aircraft, the terms of the leasing contracts (particularly pertaining to SAS's call options during the contract period and at the expiration 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 20 (18) finance leased aircraft are included in the balance sheet in the amount of MSEK 10,419 (5,225). In addition to these, owned aircraft include 16 aircraft valued at MSEK 3,663 placed in wholly owned financing structures together with appurtenant indebtedness.

The SAS Group's aircraft holdings can be specified as follows:

	2002	2001
Owned	13,725	14,453
Finance leased (prepaid)	–	158
Other finance leased	10,419	5,067
Book value	24,144	19,678

Note 13, cont.

Finance leasing

The SAS Group has finance leasing contracts for aircraft with remaining terms of up to 10 years. It also has finance leasing contracts for aircraft engines with remaining terms of up to 3 years and for other machinery and equipment with remaining terms of up to 5 years.

Lease payments consist in part of minimum lease payments and in part of contingent rent. Contingent rent is the portion of the lease payments that is not fixed but is calculated on the basis of the short-term market interest rate. Total lease payments paid amounted to MSEK 1,140 (1,631). Contingent rent affected the lease payments for the year by MSEK –29.

No finance lease assets are subleased to third parties.

Book values of finance lease assets on the closing date:

	Aircraft		Aircraft engines		Machinery and equipment	
	2002	2001	2002	2001	2002	2001
Acquisition value	11,188	6,380	142	–	73	–
Less accumulated depreciation	–769	–1,155	–18	–	–13	–
Book value of finance lease assets	10,419	5,225	124	–	60	–

Future minimum lease payments and their present value for finance leasing contracts applying on closing date.

	2002		2001	
Due date:	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
Within 1 year	728	718	992	979
1-5 years	3,840	3,561	3,043	2,710
Over 5 years	7,210	3,238	3,141	1,941
Total	11,778	7,517	7,176	5,630

Operating leasing

SAS Group leases out owned assets with book values that on the closing date amounted to:

	Aircraft		Machinery and equipment	
	2002	2001	2002	2001
Acquisition value	1,347	135	18	18
Less accumulated depreciation	–210	–79	–18	–18
Book value of assets leased out on operating leases	1,137	56	0	0

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 61 (6).

Leasing revenues for the year did not contain any contingent rent.

Future leasing revenues for operating lease contracts on the closing date in 2002 and 2001:

	2002	2001
Within 1 year	105	18
1-5 years	140	12
Over 5 years	3	4
Total	248	34

Contractual purchase commitments

On the closing date the Group had the following commitments relating to future acquisition of tangible fixed assets.

	2003	2004	2005	2006>
Aircraft	1,550	1,117	1,291	287
Hotel properties		660		
Other purchase commitments	47	10		
Total	1,597	1,787	1,291	287

On the basis of external valuations, the SAS Group is of the opinion that the contractual future acquisitions are in line with the expected market value.

Tax value

Buildings	2002	2001
Frösundavik, part of Haga 2:8	686	686
Sverigehuset, part of Arlanda 2:1	29	26
Flight Academy, part of Arlanda 2:1	139	0
Night Stop, part of Arlanda 2:1	10	9
Total	864	721

Note 14 - Prepayments relating to tangible fixed assets

	2002	2001
Airbus	810	2,947
Boeing	244	700
Bombardier	1	424
Other	117	39
Total	1,172	4,110

Note 15 - Financial fixed assets

	Equity in affiliated companies		Long-term receivables from affiliated companies		Shares and participations		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Opening acquisition value	1,128	977	950	339	439	261	5,172	3,578	2,332	1,257	10,021	6,412
Contributions	7	131	4	635	24	203	1,070	1,477	413	240	1,518	2,686
Company acquisitions[1]	–	–	–	–	4	–	–	57	1,131	839	1,135	896
Share of income	–393	–21	–	–	–	–	–	–	–	–	–393	–21
Sales	–112	–15	–	–	–3	–8	–	–	–	–	–115	–23
Sale of company[2]	–	–	–	–	–30	–	–	–	–17	–	–47	–
Amortization	–	–	–	–7	–	–	–	–	–371	–52	–371	–59
Dividend	–40	–35	–	–	–	–	–	–	–	–	–40	–35
Reclassifications	–30	–	–566	–34	1	–28	–	–	–313	–2	–908	–64
Exchange rate differences	–78	96	–74	17	–8	11	56	60	–40	50	–144	234
Other	23	–5	–	–	–	–	–	–	–	–	23	–5
Closing accumulated acquisition value	505	1,128	314	950	427	439	6,298	5,172	3,135	2,332	10,679	10,021
Opening depreciation	–	–	–	–	–78	–73	–	–	–	–	–78	–73
Exchange rate differences	–	–	–	–	2	–5	–	–	–	–	2	–5
Closing accumulated depreciation	–	–	–	–	–76	–78	–	–	–	–	–76	–78
Opening write-down	–	–	–	–	–2	–2	–	–	–435	–425	–437	–427
Write-down for the year	–	–	–	–	–184	–	–	–	–18	–4	–203	–4
Sale of company[2]	–	–	–	–	26	–	–	–	–	–	27	–
Reclassifications	–	–	–	–	–	–	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–	–	–	3	–6	3	–6
Closing write-down	–	–	–	–	–160	–2	–	–	–450	–435	–610	–437
Closing residual value	505	1,128	314	950	191	359	6,298	5,172	2,685	1,897	9,993	9,506

[1] *Change for the year due to company acquisitions pertains to the Group's purchase of Spanair. Braathens was acquired the previous year.*

[2] *SMART was sold during the year.*

Note 16 - Share of equity in affiliated companies

	Reg. no.	Domicile	The SAS Group's holding share of equity %	Share of equity 2002	2001
British Midland PLC	2107441	Derby, UK	20.0	226	311
Cimber Air A/S[1]	409619	Sønderborg, Denmark	26.0	21	114
Spanair S.A.[2]	EA07225154	Palma de Mallorca, Spain	–	–	208
Skyways Holding AB	556021-5872	Stockholm, Sweden	25.0	84	95
Air Greenland A/S	30672	Nuuk, Greenland	37.5	80	68
airBaltic Corporation A/S	324575	Riga, Latvia	47.2	75	84
Aerolinas Baleares S.A.	A07988728	Palma de Mallorca, Spain	37.9	19	10
Newco Airport Services S.A[3]	A-82086646	Madrid, Spain	–	–	125
Commercial Aviation Leasing Ltd	IE6328550R	Dublin, Ireland	49.0	165	174
Elimination of intra-group profit for Commercial Aviation Leasing Ltd				–277	–317
Tradevision AB	556590-9024	Stockholm, Sweden	–	–	9
Polygon Group Ltd	33173	St.Peters Port, Guernsey	30.8	4	28
Casino Copenhagen K/S	15751274	Copenhagen, Denmark	50.0	45	42
SNR Amsterdam Hotel CV	34114651	Amsterdam, Netherlands	–	–	24
Malmaison WB SAS Hotels A/S	4024442	London, U.K.	–	–	89
SAS Royal Viking Hotel	556068-3871	Stockholm, Sweden	50.0	10	15
TTB Leisure Luxury Hotels	99088707	Cape Town, South Africa	50.0	6	6
ZAO St Petersburg	76679	St. Petersburg, Russia	24.8	36	37
Other				11	6
Total				505	1,128

[1] *The share of equity in Cimber has been written down by MSEK 91.*
[2] *Spanair became a subsidiary of the SAS Group as of March 2002.*
[2] *Newco became a subsidiary of the SAS Group as of March 2002.*

Share of equity in affiliated companies is reported by the owner company through application of the equity method. Consolidated shareholders' equity on the closing date, December 31, 2002, amounted to MSEK 15,188. If share of equity in affiliated companies had been reported according to the acquisition cost method, consolidated shareholders' equity would have amounted to MSEK 15,545.

Equity shares in affiliated companies include acquired surplus value of MSEK 44 (58) in British Midland PLC, MSEK 0 (72) in Cimber Air, MSEK 69 (73) in Skyways Holding AB, MSEK 74 (90) in airBaltic Corporation A/S and MSEK – (119) in Newco Airport Services S.A.

Note 17 - Long-term receivables from affiliated companies

	2002	2001
airBaltic Corporation A/S	44	48
Commercial Aviation Leasing Ltd	270	336
Spanair S.A.	–	566
Total	314	950

Note 18 - Shares and participations

	Number of shares/ participations	%	Par value 1,000s		MSEK Book value
Shares and participations					
Expo Investment Partnership	10,000	12.2	DKK	100,000	29.7
Copenhagen International Hotels K/S, Köpenhamn	1,343	11.3	DKK	134,000	61.9
Feri Otelcilik Ve Turizm AS, Istanbul	270,000	10	USD	2,700	21.2
Aeroxchange Ltd, Dallas	50,000	9.4	USD	5,000	50.1
RBS Hotellis AS, Tallin	570	14.1	EEK	570	17.5
European Aviation College SA, Matacan	19,234	20.15	EUR	192	1.8
France Telecom	236,410	0,3	EUR	946	1.0
Vinich Hotel Kg, Hamburg	1	5	EUR	0	0.7
Arlanda Flygbränslehantering AB, Stockholm	720	16.8	SEK	720	0.7
Other					6.6
Total shares and participations					191.2

Note 19 - Pension funds, net

	2002	2001
Pension funds, net, overfunded plans	7,576	6,250
Pension funds, net, underfunded plans	–1,278	–1,078
Total	6,298	5,172

Most pension plans in Scandinavia are defined benefit. The majority are placed with insurance companies. The group pension plans for salaried employees in Sweden and for employees in Norway are secured through defined benefit pension plans with insurance companies. In Sweden, pension plans are mainly placed with Alecta and in Norway with Vital. Employees in Denmark have mostly defined contribution solutions.

The normal retirement age for non-flight personnel mainly follows the respective country's rules regarding general retirement. 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.

When calculating pension commitments, the year's pension earnings and returns, parameters are used that are locally set in the respective countries on the basis of the local market situation and expected future trend. The following long-term economic assumptions for the SAS Group represent a weighted average:

Discount rate	6.7%
Long-term rate of return	8.1%
Inflation rate	3.0%
Future salary adjustments	3.0%
Future adjustments of current pensions	3.0%

The following interest parameters are used for the largest pension plans in Sweden and Norway:

Discount rate	6.7% in Sweden and 6.9% in Norway
Long-term rate of return	8.8% in Sweden and 8.2% in Norway

In accordance with IAS19, these parameters provide an expression of the Group's long-term estimate of the level in the pension plans. It is also important in

Note 19, cont.

this context to consider the inflation and future salary adjustment parameters that are common to all pension plans in Scandinavia.

A review and assessment of the parameters utilized is undertaken annually and opinions obtained from insurance industry experts confirm that the Group's utilized parameters are in line with the return expectations of the industry and insured parties. In the calculations, the return for Alecta's ITP plan, with effect from 2002, was reduced by 1 percentage point, from 9.8% to 8.8% compared with the previous year.

The actual return for 2002 pertaining to the insured pensions plans is expected to be lower than the estimated return. In the opinion of the SAS Group this is temporary and it expects insurance companies in the medium-term to provide a return corresponding to the Group's long-term return. A noticeable reduction in funded assets occurred during the year, particularly in the insurance companies where Swedish and Norwegian pension plans are placed.

The reason for this is the performance of the capital markets in Scandinavia and the rest of the world. Overfunding of the Swedish ITP plan has been substantially reduced, and the decline is taken into consideration in calculating the estimated funded assets at the close of 2002. If the market does not recover in the next few years the SAS Group will see a relative increase in pension costs. In 1999 an allocation of MSEK 3,063 in the form of so-called client company pension funds in Alecta in Sweden was identified for the SAS Group. As of December 31, 2002, MSEK 1,822 had not been utilized.

Defined benefit pension plans	2002	2001
Pension earned during the year	–1,056	–842
Return on pension provisions	–1,443	–1,249
Return on funded assets for the year	1,992	2,155
The year's amortization of deviations from estimates and plan amendments	–256	49
Impact on income for the year, net, pertaining to defined benefit pension plans	–763	113

Several of SAS's pension plans are overfunded. This contributes to return on funded assets for the year exceeding the cost of pensions earned calculated according to existing parameters. Changed parameters in 2002 entail an increased cost of MSEK 228 compared with the previous year.

In the financial statements the commitments of 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 amortized according to two methods. Plan amendments are spread over the average remaining working lives of employees covered by the plan. Deviations from estimates are amortized over 5 years when they exceed 10% of the greater of pension obligations or pension assets.

Status at year-end	2002	2001
Funded assets	24,138	27,268
Pension commitments	–22,894	–21,941
Difference between funded assets and commitments	1,244	5,327
Unrecognized plan amendments, and deviations from estimates including real return[1]	5,054	–155
Book assets	**6,298**	**5,172**

[1] *of which deviations from estimates 4,775 (–405).*

In some pension plans the real return rate has been lower than the Group's estimated long-term return of 8.1%, which is reflected in the item unrecognized deviations from estimates. The actual return on managed assets in 2001 was 2.4%. Information on actual return for 2002 is not yet available. The sharp difference between 2001 and 2002 is due to the decline in the value of funded assets.

The difference between funded assets/commitments and net book value assets is shown below:

	Funded assets	Commitments (PBO)	Difference between funded assets/ commitments	Pension-fund, net
Pension plans in Sweden	11,353	8,295	3,058	4,559
Pension plans in Norway	9,282	10,429	–1,147	1,358
Other pension plans	3,503	4,170	–667	381
Total	24,138	22,894	1,244	6,298

Of net pension funds, plans funded via operating income and underfunded plans account for MSEK 481 in Sweden, MSEK 1,400 in Norway and MSEK 699 in other countries.

Pension assets, net, including pension commitments, assets under management and unrecognized plan amendments and deviations from estimates for the defined benefit pension plans performed as follows:

	2002	2001
Opening balance	5,172	3,578
Earnings impact for the year	–763	113
Paid-in premiums	2,116	1,497
Utilization of client company funds in Alecta	–254	–229
Change in deviations from estimates and pension plans	–29	96
Pension assets, net, in acquired companies	–	57
Currency effect	56	60
Closing balance	6,298	5,172

Of total pension commitments of MSEK 22,894 (21,941), MSEK 21,135 (20,498) was funded and MSEK 1,759 (1,443) unfunded.

Note 20 - Expendable spare parts and inventories

	2002	2001
Expendable spare parts, flight equipment	939	1,091
Expendable spare parts, other	147	163
Inventories	321	267
Total	1,407	1,521
Valued at acquisition cost	1,388	1,486
Valued at net sales value	19	35
Total	1,407	1,521

Note 21 - Short-term investments

On December 31, 20002, short-term investments consisted for the most part of deposits and investments in government securities. Short-term investments also include MSEK 308 (299) in blocked deposits in a tax deduction account in Norway.

Note 22 - Shareholders' equity

	Share capital	Share premium reserve	Equity method reserve	Other restricted reserves	Acc. exchange rate difference restricted res.	Un-restricted equity	Acc. exchange rate differences unrestricted res.	Total equity
January 1, 2002	1,618	488	193	5,114	793	6,828	510	15,544
New issue	27	170	–	–	–	–	–	197
Effect of consolidation of affiliated companies	–	–	–	–	–	–389	–	–389
Exchange rate difference	–	–	–	–	–55	–253	272	–36
Transfer restricted/unrestricted equity	–	–	–65	–224	14	283	–8	0
Changed accounting principle in affiliated companies, etc.	–	–	–	–11	–	15	–	4
Net income for the year	–	–	–	–	–	–132	–	–132
Closing balance, December 31, 2002	1,645	658	128	4, 879	752	6,352	774	15 ,188

Minority interests	MSEK
Opening balance, January 1, 2002	263
Minority shares in net income for the year	–51
Acquired/divested companies	–38
Currency effect	–8
Closing balance, December 31, 2002	166

Note 23 - Other provisions

	Restructuring 2002	Restructuring 2001	Loyalty program 2002	Loyalty program 2001	Other provisions 2002	Other provisions 2001	Total 2002	Total 2001
Opening balance	378	75	905	609	101	35	1,384	719
Provisions/utilized provisions, net	15*	16	7	158	–18	4	4	178
Acquired companies	375**	278	8	138	–	58	383	474
Divested company	–4	–	–	–	–	–	–4	–
Currency effects	8	9	9		7	4	24	13
Closing balance	772	378	929	905	90	101	1,791	1,384

*		
	Provisions	*481*
	Utilized provisions	*–466*
	Net	*15*

** *Correction of Braathens' acquisition balance sheet*

Note 24 - Maturity of long-term liabilities

Long-term liabilities that fall due more than five years after the balance sheet date.

	2002	2001
Subordinated debenture loans	915	920
Bond issues	5,223	5,539
Other loans	9,553	7,802
Other liabilities	25	21
Total	15,716	14,282

Note 25 - 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 Swiss francs, after which the balance of the loan is 144.7 million Swiss francs.

Note 26 - Bond issues

SAS's bond issues amounted to MSEK 5,371 (5,539).

Specification of individual loans:

Issued amount	Interest rate	Maturity	Outstanding debt in MSEK 0212
1,000 M JPY	1.000%	01/07	74
1,000 MJPY	1.120%	01/07	74
5,500 MJPY	1.305%	01/08	407
750 MCZK	5.220%	01/08	220
500 MEUR	6.000%	01/08	4,596
Total			5,371
Less amortization in 2003			0
Total			5,371

The above loans are to some extent 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.

Note 27 - Other loans

	2002	2001
Finance leases	9,381	5,302
Other loans	6,459	9,640
Total prior to amortization	15,840	14,942
Less amortization in 2003 and 2002	–804	–2,463
Other loans according to the balance sheet	15,036	12,479

Of the above loans in foreign currency, MSEK 5,606 (3,994) is reported at the exchange rate on the acquisition date. The loans are is covered by hedge accounting and should be viewed together with investments in aircraft.

Note 28 - Long-term liabilities to affiliated companies

	2002	2001
Casino Denmark A/S	-	51
airBaltic Corporation A/S	-	9
Total	-	60

Note 29 - Financial risk management and financial derivatives

The SAS Group is exposed to various types of financial risk. All risk management is handled centrally and in accordance with a set finance policy. The SAS Group uses derivative instruments as part of its risk management to limit the SAS Group's currency and interest rate exposure. To manage the currency risk that future payment flows are exposed to, the forecast commercial currency flows are hedged with the help of currency derivatives. According to policy, the hedge level is to amount to a maximum of 90% of a 12-month rolling liquidity forecast. In 2002 cash flow from the year's operations amounted to MSEK 2,138. To manage interest rate risk, interest rate derivatives are used to change the fixed interest rate period of the underlying net financial debt.

Financial derivatives

Realized changes in value attributable to currency and interest rate derivatives are taken to earnings on an ongoing basis during the year. Outstanding currency derivatives held to hedge forecast commercial flows and investments are subject to hedge accounting, and the exchange rate effects are reported in earnings at the same date as the underlying hedged position. At December 31, 2002, the market value of the SAS Group's outstanding derivatives totaled MSEK –135 (193), broken down according to the table below. A closure of all outstanding derivative instruments per December 31, 2002, would provide a positive earnings impact of MSEK 99 (6).

Outstanding financial derivatives	Nominal value of outstanding volume	Book value	Market value
Currency derivatives	12,527	–212	–207
Currency derivatives, subject to hedge accounting	6,324	–13	163
Interest rate derivatives	16,554	–9	–91
Total	35,405	–234	–135

The market value is the value received for disposing of outstanding financial instruments. The difference between the market value and the book value consists of the fact that the book value only includes accrued interest on all derivatives and the currency effect on the derivatives that do not comprise hedging transactions.

Note 30 - Short-term loans

Overdraft facilities amount to MSEK 682 (369) of which MSEK 199 (211) has been utilized.

Note 31 - Unearned transportation revenue, net

Unearned transportation revenue consists of tickets sold and still valid but unused, see Accounting and valuation policies, page 86.

The estimated reserve in the unearned transportation revenue liability on December 31, 2002, amounted to MSEK 389 (494).

Note 32 - Assets pledged

	2002	2001
Related to long-term liabilities to credit institutions:		
Real estate mortgages	132	260
Aircraft mortgages	813	2,050
Shares in subsidiaries	0	0
Related to deposits:		
Blocked bank accounts	40	72
Total	985	2,382

Note 33 - Contingent liabilities

	2002	2001
Swap transactions	132	198
Contingent liabilities, other	371	1,419
Total	503	1,617

Contingent liabilities include a gross amount of MSEK 132 (198) attributable to swap transactions. SAS enters into currency and interest rate contracts on an ongoing basis. The values shown here relate to loans after swap transactions whose book value on the balance sheet date was lower than the value of the original loan and the accrued value of currency and interest rate contracts.

Under the management agreements for 29 hotels, Rezidor SAS Hospitality A/S guarantees a minimum cash flow until 2006-2024. 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 79 were remitted in 2002.

The SAS Group is involved in disputes, some of which will be settled in court. In cases where a probable and quantifiable risk of loss is judged to exist, provisions are made on an ongoing basis.

Note 34 - 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:

	2003	2004	2005	2006	2007	2008>
Aircraft	3,113	3,048	2,767	2,672	2,168	7,076
Hotel properties	826	918	926	919	930	13,592
Other properties	748	771	719	673	643	5,253
Machinery and equipment	37	34	19	13	3	2
Total (MSEK)	4,724	4,771	4,431	4,277	3,744	25,923

The lease contracts run from between one and seventy years, and individual assets with an annual leasing cost in excess of MSEK 0.5 have been included. Total lease payments in 2002 for operating leases were MSEK 5,173 (3,609), of which MSEK 4,433 (2,751) was for minimum lease payments and MSEK 740 (858) for contingent rent. Contingent rent varies according to different factors such as operating revenue, the consumer price index and short-term market interest rates. In 2002 assets amounting to MSEK 1 (–) were subleased to a third party. The value of future minimum lease payments for these assets subleased to a third party totals MSEK 5.

The above table includes the following major items:

The sale leaseback agreement involving 30 MD-80 aircraft concluded together with GECAS in December 1999 is expected to yield an annual leasing cost of approximately MSEK 279. The agreement runs through December 2009.

In conjunction with the sale and leaseback of Boeing 767-300s in the period 1994-2001, six aircraft are leased back on an operating lease under the terms of lease contracts that run for 2-14 months. The cost for 2003 is MSEK 262. The leasing cost for 2004 is MSEK 27.

SAS sold airport-related properties in December 2001. These were acquired by Nordisk Renting and GE Capital Real Estate for a purchase price of MSEK 3,020. At the same time, SAS leased back all the buildings for 20 years via operating leases and has an option, under certain conditions, to buy back all or parts of the property portfolio after 10 years. The rent amounts to MSEK 218 in 2003.

As a consequence of the acquisition of Spanair, the SAS Group's future leasing commitments grew by a total of MSEK 10,831 for aircraft. The leasing cost for these in 2003 amounts to MSEK 1,295.

Note 35 - Income from the sale of fixed assets

	2002	2001
Capital gain according to the cash flow statement	1,075	1,826
Costs of phasing in and phasing out aircraft	–574	–684
Capital gain according to the statement of income	501	1,142

Note 36 - Adjustment for items not incl. in cash flow, etc.

	2002	2001
Share of income in affiliated companies	409	70
Dividends from affiliated companies	40	35
Write-down of shares	184	–
Capitalized interest on prepayments to aircraft suppliers	–11	–219
Other	41	20
Total	663	–94

Note 37 - Acquisition of subsidiaries

Shares in Spanair, Widerøe and Aeronautical Services Group were acquired in 2002. Braathens was acquired in 2001. According to the acquisition analyses the value of the acquired assets and liabilities was as follows:

	2002	2001
Intangible fixed assets	211	7
Tangible fixed assets	824	2,648
Financial fixed assets	1,115	990
Current assets	181	117
Current receivables	2,777	731
Liquid assets	135	279
Effect of consolidating affiliated companies	389	–
Minority interests	413	–
Provisions	–207	–691
Long-term liabilities	–1,064	–715
Current liabilities	–4,843	–2,785
Total	–69	581
Goodwill	1,084	524
Purchase price paid	1,015	1,105
Paid to blocked account in 2001 related to acquisition of shares in Spanair	–490	–
Conversion of loans	–125	–
Liquid assets in acquired companies	–135	–279
Effect on the Group's liquid assets	265	826

Note 38 - Sale of subsidiary

In August SMART (Scandinavian Multi Access Systems) was sold. The value of assets and liabilities sold was as follows:

	2002
Intangible fixed assets	–12
Tangible fixed assets	5
Financial fixed assets	49
Current receivables	162
Liquid assets	262
Minority interests	–18
Provisions	–21
Long-term liabilities	–3
Current liabilities	–240
Total	184
Capital gain	811
Purchase price received	995
Liquid assets in SMART	–262
Effect on the Group's liquid assets	733

Note 39 - Auditors' fees

An audit assignment refers to the examination of annual accounts and accounting records and the administration of the board of directors and the president. Such assignments also include other duties incumbent on the company's auditors as well as advice or other assistance prompted by observations made while performing the audit or carrying out such working duties. All other work is classified as other assignments.

The following remuneration was paid to audit firms for audit assignments and other assignments.

	Group 2002	Group 2001	Parent Company 2002	Parent Company 2001
Deloitte & Touche				
Audit assignments	13	9	0	*
Other assignments	7	11	–	1
Total Deloitte & Touche	20	20	0	1
Other audit firms				
Audit assignments	2	0	–	–
Other assignments	1	1	–	–
Total other audit firms	3	1	–	–
Total	23	21	0	1

* *Fees for auditing the parent company in 2001 are included in the fees for the SAS Consortium and are therefore included in the amount for the Group.*

Note 40 - Transactions with affiliated companies

Revenues from sales to affiliated companies amounted to MSEK 148 (384). Costs of purchases from affiliated companies were MSEK 340 (397).

Note 41- International Accounting Standards (IAS)

SAS's Annual Report is prepared in accordance with generally accepted accounting principles in Sweden.

Differences between generally accepted accounting principles in Sweden and IAS

Financial instruments differ in IAS (IAS 39) from generally accepted accounting principles in Sweden mainly as regards derivative instruments, market listed securities and hedge transactions.

According to IAS 39, derivative instruments should be valued at fair value and reported in the balance sheet. Changes in value are reported in the statement of income. According to generally accepted accounting principles in Sweden, derivative instruments are reported off the balance sheet.

According to IAS 39, market listed securities are valued at fair value and changes in value are reported in the statement of income. According to generally accepted accounting principles in Sweden, these securities are reported at the lower of cost or market value principle where adjustments to fair value are reported in the statement of income.

According to IAS 39, changes in the value of derivative instruments that are intended to hedge future cash flows (a cash flow hedge) are stated directly in shareholders' equity. The earnings impact is reported when the contract matures. According to generally accepted accounting principles in Sweden, such hedge transactions are reported off the balance sheet and recognized as income in the period in which the hedge position is closed.

Application of IAS has the following effect on the Group's net income and shareholders' equity.

	January-December 2002	January-December 2001
Net income according to Swedish Accounting standards	–132	–1,064
Financial instruments	–365	17
Deferred tax	104	–5
Net income according to IAS	–393	–1,052

	December 31, 2002	December 31, 2001
Shareholders' equity according to Swedish accounting standards	15,188	15,554
Financial instruments	798	–308
Deferred tax	–228	86
Shareholders' equity according to IAS	15,758	15,332

Note 42 - Subsidiaries in the SAS Group

	Domicile	Reg. number	No. of owned shares	Holding, %	Book value, SEK 000s	Share of equity, SEK 000s
Owned by SAS AB:						
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	570.4	4,310.4
SAS Norge AS	Bærum	81117670200	47,000,000	100	628.6	4,077.1
SAS Sverige AB	Stockholm	556042-5414	70,500,000	100	728.1	6,200.1
Braathens AS	Bærum	910763644	32,202,450	100	1,142.9	929.5
					3,070.0	15,517.1
Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:						
SAS Consortium	Solna	902001-7720	–	100	15,078.6	15,078.6
SAS Commuter Consortium	Tårnby	13273073	–	100	609.5	609.5
					15, 688.1	15,688.1
Owned by the SAS Consortium:						
Spanair Holding*	Palma de Mallorca	B83180851	2,779,450	49	798.0	295.0
Spanair S.A.*	Palma de Mallorca	EA07225154	5,449,902	49 (74)	1,322.9	
Widerøe's Flyveselskap AS	Bodø	917330557	364,584	99.4	527.1	446.2
Linjeflyg AB	Stockholm	556062-8454	2,000,000	100	341.4	230.7
SAS Investment A/S	Copenhagen	25578104	292,703	100	344.2	364.8
Nordair A/S	Tårnby	24176711	10,000	100	421.9	391.7
Linjeflyg Leasing HB	Stockholm	916644-1080	–	79	229.5	261.2
Newco Airport Services S.A.	Madrid	A-82086646	55,000	55	120.3	11.9
Cherrydean Limited	Dublin	310983	12,633,186	100	113.2	177.1
SAS Flight Academy Holding AB	Stockholm	556397-3378	20,000	100	100.0	393.9
European Aeronautical Group AB	Stockholm	556278-5864	100,000	100	86.0	71.8
Scandinavian IT Group A/S	Tårnby	111.275	25,000	100	44.6	367.5
SAS Trading Holding A/S	Tårnby	42710814	500	100	40.9	–10.8
Travellink AB	Stockholm	556596-2650	60,000	60	34.9	76.9
SAS Media Partner AB	Stockholm	556175-9183	5,000	100	12.3	5.6
SAS Ejendom A/S	Tårnby	105.786	20,000	100	11.0	36.9
Oy Air Botnia AB	Vantaa	409.619	150	100	10.5	100.1
Norwegian Aviation College ASA	Bardufoss	967.678.066	900	60	8.5	–2.6
SAS Capital B.V.	Rotterdam	167071	501	100	7.7	44.7
Jetpak Nordic AB	Stockholm	556415-6650	50,000	100	7.5	50.4
Other					2.1	5.0
					4,584.5	3,318.0
Owned by the SAS Commuter Consortium:						
Scandinavian Commuter AB	Stockholm	556260-6169	1,000	100	0	123.2
Owned by SAS Investment A/S:						
Rezidor SAS Hospitality A/S	Copenhagen	25578082	67,200,000	100	362.2	1,008.8
Owned by Nordair A/S:						
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	248.1	202.0

** Spanair Holding owns 51% of the shares in Spanair S.A. Thus the SAS Group's holding is 49% direct and 25% indirect or a total of 74%..*

Parent Company, SAS AB

Statement of income

	Note	2002	2001*
Payroll expenses	1	–10.4	–0.2
Other external expenses		–12.2	–7.4
Operating income		–22.6	–7.6
Anticipated dividend		–	126.7
Interest expenses and similar income items		–61.6	–16.4
Income before tax		–84.2	102.7
Tax	2	32.0	–
Net income for the year		–52.2	102.7

** The period refers to February 23 – December 31, 2001.*

Cash flow statement

	2002
The year's operations	
Income before tax	–84.2
Cash flow from operations before changes in working capital	–84.2
Change in:	
Current receivables	127.0
Current liabilities	–3.2
Cash flow from changes in working capital	123.8
Cash flow from the year's operations	39.6
Investment activities	
Shares and participations	–48.5
Cash flow from investment activities	–48.5
Financing activities	
New issue	196.8
Amortization	–187.3
Cash flow from financing activities	9.5
Cash flow for the year	0.6
Liquid assets, January 1	0.0
Liquid assets, December 31	0.6

Balance sheet

ASSETS	Note	2002	2001
Fixed assets			
Financial fixed assets			
Shares in subsidiaries	3	3,070.0	3,021.5
Deferred tax receivable		32.0	–
		3,102.0	3,021.5
Current assets			
Current receivables			
Receivables from Group companies		–	127.9
Other receivables		1.3	0.5
		1.3	128.4
Cash and bank balances		0.6	–
Total current assets		1.9	128.4
TOTAL ASSETS		3,103.9	3,149.9

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	2002	2001
Shareholders' equity	4		
Restricted equity			
Share capital, 164,500,000 par value SEK 10		1,645.0	1,618.2
Share premium reserve		170.0	–
Statutory reserve		10.3	–
Unrestricted equity			
Profit carried forward		92.4	–
Net income for the year		–52.2	102.7
Total shareholders' equity		1,865.5	1,720.9
Long-term liabilities			
Long-term liabilities to the SAS Consortium		1,090.6	1,277.9
		1,090.6	1,277.9
Current liabilities			
Liabilities to the SAS Consortium		143.6	129.1
Other liabilities		2.6	21.0
Accrued expenses and prepaid income		1.6	1.0
		147.8	151.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,103.9	3,149.9
Assets pledged		–	–
Contingent liabilities		–	–

Parent Company, SAS AB - Notes

Note 1 - No. of empl., salaries, other remuneration and soc. security exp.

The President is employed by SAS AB. The company has no other employees.

	2002	2001
Salaries and fees paid to present Board members and the President	11.6	1.7
Social security expenses paid for present Board members and the President	2.3	0.2
	13.9	1.9
of which pension costs for the President	2.0	–

In 2001, payroll expenses for the President were charged to the SAS Consortium. The fees for members of the Board are for the period July 1- December 31.

Note 2 – Tax

	2002	2001
Actual tax	–	–
Deferred tax	32.0	–
	32.0	–

Note 3 - Shares in subsidiaries

	Domicile	Reg. number	No. of owned shares	Holding, %	Book value SEK 000s
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	570.5
SAS Norge AS	Bærum	81117670200	47,000,000	100	628.6
SAS Sverige AB*	Stockholm	556042-5414	70,500,000	100	728.0
Braathens AS	Bærum	910763644	32,202,450	100	1,142.9
					3,070.0

** Bank guarantee of MSEK 12.3 issued in connection with the ongoing compulsory redemption process.*

Note 4 - Shareholders' equity

Change in shareholders' equity

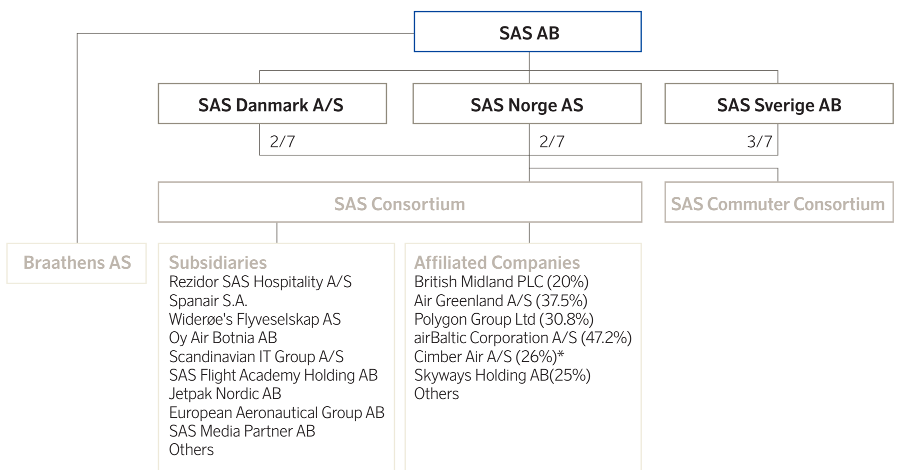
	Share capital	Share premium reserve	Statutory reserve	Unrestricted equity	Total
January 1, 2002	1,618.2	–	–	102.7	1,720.9
New issue	26.8	170.0*			196.8
Allocation to statutory reserve			10.3	–10.3	
Net income for the year				–52.2	–52.2
December 31, 2002	1,645.0	170.0	10.3	40.2	1,865.5

* Expenses related to new issue of MSEK 1.7 were set off against share premium fund.

Note 5 - Fees to audit firms

Fees paid to Deloitte & Touche amounted to SEK 52,500.

Legal structure



** Sold in February 2003.*

Proposed disposition of earnings

The SAS Group
According to the consolidated balance sheet at December 31, 2002, unrestricted equity amounted to MSEK 7,126. No allocation to restricted reserves has been made.

SAS AB

	MSEK
Profit carried forward	92.4
Net income for the year	–52.2
Total unrestricted equity	40.2

The Board of Directors proposes that the amount be disposed of as follows:

To be carried forward in new account	40.2
Total	40.2

Stockholm, February 12, 2003

Jacob Wallenberg
Vice Chairman

Egil Myklebust
Chairman

Fritz H. Schur

Anitra Steen

Berit Kjøll

Lars Rebien Sørensen

Ulla Gröntvedt

John Lyng

Flemming Beinov

Jørgen Lindegaard
President and CEO

Our auditors' report was submitted on February 21, 2003.

Deloitte & Touche AB

Jan Åke Magnuson
Authorized Public Accountant

Auditors' Report

To the Annual General Meeting of SAS AB, Corporate Identity Number 556606-8499

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of SAS AB for the period January 1 – December 31, 2002. The 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, the consolidated accounts and the administration 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 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. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and the circumstances of the company in order to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the 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 and the consolidated accounts have prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's financial position and results of its operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the Annual General Meeting that the statement of income and balance sheet for the Parent Company and the Group be adopted, that the loss in the Parent Company be dealt with in accordance with the proposal in the Report by the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, February 21, 2003

Deloitte & Touche AB

Jan Åke Magnuson
Authorized Public Accountant

Board of Directors



Egil Myklebust, *born 1942*
Chairman of the Board of SAS AB since 2001.
Chairman of Norsk Hydro ASA.
Directorships: Executive Committee of the World Business Council for Sustainable Development (WBCSD), Norske Skog ASA. Senate (University of Oslo).
Shareholding: 0

Jacob Wallenberg, *born 1956*
Vice Chairman of the Board of SAS AB since 2001.
Chairman of SEB, Skandinaviska Enskilda Banken.
Directorships: Vice Chairman of Atlas Copco, Electrolux, Investor and the Knut and Alice Wallenberg Foundation and Member of the Board of ABB, AU Föreningen Svenskt Näringsliv and the Nobel Foundation.
Shareholding: 5,000

Berit Kjøll, *born 1955*
Member of the Board of SAS AB since 2001.
President of Steen & Strøm ASA.
Directorships: DnB Holding ASA, TusenFryd ASA, Association for the Promotion of Skiing.
Shareholding: 0

Fritz H. Schur, *born 1951*
Member of the Board of SAS AB since 2001.
President of the companies in the Fritz Schur Group.
Directorships: Chairman of the Board of Post Danmark A/S and Det Danske Klasselotteri A/S, Vice Chairman of Brdr. Klee A/S, Member of the Board of NESA A/S, D.L. Clements Eftf. A/S and CIC A/S.
Shareholding: 20,000

Anitra Steen, *born 1949*
Member of the Board of SAS AB since 2001.
President of Systembolaget AB.
Directorships: Chairman of the Board of Stockholm University, Member of the Boards of Södersjukhuset AB and Almega.
Shareholding: 0

Lars Rebien Sørensen, *born 1954*
Member of the Board of SAS AB since 2001.
President of Novo Nordisk A/S.
Directorships: ZymoGenetics Incorporated.
Shareholdings: 0

Flemming Beinov, *born 1948*
Employed at SAS in Denmark.
Member of the Board of SAS AB since 2002.
Shareholding: 0
Deputies:
Nicolas E. Fischer, first deputy
Per Weile, second deputy.

Ulla Gröntvedt, *born 1948*
Employed at SAS in Sweden.
Member of the Board of SAS AB since 2001.
Shareholding: 0
Deputies:
Sven-Erik Olsson, first deputy
Gertie Gambe, second deputy.

John Lyng, *born 1953*
Employed at SAS in Norway.
Member of the Board of SAS AB since 2002.
Shareholding: 0
Deputies:
Olav H. Lie, first deputy
Asbjørn Wikestad, second deputy.

Auditors

Deloitte & Touche AB
Principal auditor: Jan Åke Magnuson,
Authorized Public Accountant

Secretary to the Board of Directors

Mats Lönnkvist, General Counsel SAS Group.

Corporate governance

The Board of Directors consists of nine members, of whom six are elected by the Annual General Meeting. The three other members are elected by the employee organizations in Denmark, Norway and Sweden in accordance with the Articles of Association and special agreements.

The work of the Board

SAS AB, the parent company of the SAS Group, is the company whose Board of Directors is responsible for Group-wide management. The Board's work and duties adhere to the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board each year, which regulates the division of work and responsibility among the Board, its Chairman and the President and CEO. Among the duties of the Board are setting the overarching objectives and strategies of the SAS Group, adopting a budget and business plan, discussing and approving the year-end and interim reports and deciding on major investments and changes in the organization and activities of the SAS Group.

At the *Annual General Meeting* of SAS AB held on April 17, 2002 the sitting Board was reelected, namely Egil Myklebust, Jacob Wallenberg, Berit Kjøll, Fritz H. Schur, Anitra Steen and Lars Rebien Sørensen. In addition to the Board Members elected by the General Meeting, Ulla Gröntvedt, John Lyng and Flemming Beinov joined the Board as employee representatives. Each employee representative has two deputies, who attend board meetings only in the absence of an ordinary Board member.

At the *statutory meeting* of the Board of Directors held the same day, Egil Myklebust was elected Chairman and Jacob Wallenberg Vice Chairman. Working closely with the President, the Chairman is to follow the company's performance, plan meetings of the Board and see to it that the other members of the Board always receive the information necessary for the Board to do its work properly and in accordance with the law and the work plan.

Meetings of the Board are led by the Chairman or, in his absence, the Vice Chairman. The President (CEO) and the Vice President and CFO attend the meetings of the Board in a reporting capacity. Other key members of the SAS Group's management attend if they have significant matters to report to the Board. The SAS Group's General Counsel serves as the secretary to the Board. The work of the Board of Directors follows a yearly agenda with permanent items as well as special topics.

Since its statutory meeting, the Board of Directors has held eight meetings, including the meeting to approve this annual report. At these meetings the Board discussed the permanent items presented at the respective meetings, as well as business and market conditions, financial reporting and follow-up, the company's financial position and investments. Additionally, at various meetings, the Board discussed matters involving the SAS Group's Turnaround, flight safety work, risk management, the year-end report, interim reports, the business plan and budget. The company's external auditors participate in the discussion of the company's year-end report.

Key topics identified by the Board for its work in 2003 include following up the implementation and effects of the SAS Group's Turnaround, corporate governance issues in a broad perspective, including the issue of an auditing committee and internal control, the strategy process and evaluating the work of the Board and the efforts of its individual members.

The President and Group Management

The President is in charge of *day-to-day management*. In its work plan and instructions to the President, the Board has laid down detailed rules regarding the rights and obligations devolving upon the President, including limits on investments and acquisitions. The President works closely with the Chairman and keeps the Chairman and the rest of the Board continually updated on the company's and the SAS Group's operations and performance, conditions relating to flight safety and the company's and the Group's financial position.

Group Management, which comprises six members, has recorded meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members.

Committees

The company has a *compensation committee* appointed by the Board, consisting of the Chairman, Vice Chairman and Fritz H. Schur. This committee's primary task is to ensure that complete and well thought-out agreements are drawn up with the President regarding his salary and other terms of employment and to see to the establishment of proper and generally acceptable principles for compensation and other terms of employment, such as incentive programs, for key decision makers in the SAS Group. The committee also sets salaries and the terms of employment for the head of internal auditing in the SAS Group. Since the 2002 Annual General Meeting, the committee has held two recorded meetings and, in addition, a number of informal contacts.

According to the Articles of Association for SAS AB, the election of a *nomination committee* for the following year's Board of Directors' election is to take place at the Annual General Meeting. The nomination committee is to reflect the shareholder composition of the company and its purpose is to contribute to a proper and representative composition of the Board. The Annual General Meeting held on April 17, 2002, decided to elect the following persons to the nomination committee for the Board of Directors' election at the 2003 Annual General Meeting: Ramsay Brufer, Alecta, Karsten Dybvad, Danish Ministry of Finance, Henrik Heideby, PFA, Pia Rudengren, the Wallenberg Foundations, Reier Søberg, Norwegian Ministry of Trade and Industry, Ragnhild M. Wiborg, Odin Forvaltning, and Claes Ånstrand, Swedish Ministry of Industry, Employment and Communications, as convener.

SAS Group Management

The management organization of the SAS Group follows the business structure introduced on July 1, 2002, which is a logical consequence of the acquisitions of, among others, Braathens and Spanair. To achieve a clear division of roles among the Group's airlines and airline related businesses and hotels, the Group is run within the framework of the areas Scandinavian Airlines, Subsidiary & Affiliated Airlines, Airline Support Businesses, Airline Related Businesses and Hotels.

Jørgen Lindegaard, *born 1948.*
President and CEO and Chief Operating Officer for the business area Scandinavian Airlines until February 14, 2003.

Background in telecommunications and since 1975 has held a number of senior executive positions, including those of President of Fyns Telefon A/S, Københavns Telefon A/S and Director of TeleDanmark. Joined GN Store Nord A/S in 1996 and became its President and CEO in 1997. Assumed his current position in the SAS Group on May 8, 2001.

Chairman of the Board of Sonofon Holding A/S, Member of the Board of Finansieringsinstitutet for Industri og Håndværk A/S and of Telenor ASA.

Shareholding: 9,000

Gunnar Reitan, *born 1954.*
Deputy CEO.

Member of the SAS Management Team from September 1993 to May 8, 2001, and subsequently member of SAS Group Management. Responsible for the business areas Subsidiary & Affiliated Airlines and Hotels. Chief Financial Officer until September 16, 2002.

Joined SAS 1988 in Oslo as Director of SAS Station Services. Later Vice President, Finance and Administration for SAS in Norway. Deputy CEO since 1993.

Experience in banking, industry and transportation.

Member of the Board of Alecta Pensionsförsäkring Ömsesidigt, Vital Forsikring ASA and of Leif Høegh & Co ASA.

Shareholding: 1,000

Gunilla Berg, *born 1960.*
Senior Vice President and Chief Financial Officer.

Member of SAS Group Management since September 16, 2002, responsible for Group staff functions in treasury and finance, asset management, investor relations and purchasing.

Previously Vice President and Chief Financial Officer of Kooperativa Förbundet.

Experience from various executive positions in banking and industry.

Member of the Board of S:t Eriks ögonsjukhus AB.

Shareholding: 1,000

John S. Dueholm, *born 1951.*
Senior Vice President.

Member of SAS Group Management since September 1, 2002. Responsible for the business areas Airline Support Businesses and Airline Related Businesses.

Previous experience from SAS Data (currently Scandinavian IT Group) and responsible from 1996-1998 for SAS Technical Division. COO of Group4Falck 1998-2002.

Member of the Board of Kilroy A/S, Mobilized Workforce A/S and Lindorff A/S.

Shareholding: 0

Bernhard Rikardsen, *born 1956.*
Senior Vice President.

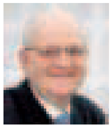
Member of the SAS Management Team from November 1993 until May 8, 2001 and subsequently member of SAS Group Management. Responsible for the Group staff function Corporate Administration & Support, which covers Corporate Communications and Public Affairs, Human Resources Corporate and Group Shared Services.

Responsible for the SAS Group's Emergency Response Organization.

Joined the SAS human resources department in Norway in 1981. Personnel Director at SAS in Norway 1990-1993.

Shareholding: 0

Gunnar Reitan, responsible for the business areas Subsidiary & Affiliated Airlines and Hotels, John S. Dueholm, responsible for Airline Support Businesses and Airline Related Businesses, Jørgen Lindegaard, President and CEO of the SAS Group, Gunilla Berg, CFO, and Bernhard Rikardsen, responsible for Corporate Administration & Support.



Sören Belin, *born 1953.*

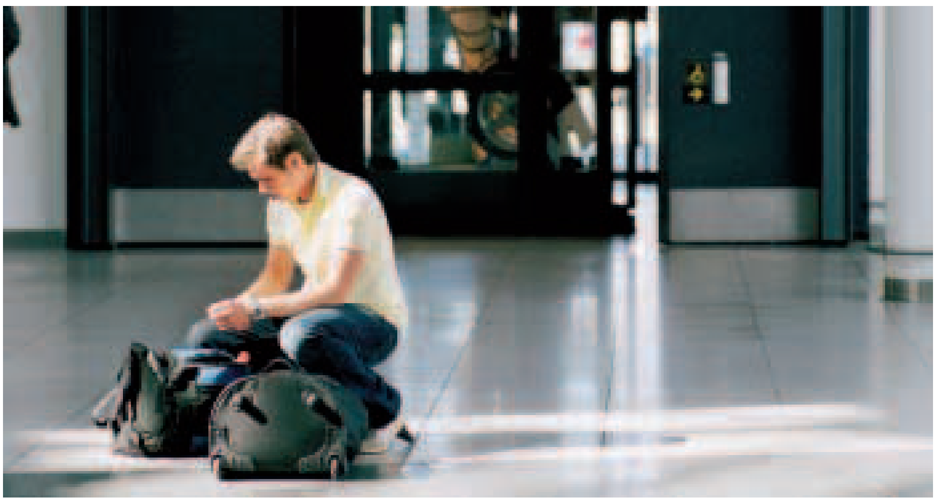
On February 15, 2003, assumed the position of Senior Vice President and Chief Operating Officer of the business area Scandinavian Airlines.

Previously employed at SAS as Director, Station and Sales Services, Director, Arlanda Domestic Airport and Vice President, Station Services, Sweden.

Recently rejoined the SAS Group from the consultancy Carta Booz Allen & Hamilton, AB, as an airline industry consultant.

Shareholding: 0

Environmental Report



Best-ever environmental result

2002 was a difficult year for the entire Group, but at the same time a highly successful year from an environmental point of view. Never before has the SAS Group's eco-efficiency improved so much in a single year as in 2002. For example, Scandinavian Airlines and Braathens, which account for more than half of the Group's operations, improved their environmental index by 8 and 14 points respectively. This is mainly a result of more efficient capacity utilization, which in turn is due to action taken to adjust operations to the new market scenario that has emerged since 2001.

Rezidor SAS Hospitality made a significant contribution to the improvement in the Group's total environmental performance. The Radisson SAS hotel chain is a pioneer, both within the SAS Group and in the international hotel industry, through its active work on issues related to ethics and social responsibility in its responsible business program.

The SAS Group's measures designed to ensure long-term profitability had no direct impact on operational environmental work. We have chosen to reduce the costs of external reporting of our environmental performance. For this reason, this year's environmental report is not as comprehensive as the one we produced last year. Much of the information provided in the Internet-based environmental report from 2001 is of a general nature and remains up-to-date, and this is available on the Group's website.

In February 2002, SAS Group Management adopted a sustainability policy for the Group and an implementation strategy for this policy. The policy was submitted to the SAS Group's Board in March 2002. Based on the sustainability policy we have continued to integrate matters relating to the environment and social responsibility in our daily operations. At the same time we are continuing to develop the report to include sustainability aspects. Later on, the goal is to publish a complete sustainability report, in other words an annual report that covers all the components in the concept sustainable development: economy, environment and social aspects.

The first step towards an environmental report at Group level was taken last year. This year we can for the first time report the most important environmental parameters in aggregated form. Since uniform definitions have now been introduced throughout the Group, environmental data from the operations can be compared.

Environmental governance has been further developed. All businesses now plan, control and report using key performance indicators that are chosen to reflect the Group's most significant environmental impact and other environmental aspects. The key performance indicators are the same as those used in the environmental index which we have continually developed since 1995, and which shows environmental impact in relation to production. In 2003, we will be working further on the development of the environmental index and the use of key performance indicators as one of our control tools.

The steps towards more efficient capacity utilization that were taken in 2002 will be followed in 2003 by projects designed to achieve even more effective utilization of the Group's aircraft fleet, something that should lead to a better relative environmental performance. The web-based environmental training that became available on Scandinavian Airlines' intranet in 2002, will be available to the entire Group in 2003. At the same time, we will give our customers an opportunity to calculate their own environmental impact from air travel using the emission calculator which Scandinavian Airlines is the first airline in the world to make available on its website.

The report on the Group's environmental work that is provided here is intended to accurately reflect all parts of the Group, but naturally we place the greatest emphasis on the most significant environmental impact. As far as airline operations are concerned these are emissions and noise, and for hotels and other operations primarily energy, water consumption and waste. Several of the Group's businesses also present additional environmental information in separate publications or on their websites.

Finally, I would like to underline that we are keen to have a dialog with our stakeholders, and we therefore welcome views on both our environmental performance and the way we report this work.

Stockholm, February 2003
Niels Eirik Nertun
Environmental Director

Environmental key performance indicators, SAS Group total[1]

	2002	2001	2000
Carbon dioxide (CO_2) emissions, 1,000 tonnes	5,757	4,949	4,301
Nitrogen oxides (NOx) emissions, 1,000 tonnes	19.7	17.0	14.6
Water consumption, 1,000 m^3	2,493	2,764	3,010
Energy consumption, GWh	652	660	636
Unsorted waste, 1,000 tonnes	12.0	11.5	10.5
Environment-related taxes and charges, MSEK[2]	715	1,657	937
Number of passengers, 1,000 (including charter)	35,980	30,456	25,301

[1] 2001 excluding Spanair. 2000 excluding Spanair and Braathens. [2] The Norwegian environment-related passenger charge was removed on April 1, 2002.

The Group's key environmental aspects

Airline operations account for 80% of the SAS Group's total environmental impact. This impact stems mainly from consumption of non-renewable fuels, which at combustion lead to a higher content of atmospheric carbon dioxide, which is assumed to contribute to global climate change. Combustion of jet fuel also leads to emissions of nitrogen oxides which contribute to regional acidification and eutrophication of land and water. Noise at takeoff and landing is a local environmental problem.

The hotel operations and other operations (Airline Support Businesses and Airline Related Businesses) account for 13% and 7% respectively of the Group's total environmental impact, primarily through energy and water consumption, use of materials and chemicals, and generation of waste.

Environmental management

Control and follow-up systems

Operational responsibility for work on environmental issues within the SAS Group rests with the managers of each business. Environmental work is coordinated through the SAS Group Environmental Network which is chaired by the Group's Environmental Director and includes environmental coordinators from the businesses. The Environmental Director is a member of the staff function Corporate Communications and Public Affairs which has central environmental responsibility and whose head reports to Group Management (GM).

Objectives and strategies for environmental work are adopted annually by Group Management. These are based on a sustainability policy. An eco-political vision, environmental policy, objectives and strategies for the entire Group are linked to this policy.

The SAS Group's Environmental Index is an important control tool. It has been developed in stages since 1995 by Scandinavian Airlines and shows the environmental impact of each business in relation to production. Starting in 2002 the index includes all businesses within the Group. These plan, control and report the performance of each business using the key indicators on which the index is based. Several businesses have made environmental key performance indicators part of their operational control.

On the basis of the SAS Group's objectives and strategies, both short and long term, each business formulates environmental targets based on the demand for continual, relative improvements in environmental performance. The goal is that all environmental management systems within the Group should be documented and adapted to the international environmental management standard ISO 14001. The question of certification of these systems is decided by the individual business based on strategic business assessments.

Independent review

For the sixth consecutive year all essential information related to the environment in the annual and environmental report has been reviewed by the SAS Group's external auditors. The auditors' report is available on the SAS Group's website www.sasgroup.net/environment

On the website more detailed information can also be found on the following sections:

- Environment and economy
- Accounting principles and environmental index
- The world around us
- Emission calculator

The SAS Group's Sustainability Policy with Eco-political vision, policy, objectives and strategies

Sustainability Policy

Sustainability Policy

- In order to contribute to sustainable development, SAS Group employees must take the Group's financial development into account in their daily work as well as its environmental and social impact.

For the SAS Group sustainable development means a simultaneous focus on financial growth, environmental improvements and social responsibility. The Group's task, based on its core values, is to create long-term growth in value for its shareholders. This requires making environmental and social responsibility an integrated part of business activities.

Utilization and development of the competence and dedication of employees is of major importance for the achievement of the Group's goals.

Implementation strategy

- In order to ensure that the SAS Group's policy to contribute to sustainable development permeates the entire organization at all levels, all units will develop relevant goals and strategies in line with this policy.

Eco-political vision, policy, objectives and strategies

Eco-political vision

- The SAS Group's eco-political vision is for all four transport sectors, road, rail, sea and air, to pay for both investments and for their infrastructure, other costs to society (such as accidents) and environmental impact according to the polluter pays principle. Subsequently they should compete in a competitively neutral transport system, based on a holistic approach.

Environmental policy

- The SAS Group will contribute to sustainable development by minimizing its environmental impact and optimizing its resource utilization.

Environmental objectives

- Within the framework of the SAS Group's financial and qualitative objectives, all operations shall be conducted so as to cause the least possible environmental impact.
- The SAS Group shall develop one of the most ambitious environmental programs in the airline industry.
- The SAS Group shall have environmental standards equivalent to its foremost competitors in the industry.
- The SAS Group's environmental objectives and activities shall be coordinated and harmonized with other production, quality and financial objectives.

Communication objectives

- The SAS Group shall provide an account of its environmental performance in an environmental report.
- The SAS Group shall promote an understanding among external stakeholders of its operations and their environmental impact.

Strategies

- Methods shall be developed to ensure that environmental consequences are taken into account in all the Group's decisions.
- Environmental management systems shall be introduced based on the principle of continual improvement.
- Methods and climate shall be created to utilize employees' interest in and commitment to the Group's environmental activities.
- A developed dialog shall be established with suppliers to reduce negative environmental impact.
- A system shall be developed to ensure that the best possible, commercially available technology is used.
- An environmental standard shall be developed that is at least on a par with the competition and takes applicable laws and regulations into account.
- The SAS Group shall seek an open and honest dialog on its environmental work.

Resource utilization and environmental impact

Airline operations account for approximately 80% of the SAS Group's total environmental impact. Airline Support Businesses and Airline Related Businesses account for approximately 7%, and Hotel operations for about 13%. See Accounting Principles www.sasgroup.net/environment.

Airline operations: Scandinavian Airlines and Subsidiary & Affiliated Airlines

In

Flight
- Jet fuel
- Engine oil

Cabin
- Food and beverages
- Packaging
- Disposable/semi-disposable items
- Articles for sale
- Newspapers
- Chlorinated water
- Germicides

Ground
- Glycol
- Water
- Halons, freons
- Maintenance materials
- Energy
- Vehicle fuel
- Office supplies

Airline operations account for 65% of the Group's operating revenue.

- Carbon dioxide (CO_2)
- Nitrogen oxides (NOx)
- Hydrocarbons (HC)
- Volatile organic compounds (VOCs)
- Oil aerosols
- Jettisoned fuel
- Noise
- Water vapor

- Organic waste
- Packaging
- Unopened beverages
- Articles for sale
- Waste
- Lavatory waste

- Waste
- Hazardous waste
- Wastewater
- Halons, freons
- Sulfur dioxide (SO_2)
- Carbon dioxide (CO_2)
- Nitrogen oxides (NOx)
- Hydrocarbons (HC)
- Soot and particles
- Volatile organic compounds (VOCs)

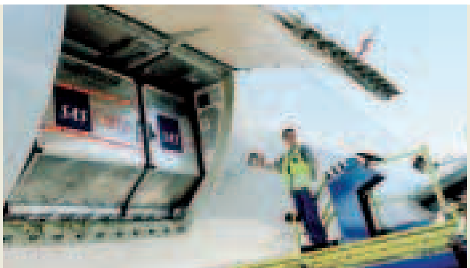
Airline operations account for 80% of the Group's environmental impact.

Out

Other operations: Airline Support Businesses and Airline Related Businesses

In

- Water
- Energy
- Supplies



Other operations account for 31% of the Group's operating revenue.

- Wastewater
- Emissions to air
- Waste
- Hazardous waste

Other operations account for 7% of the Group's environmental impact.

Out

Hotel operations: Rezidor SAS Hospitality

In

- Water
- Energy
- Food and beverages
- Chemicals
- Maintenance materials
- Office supplies
- Disposable/semi-disposable items
- Newspapers, brochures

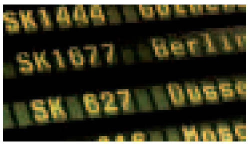
Hotel operations account for 4% of the Group's operating revenue.

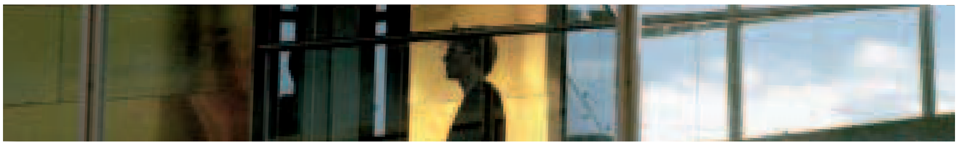
- Wastewater
- Emissions to air
- Carbon dioxide (CO_2)
- Waste
- Hazardous waste
- Organic waste
- Packaging

Hotel operations account for 13% of the Group's environmental impact.

Out

Business environment





The travel industry is highly sensitive to international and national crises. Political conflicts, social unrest and environmental disasters result in less travel, something that was clearly demonstrated after the terror attacks in the U.S. in autumn 2001. The profitability of airline and hotel operations is also strongly affected by the cost of energy, water, waste and, last but not least, oil. Oil prices in particular fluctuate depending on the global political situation and normally rise during a crisis.

Demands and expectations

Consumers are increasingly seeing not just the product itself but also what the company behind the product represents. This is about values in key social and ethical issues as well as expectations and demands on the company to accept environmental responsibility.

Corporate customers demand that suppliers of both goods and services must maintain a certain level as regards ethics, social responsibility and environmental performance. Such demands are made especially by companies that have introduced an environmental management system that is certified according to ISO 14001 or registered according to the EU's Eco Management & Audit Scheme, EMAS. Such companies must ensure that their suppliers' environmental efforts are at least on a level with the company's own aims. Most businesses within the SAS Group also make environmental demands on their suppliers.

Customer demands so far have primarily come from large Scandinavian and German companies. Several major customers require a report on carbon dioxide emissions from both aircraft and hotels to enable them to calculate their own employees' contribution to the greenhouse effect.

For the hotel operations, issues relating to ethics and social responsibility are especially important. This applies in particular to Rezidor SAS which is expanding in Eastern Europe, Asia and the Middle East. These regions often lack the environmental awareness and environmental and working environment legislation that is usual in both Europe and North America.

Climate issue central for travel industry

The main focus as regards emissions of the greenhouse gas carbon dioxide is on the energy and transport sectors. Although aviation's share of global carbon dioxide emissions is only 3%, it is still attracting considerable attention due to the strong growth that is predicted.

The forecast made by the UN's Intergovernmental Panel on Climate Change (IPCC) indicates that global air traffic will rise by 5% per year until 2015. Technological development and efficiency improvements, however, mean that it is expected that the increase in CO_2 emissions can be limited to 3% per year.

Kyoto Protocol and emissions trading

The UN climate convention in 1992, which later resulted in the Kyoto Protocol, is based on all industrialized countries reducing their emissions of greenhouse gases to 95% of the 1990 level by 2012.

The EU, which is a driving force in international climate politics, has in compliance with the Kyoto Protocol undertaken to reduce the EU's total CO_2 emissions by 8% by 2010, compared with 1990.

Emissions from international air traffic have been left outside the Kyoto agreement. However, the UN International Civil Aviation Organization (ICAO) has been encouraged through the Kyoto process and the UN to act on behalf of civil aviation in order to reduce global emissions of greenhouse gases.

The ICAO Committee on Aviation Environmental Protection (CAEP) recommends a system with free trading in emission rights. This is one of the market-based instruments which according to the Kyoto Protocol may be used to limit global emissions of carbon dioxide. The EU has decided to introduce such a system to apply between 2005 and 2008. Initially, only permanent industrial facilities and power stations will be permitted to participate in this system. Over time several operations will be included in the trading system and the European Parliament has emphasized that it wishes the transport sector to be included.

Politics, laws and regulations

The airline industry is regulated primarily by international agreements reached within the framework of the ICAO. These include standards and norms for noise and emissions of hydrocarbons and nitrogen oxides. There are also various national and local rules such as noise restrictions for takeoff and landing or a special system of environmental charges. The trend is moving towards greater use of systems of environmental charges and operational restrictions, with the dual purpose of reducing local environmental problems and giving airlines incentives to use aircraft equipped with the best available technology from an environmental point of view.

Environmental taxes and charges

Jet fuel has been tax exempt in accordance with an ICAO policy since the early 1950s. The EU is making active efforts, however, through its member countries within the ICAO to enable the global introduction of a carbon dioxide tax on jet fuel.

The European Civil Aviation Conference (ECAC) recently developed a model for a classification system to be used when an emissions-based system of charges is introduced. The charges will be set based on how many kilos of nitrogen oxides are emitted, which means that airlines will have to pay charges that increase linearly with the environmental impact they cause. Several civil aviation authorities, including the Swedish and Swiss, will transfer to this model and others, including the British Airport Authority (BAA) have announced that they too plan to adopt this system.

The European Commission has conducted several enquiries to examine opportunities to make eco-related overflight charges for emissions from air transport. This mainly concerns carbon dioxide and nitrogen oxides. Both the SAS Group and the Association of European Airlines (AEA) are of the opinion that open trading in emission quotas is a far more effective way to limit total carbon dioxide emissions.

Noise

Noise is a local environmental impact that is gaining increasing attention. Many airports have already introduced noise charges, takeoff and landing restrictions and even landing bans for the noisiest aircraft types. Airports often base this on the ICAO's certification system which classifies aircraft according to the noise they cause. For example as many as 37 airports in Europe and the U.S. have introduced some form of restrictions for aircraft in the Chapter 3 noise category. The strictest noise category, Chapter 4, was decided by the ICAO in 2001 and applies to all new aircraft types certified from 2006 onwards. All aircraft types purchased by and delivered to the SAS Group since 1995 have met Chapter 4 requirements.

There are signs that several European airports, that already work with noise restrictions and/or noise charges, will eventually use the Chapter 4 standard in order to introduce operating restrictions or as part of a future system of charges. For the SAS Group this may affect use of the MD-80. For this reason the Group is seeing what can be done to recertify the MD-80 to Chapter 4.

There is also an EU directive which over time may affect civil aviation conditions, a directive on "assessment and management of environmental noise." In 2006 at the latest this will result in a legislative proposal from the European Commission on noise restrictions for rail, road and air traffic. In Scandinavia, only the airports in Stockholm, Gothenburg, Copenhagen and Oslo are affected, but proportionally far more airports will be affected in Europe.

Congestion and emission limits

In addition to noise, civil aviation may be restricted by factors such as land shortages in densely populated areas, crowded skies and lack of coordination in air traffic control. Calculations show that a system based on a joint European air traffic control, instead of today's national systems, would provide considerable fuel savings. It is therefore with great satisfaction that the SAS Group notes that the EU's transport ministers agreed in 2002 to put forward a proposal for joint air traffic control, "Single European Sky." Similarly, current efforts to introduce a joint upper airspace in the Nordic region (Nordic Upper Area Control Center, NUAC) will lead to considerable reductions in fuel and emissions.

In addition airports, including an airport as important for Scandinavian Airlines as Arlanda, are approaching local limits for environmentally disturbing emissions, primarily nitrogen oxides and carbon dioxide. Once this limit is reached, it may have consequences for traffic volumes.

Waste

The EU's goal is to reduce final waste management by 20% by 2010 compared with the 2000 level. The strategy is to prevent the occurrence of waste and prioritize reuse, recycling and energy recovery. The EU's Landfill Directive is based on a substantial reduction of landfilled organic waste. The EU member countries have chosen different ways to implement the directive. Most of them, however, are introducing requirements for sorting at source and a ban on landfilling of organic and combustible material. Raised waste and landfill charges are an increasingly common control tool. Reducing waste volumes and increased sorting at source are therefore financially motivated for all the SAS Group's operations.

For more information about the business environment of civil aviation and the travel industry see www.sasgroup.net/environment.

Environmental operations in 2002

In 2002 the SAS Group adjusted its capacity to meet current demand, something that has led to more efficient resource utilization and increased relative environmental improvements. The Group's total eco-efficiency has improved considerably. For example, Scandinavian Airlines' environmental index improved by 8 points and Braathens' by 14.

There are a number of explanations for this very positive result:

Overcapacity in the Norwegian domestic market decreased when Braathens became part of the SAS Group. Since Scandinavian Airlines and Braathens started to coordinate their traffic systems in Norway in April 2002, Braathens' environmental performance has improved substantially. For example, coordination has led to a 18% reduction in Braathens' fuel consumption per RPK and to a 8.4 percentage points increase in the cabin factor.

Scandinavian Airlines, Braathens and Air Botnia all had longer average distances per flight in 2002 than in previous years. This leads to a reduced relative environmental impact since the greatest environmental impact is at takeoff and landing.

The hotel operations can also show greater eco-efficiency with regard to energy and water consumption, although total carbon dioxide emissions have increased due to the expansion of the hotel business. The relative amount of unsorted waste has risen, which is probably due to introduction of a better measurement and reporting system.

Organization

Scandinavian Ground Services (SGS) and SAS Technical Services (STS) have been changed into independent business units. Both have taken over activities from other parts of the Group, which contributes to an improved environmental result due to economies of scale and efficiency gains.

During the year the Environmental Forum was replaced by the SAS Group's Environmental Network which is made up of the Group's environmental staffs and environmental coordinators from each business. The chairman is the Group's Environmental Director.

New rules

The EU has adopted a noise directive that also includes operational restrictions. This allows airports from 2003 to restrict access for aircraft types with a lower margin than 5 dB(A) to Chapter 3, which has the strictest requirements now applying. The SAS Group's aircraft fleet meets these requirements.

According to an environmental review conducted in 1997 for extension of Copenhagen Airport, a reduction of the noise contour at the airport corresponding to 5 dB(A) is required from 2005. New night rules also apply which mean that measurement values from individual flights may not exceed 80 dB(A). The SAS Group has no plans for night takeoffs in scheduled traffic but today has a number of takeoffs with MD-80s which exceed 80 dB(A). Provided the volume of traffic is as assumed in the basis for decision, the new rules should not be a problem. However, if traffic increases it may become difficult to use the Group's MD-80s for some flights to and from Copenhagen. This was a strong contributing factor to the SAS Group's investigation during the year of the possibility of hushkitting the MD-80 and finding new procedures for approach and departure in order to reduce noise levels.

In Norway a charge for environmental management of glycol was introduced with effect from 2003 and this will affect all glycol users at Norwegian airports. At Oslo's Gardermoen airport alone, the charge for the SAS Group is expected to amount to approximately MSEK 12.

The Norwegian environmental authorities require Gardermoen to only use triazol-free deicing fluids after January 1, 2003. This requirement could not be met since there are no triazol-free deicing fluids on the market. STS is working in consultation with the airport owners, environmental authorities and chemical suppliers to find an adequate replacement for triazol.

The environmental night charge which comprises a 50% supplement on the landing charge and which previously only applied at Gardermoen, has been introduced at all Norwegian airports, except Longyearbyen (Svalbard). This measure has little impact on the SAS Group's scheduled routes but will affect the Group's charter operations.

Events

In March 2002 Scandinavian Airlines was the first airline in the world to publish an emission calculator on its website. This allows customers who wish to do so to calculate the environmental impact through air travel caused by their own company or employees. In order to guarantee the quality of the values and information provided, Scandinavian Airlines assigned external auditors to examine its emission calculator.

The SAS Environmental Report 2000 was named in spring 2002 as Europe's best environmental report in the European Environmental Reporting Awards.

The SAS Group's Annual and Environmental Report 2001 was chosen as Denmark's best non-financial, voluntary report by the Danish Association of Auditors and the magazine Børsen.

Braathens' Health, Environment and Safety Report 2001 received an honorable mention in the Norwegian competition for the best environmental report.

An environmental information and training program was put up on Scandinavian Airlines' intranet in 2002. In 2003 the program will be available to all employees in the Group. The training program can be used by everyone but especially by units that wish to certify their environmental management systems according to the ISO 14001 standard.

A new treatment plant for wastewater adjacent to the hangars at Copenhagen airport has gone into operation. The facility cost MSEK 7.2. In 2002, Braathens took new treatment plants into operation at the airports in Oslo and Stavanger. These plants, which represent an investment of MSEK 4.5, are completely closed and therefore do not require any special environmental permit.

STS has taken over responsibility for the entire volume of the fire extinguishing agent halon from the company Dansk Halonbank. STS's component workshop took over 10 tonnes and the total stock is 38 tonnes. Halons are used in fire extinguishing equipment for aircraft engines and for fire extinguishers in the cabins. Halons break down the ozone layers in the atmosphere and both manufacture and use of halons are banned. This ban does not apply to civil aviation which has dispensation. Only recirculated halons are used.

The third runway at Arlanda was inaugurated in 2002 and environmental approval came at the beginning of 2003. The new runway, which will open for traffic in April 2003, will mean less noise disturbance for local residents and increased capacity at the airport which will reduce the risk of delays. The local limit for emissions of carbon dioxide and nitrogen oxides is unchanged and unaffected by the new runway.

In Norway, negotiations have started regarding compensation for noise disturbance close to Oslo's Gardermoen airport. Seven property owners have already been granted compensation of between SEK 60,000 and SEK 460,000 and now a further 218 property owners are lodging claims against the airport owner. The SAS Group is not a direct party in this case but the matter illustrates the increased attention being given to traffic noise.

Concessions, infringements, incidents and disputes

Concessions, applicable environmental permits and infringements as well as incidents are reported in the Report by the Board of Directors on page 76. Any incidents of a more limited financial and environmental significance are described under each business responsible.

Cooperation

The SAS Group's airlines are active participants in a number of national and international fora associated with environmental issues linked to civil aviation. These include the UN's civil aviation body, ICAO, the airline organizations, IATA and AEA, and the Nordic working group for civil aviation's environmental issues, N-ALM.

For many years Scandinavian Airlines has played a central role in the development and environmental improvement of aircraft and engines. This applies in particular when the company buys new aircraft. This is always preceded by long negotiations designed to achieve solutions that represent the best commercially available technology.

In 2002 Scandinavian Airlines and Boeing initiated an environment and development project, Green Team. Work focuses, among other things, on reducing noise and fuel consumption, decreasing the use of cadmium and chromium and improving environmental communications.

In Copenhagen the SAS Group cooperates with the authorities and airport owner on evaluating and revising existing rules for use of thrust reversers on landing, as well as departure flight paths. This cooperation and dialog are expected, together with continued renewal of the fleet, to lead to reduced aircraft noise.

Scandinavian Airlines and others including the Swedish Civil Aviation Administration, the Swedish Energy Agency and Volvo Aerospace, support and take part in a research project that is examining the possibility of developing synthetic jet fuel from biological raw materials. This work is being conducted by the research company Oroboros in cooperation with Chalmers University of Technology. The results of this work were reported in 2002. The results were found to be interesting and a decision was made to carry on the research project, with Scandinavian Airlines' continued support.

Profile, image and sponsoring

The SAS Group supports, among other things, projects initiated by the World Wide Fund for Nature (WWF) and Stiftelsen Håll Sverige Rent (the Keep Sweden Clean Foundation). SAS is principal sponsor for the Norwegian Sofie award for sustainable development and for Royal Awards for Sustainability, an environmental award founded by the crown princes of Denmark and Spain.

Both Scandinavian Airlines and Braathens cooperate with the Norwegian environmental foundation Bellona and the B7 program, which includes the introduction of new environmental technology and promotion of sustainable development.

The SAS Group's businesses cooperate in several areas with central and local Save the Children organizations. Braathens' employees give a contribution to SOS Children's Villages in an initiative organized by the company. Representatives from the Group's environmental staffs regularly give talks at seminars and universities.

See also www.sasgroup.net/environment.

Environment and economy

Environmental work in the SAS Group has several overall aims: Besides ensuring that the Group operates in a manner that complies with environmental laws and regulations, the intention is to make resource utilization more efficient and reduce negative environmental impact. In this way environmental work helps to strengthen the Group's financial position and brands. See also Profile and image on page 114.

In the SAS Group's operations there is a link between improved cost efficiency and decreased environmental impact. For example, there is a direct connection between carbon dioxide emissions from aircraft engines and aircraft fuel consumption. Therefore the SAS Group's efforts to keep down fuel consumption for financial reasons coincide with the aim to minimize carbon dioxide emissions. The same applies to all other operations which, over and above environmental reasons, have strong financial motives for reducing their use of energy and other resources.

There are a number of eco-related business environment factors that can affect the Group's costs over time. Some examples are provided below:

- Trading in emission rights may increase costs for carbon dioxide emissions. The SAS Group is judged to be well placed with a large proportion of eco-efficient aircraft when trading comes into question.
- The use of the Chapter 4 standard at some airports for introduction of operating restrictions and/or higher noise charges is expected to have a negative impact on costs and the value of the SAS Group's MD-80 fleet.
- Possible introduction of a carbon dioxide tax might distort competition if it is not introduced globally but only in the EU.
- Stockholm airport, which is important for the SAS Group, is approaching the limit for environmentally damaging emissions of nitrogen oxides and carbon dioxide. A similar limit has been set at Copenhagen airport for 2005, but for noise. This latter may affect the value of the MD-80 fleet.

It is easier to prove a connection between environmental efforts and cost savings than to show its impact on revenues. This connection is of a more indirect nature such as environmental work facilitating customer contacts and providing new business opportunities.

Well-planned environmental work reduces the risk of non-compliance with environmental regulations, which can lead to both negative publicity and direct costs in the form of fines and damages. A forward-looking environmental program also reduces the risk of being surprised by new and stricter environmental demands from the market or authorities. By anticipating legal or charge-related requirements, the different operations in the SAS Group can acquire competitive gains.

The Group has no environment-related provisions or contingent liabilities. Further details are provided at www.sasgroup.net/environment where there is a table of eco-related investments over the past five years. A more detailed assessment of the environment and economy and eco-related business risks/opportunities is also provided here.

Airline operations

For an airline, flight operations account for 90% of environmental impact. This impact mainly stems from fuel consumption, which causes emissions of carbon dioxide and nitrogen oxides, and noise.

While the environmental problems of aviation have attracted increasing attention, its relative environmental impact has decreased. Technological development has resulted in a 90% reduction of noise impact over the past 30 years. In the same period, fuel consumption has halved and therefore leads to 50% less emissions of carbon dioxide per passenger kilometer.

The most important environmental measure an airline can take is therefore to continuously renew its fleet and then choose the latest, and from an environmental viewpoint the best, commercially available technology.

It has become increasingly common for airports, particularly in Europe, to introduce various types of charge systems or operating restrictions designed to keep away the most environmentally damaging aircraft. This makes it important for an airline that wants to be able to use its entire aircraft fleet in an optimal manner to have aircraft that meet all environmental requirements.

The SAS Group's fleet is comparatively young and its environmental performance is good. For example, the average age of Air Botnia's 10 aircraft is 3.5 years, and Spanair is currently replacing parts of its MD-80 fleet with new Airbus A320s and A321s. Braathens and Scandinavian Airlines are also renewing their fleets.

The SAS Group is also analyzing the possibility and effects of using new regional jet aircraft in the future

Cabin and ground operations together account for approximately 10% of the environmental impact of the airline operations. This primarily concerns consumption of water, energy and chemicals, and generation of waste. Since fuel consumption is pivotal in terms of both finances and the environment, priority is given to measures that can limit the weight of what is taken onboard the aircraft.

Key performance indicators, airline operations[1]															
	Scandinavian Airlines			Spanair			Braathens			Widerøe			Air Botnia		
	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000	2002	2001	2000
RPK, million	23,621	23,296	22,923	8,690	10,117	9,709	3,623	3,441	2,925	417	357	378	332	254	219
ASK, million	34,626	35,981	34,189	12,411	14,887	13,961	5,483	5,941	5,413	823	709	725	671	579	533
Cabin factor, %	68.2	64.7	67.0	70.0	68.0	69.6	62.4	54.0	54.0	50.6	50.3	52.1	49.4	44.0	41.0
Fuel consumption, kg/RPK*	0.051	0.056	0.057	0.045	0.045	0.041	0.047	0.057	–	0.078	0.084	0.082	0.093	0.116	0.128
Carbon dioxide (CO_2), emissions, 1,000 tonnes	3,765	4,110	4,095	1,226	1,424	1,253	545	630	638	102	95	97	98	94	88
Nitrogen oxides (NOx), emissions, 1,000 tonnes	13.7	14.8	14.3	4.1	4.9	–	1.5	1.8	1.8	0.14	0.12	0.12	0.2	0.2	0.2
Noise impact, km^2/85dB(A) at takeoff[2]	2.64	2.98	3.41	5.5	5.7	–	1.98	1.87	–	0.33	0.32	0.32	1.27	2.67	–
Environment-related taxes and charges, MSEK	493	1,024	912	5	–	–	179	552	–	39	80	22	1	1	3
Environmental index[3]	72	80	82[4]	101	100	–	86	100	–	101	104	100	77	100	–

	Scandinavian Airlines	Spanair	Braathens	Widerøe	Air Botnia
Environmental management system[5]	Yes	Partly	Yes	No	Partly
Environmental policy/objectives	Yes	Partly	Yes	No	Partly

Yes · Partly · No

*Adjusted compared to printed version.

[1] *For definitions see Accounting Principles www.sasgroup.net/environment.* [2] *Weighted noise contour with respect to number of takeoffs per day with respective aircraft type in the traffic system.* [3] *Environmental index comprises an aggregated flight, ground and cabin index.* [4] *1996=100* [5] *The objective is to adapt all environmental management systems to the international standard ISO 14001.*

Scandinavian Airlines

Scandinavian Airlines accounts for 61% of the Group's total number of passengers.

Results for the year

Scandinavian Airlines' total environmental index improved by 8 points from 80 to 72. The long-term target is an average improvement of 3 points per year through 2004, a target that is well within reach.

The total index is an aggregate of the flight, cabin and ground index. The cabin index improved by 4 points to 63 (67). The ground index deteriorated slightly to 92 (91), which was explained by increased use of energy and glycol due to weather conditions in the 2001/2002 winter season. Over an interim period, some of Braathens' glycol consumption was booked to Scandinavian Airlines. Comparative figures for the 2001 ground and cabin index have been adjusted.

The flight operations part of the total index provided the largest impact in a positive direction. This improved from 80 to 71. The improvement was mainly due to the cabin factor which rose by 3.5 percentage points to 68.2%, while fuel consumption decreased by 10.6% per RTK.

Noise impact and emissions of nitrogen oxides decreased considerably, mainly due to renewal of the fleet and phasing out of older aircraft such as the DC-9.

On intercontinental routes the highest cabin factor for ten years was achieved, a full 83.3%, despite increased capacity during the year due to replacement of Boeing 767s with Airbus 330/340s which have considerably more seats.

The introduction of the new private travel concept Scandinavian Light in 2003 will lead to more efficient resource utilization. The cabin factor is generally very high on this type of flight.

Development of the aircraft fleet

At year-end 2002, Scandinavian Airlines' aircraft fleet comprised 199 aircraft. The company is holding discussions with Airbus on postponed deliveries of 4 ordered Airbus A321s, since the need for new aircraft is currently low.

Scandinavian Airlines' environmental logotype which indicates the best commercially available environmental technology, was placed on the engine to the MD-90 during the year. The logotype is already on the Boeing 737 and a decision has been made to also place it on the Airbus A321.

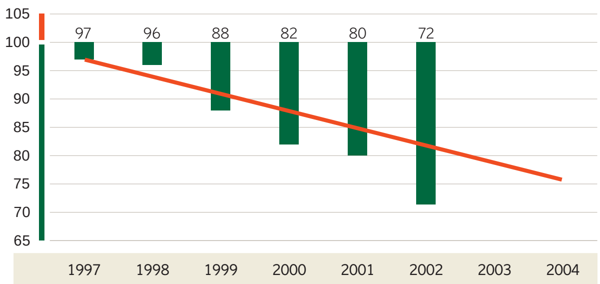
Cabin

The introduction of the new customer concept Scandinavian Direct, which includes serving lighter meals, means that disposable items will be used to a greater extent than previously. At the same time, this will lead to lower weight onboard and a simplified catering production. Despite increased use of disposable materials, the volume of waste decreased slightly to 0.30 kg (0.31) per meal. Most cabin waste is incinerated for energy recovery.

Water consumption per meal increased by 8% to 6.15 liters (5.68) while energy consumption decreased by 9% to 1.04 kWh (1.15) per meal.

Beverage cans corresponding to 25.13 tonnes (34.5) of aluminum were loaded onboard aircraft. In Norway, 7.32 tonnes (14.26)

Total environmental index - Scandinavian Airlines
1996=100



Target for environmental index

of cans were collected, corresponding to a collection ratio of 62% (76%).

The Norwegian recycling system is linked to an environmental charge. A company reaching a collection ratio of 90% is exempt from the charge. Scandinavian Airlines paid a recycling charge equivalent to MSEK 1. A project has been started to increase collection with the aim of being fully exempt from the charge.

During the year Scandinavian Airlines had a project to reduce so-called overcatering, i.e. extra meals that are loaded on every flight. Overcatering is discarded after the flight. The project led to about 250,000 fewer meals, approximately 125 tonnes, being loaded onboard to then be unloaded as waste. The cost of overcatering has decreased by 25%.

The Cabin Operations department further developed its environmental program and strategy during the year. A decision was made that everyone who works with logistics should attend environmental training in 2003.

In Denmark, sorting at source of paper onboard aircraft was started on a trial basis. This trial will be extended to include sorting other waste fractions as well.

Environmental management

Scandinavian Airlines is the first of the Group's airlines to have introduced environmental key performance indicators in its Balanced Scorecards that are used as part of operational control. As part of this control, the airline's management receives a monthly index that shows how the fleet is being utilized from an environmental point of view. This index exceeded its targets in 2002.

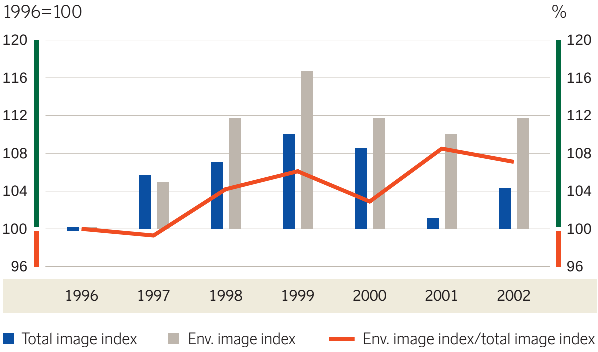
The environment is also part of the regular, internal audits. Planning, implementation, reporting and follow-up are carried out by the Health, Environment and Safety Departments (HES) within Scandinavian Airlines.

Environmental program

Scandinavian Airlines' environmental program is reviewed and adopted once a year. Most items in the 2002 program were achieved. As a result of the financial savings program and organizational changes, however, completion of the ongoing renewal of the aircraft fleet has been somewhat postponed. This also applies to the environmental training which was planned to include management and key people within Scandinavian Airlines.

The environmental program for 2003 has been revised slightly in response to organizational changes and postponed deliveries of new aircraft.

Development of total image index and environmental image index



Profile and image

Each year Scandinavian Airlines measures how the company is perceived by the public in a Customer Satisfaction Index (CSI). The CSI contains eight different factors. The public's perception of Scandinavian Airlines as an eco-aware airline is one of these factors. The diagram, Development of total image index and environmental image index, shows that environmental work makes a positive contribution to the development of Scandinavian Airlines' image. In 2002 both total image and environmental image showed positive development compared with 2001 result.

SAS Commuter

SAS Commuter is a production company for Scandinavian Airlines, but in the event of surplus capacity can also be commissioned by other businesses within the Group. The company has an aircraft fleet of 29 aircraft with an average age of 3.8 years.

SAS Commuter's key task is to convey passengers from Scandinavia and Northern Europe to Copenhagen's traffic system. SAS Commuter conducts maintenance operations in Copenhagen, Stockholm and Trondheim. The operations in Copenhagen require a permit. All environmental data from SAS Commuter is integrated with the data reported by Scandinavian Airlines.

Environment and economy

At the same time as combustion of jet fuel accounts for Scandinavian Airlines' main environmental impact, fuel costs account for approximately 9% of the company's cost base.

Unlike other modes of transport, civil aviation pays its infrastructure costs (costs for using airports and air traffic control) and the costs of its environmental impact. In 2002, Scandinavian Airlines paid approximately SEK 5.4 billion (5.3) on a global basis for infrastructure utilization, of which approximately SEK 3.5 billion (3.6) represented Scandinavian Airlines' own costs. The remainder was taxes and charges for which the company has administrative responsibility. Infrastructure costs account for 13.8% (12.4%) of Scandinavian Airlines' operating revenue. External environment-related costs in the form of environmental charges, environment-related charges and environmental taxes, amounted to MSEK 493 (1,024). In addition to these costs, Scandinavian Airlines has environment-related costs for waste and treatment plants, etc., of approximately MSEK 8 (21), and costs for the environmental organization of MSEK 6.0 (5.6) (excluding internal costs).

Development of external environment-related costs over the past five years, as well as the development of these costs in relation to operating revenue and their impact on the Group's EBITDAR and CFROI, are reported on the website www.sasgroup.net/environment.

Subsidiary & Affiliated Airlines

Spanair

Spanair accounts for 20% of the Group's total number of passengers. Spanair, which is Spain's second-largest airline, is an airline with a cost structure and efficiency level on a par with the most effective low-cost airlines in Europe. But unlike these carriers, Spanair offers a network and products more similar to those of full-service airlines.

Results for the year

Spanair's environmental index was a relatively stable 101 (100) in 2002 compared with 2001, despite closure of the intercontinental routes with the fuel-efficient Boeing 767. Some efficiency enhancement measures were carried out in the European route network.

The fleet comprises 49 aircraft (48). Spanair has started a renewal of its fleet which means that parts of the MD-80 fleet will be phased out and successively replaced, until 2007, by 21 Airbus A320s and A321s with a higher environmental performance.

Environmental management

Spanair is the only Spanish airline with a quality management system certified according to ISO 9000:2000. This also includes some consideration for the environment.

In December 2002, Spanair decided to set up an environmental management function. This is linked to the staff function that handles quality issues. The quality and environmental manager reports directly to executive management. An environmental management system based on ISO 14001 requirements will be introduced. This will be totally integrated with the company's quality management system. Implementation is planned for completion by the end of 2004.

Braathens

Braathens accounts for 13% of the Group's total number of passengers. With its 27 Boeing 737s Braathens mainly serves domestic routes in Norway as well as destinations in the U.K. and on the Mediterranean. Braathens also operates a large number of charter flights.

Results for the year

Braathens' total environmental index improved by 14 points, from 100 to 86. The base year is 2001.

This substantial improvement was due to more efficient utilization of the aircraft fleet, due among other things to coordination with Scandinavian Airlines' route network within Norway from April 2002. Braathens has changed its route network to some extent resulting in longer average distances flown. The cabin factor rose 8.4 percentage points to 62.4% and fuel consumption decreased by 18% per RPK.

Braathens' station handling services have been run by Scandinavian Ground Services since September 1.

Beverage cans corresponding to 14.01 tonnes (11.6) of aluminum were loaded onboard aircraft, of which 10.24 tonnes (11.00) were collected, corresponding to a collection ratio of 73% (96%). Braathens was previously totally free of charges in Norway for aluminum cans. The decline in 2002, which may lead to future charges, mostly occurred in the final months of the year. The reasons for this are under investigation.

The total volume of waste in ground operations decreased by 16.5% to 863 tonnes (1,034). The volume of hazardous waste rose 91% to 63 tonnes (33). This increase was primarily caused by evaporated water from the totally closed treatment plants which went into operation in 2002 being removed and handled as hazardous waste.

In the first half of 2002, Braathens had emissions of wastewater from the workshops at Stavanger airport with a too high heavy metals content. These emissions were reported to the relevant authority and remedied when a new, closed treatment plant went into operation on July 1, 2002.

Environmental management

Braathens' environmental work is linked to the company's quality organization. The head of Health, Environment and Safety reports to the quality manager who in turn reports directly to the president. There is also a HES coordinator and/or environmental coordinator at each of the air, ground and technical departments.

Braathens has an environmental management system that covers its entire operations Environmental training is provided as part of HES work.

Braathens has been publishing a separate HES report since 1996. The HES reports can be downloaded from the company's website www.braathens.no

Environment and economy

Braathens, with its considerable operations in Norway, is substantially affected by the Norwegian environment-related charges. In 2002 the company paid an environment-based passenger charge until April 1 of MSEK 120 (502) In 2002, the carbon dioxide charge amounted to MSEK 56 (50), and the night supplement was MSEK 1.6 (0.8).

Widerøe's Flyveselskap

Widerøe's Flyveselskap accounts for 4% of the Group's total number of passengers. The company provides services with its 29 deHavillands within Norway and to six destinations outside the country.

Results for the year

The total index improved by 3 points from 104 to 101.

Calculation of the total index is based on the assumption that the cabin index is 100, since Widerøe has a very simple inflight refreshments service which seldom changes. Widerøe's improved index was mainly due to efficiency gains and a slightly larger portion of longer flights. Fuel consumption per revenue passenger kilometer decreased by 7.6%.

Aluminum beverage cans corresponding to 1.35 tonnes (0.63) were loaded and 0.44 tonnes (0.55) was collected, which corresponds to a collection ratio of 32.7% (86.7%).

Widerøe plans to increase its fleet of deHavilland Q400s over the next three years, which will lead to a lower relative environmental impact.

Environment-related taxes and charges amounted to MSEK 39 (80).

Air Botnia

Air Botnia with its 10 aircraft accounts for 2% of the Group's total number of passengers.

The company operates feeder services from Finland to Stockholm, Copenhagen, Oslo and Gothenburg. Air Botnia launched a new nonstop service between Helsinki and Brussels in 2002.

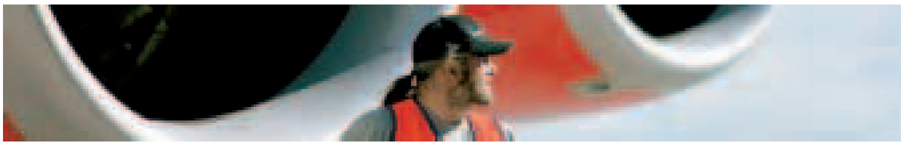
Result for the year

The total index improved by 23 points from 100 to 77. The total index is based on 2001 and calculated from the flight operations index. Due to a lack of data, the cabin and ground index has been set at 100 for 2002.

The major improvement is explained by the reorganization of the route network and a renewal of the aircraft fleet. The new fleet, which comprises five Avro RJ-85s and five SAAB 2000s, is one of the youngest fleets in Europe. This has halved the noise impact and reduced fuel consumption per RPK by 20% compared with the previous fleet. In 2002, Air Botnia's catering supplier started a trial with recycling of packaging at Helsinki airport. The intention is to reduce the volume of packaging waste.

Other operations

Airline Support Businesses and Airline Related Businesses



KPIs Airline Support Businesses/Airline Related Businesses	2002	2001	2000
Water consumption, 1,000 m^3	162	187	221
Energy consumption, GWh	205	193	186
Unsorted waste, tonnes	786[1]	3,034	3,055
Hazardous waste, tonnes	532[1]	1,429	1,306
Fuel consumption vehicles, 1,000 liters	6,315	6,139	6,078
Glycol consumption, m^3	4,516	2,751	4,597
SAS Media			
Paper, tonnes	527	480	–
Number of original pages produced	2,596	2,576	2,786
Energy consumption, MWh	118	114	–

[1] Due to changed accounting methods, 2002 is not comparable with previous years.

Other operations combined account for 7% of the Group's environmental impact.

Facility Management

The SAS Group's owned and rented buildings and properties are managed by the Group's staff function Facility Management. The building space for which Facility Management reports resource consumption and environmental impact amounts to approximately 600,000 m^2.

Some of the space is used by units mainly engaged in administration and office operations. In these cases environmental impact primarily comprises energy consumption, generation of office waste and, to some extent, water consumption.

Other areas of building space comprise workshops and hangars which are used by units of a more technical nature such as SAS Technical Services' workshops. The environmental impact here includes use of chemicals and generation of hazardous waste.

Since many of the buildings are used by several different operations within the Group, only accumulated data is reported from Facility Management. Where operations, such as in the case of SAS Trading and Scandinavian Ground Services, are conducted in premises that are owned and managed by the airport owner, resource consumption, waste and any emissions are reported by the owner of the premises. The owner of the premises is responsible for handling and reporting on waste management.

SAS Facility Management sets its own resource and environmental targets for property management. These targets were reached in 2002. Facility Management has been highly active over the years among other things as regards connecting buildings to district heating and using biofuels, as well as initiating and conducting energy efficiency projects.

Facility Management negotiates with electricity and energy suppliers, purchases waste management services, and places appropriate environmental demands on its suppliers.

Airline Support Businesses

SAS World Sales

SAS World Sales is responsible for sales and distribution for a number of airlines within and outside the Group. The assignment includes development of new sales and distribution channels for air tickets. SAS World Sales' focus on electronic sales channels and ticketless travel is leading to greater resource efficiency. SAS World Sales handles major customer agreements where environmental considerations are included as one of several important criteria. The unit plays a key role as regards environmental communication with customers.

SAS Technical Services (STS)

STS handles technical maintenance on aircraft and engines. Scandinavian Airlines is the largest customer and accounts for 80% of STS's operating revenue. In 2002, STS signed a five-year contract for maintenance of Spanair's MD-80s.

STS is responsible for most of the operations that require a permit within the SAS Group. See also Report by the Board of Directors page 76. STS is also responsible for the greatest use of chemicals and is the business that generates most hazardous waste. The hazardous waste is collected and destroyed by approved waste managers.

During the year, STS noted emissions of 350 liters of lavatory chemicals at Oslo airport. This incident was reported to the appropriate authorities and remedied. In 2002 STS was an active partner in a cooperation between Boeing and paint manufacturers. The intention is to develop chromium-free exterior paints. STS's goal is to reduce the content of chromium and solvents in the paint.

Work started on certification of the environmental management system according to ISO 14001 was delayed in 2002 due to work with the general efficiency enhancement program and introduction of JAR 145, a quality system based on the European authorities' joint regulations for civil aviation. Later in 2003, STS will make a decision on whether to continue the ISO 14001 process.

Scandinavian Ground Services (SGS)

Scandinavian Ground Services (SGS) is responsible for the SAS Group's passenger and ramp services on the ground and is located at 120 airports. In September 2002, SGS received a contract for Braathens' ground service, which is expected to provide synergy gains and enhanced resource efficiency.

SGS's greatest environmental impact is from ground vehicles, primarily internal transport services at airports. SGS has several thousand vehicles. SGS also conducts bus services between Oslo and Oslo's Gardermoen airport. This service has 24 buses which in 2002 used approximately 950,000 liters of eco-diesel, corresponding to emissions of 2,400 tonnes of carbon dioxide.

SAS Cargo Group

SAS Cargo Group conducts air freight operations mainly in aircraft owned by Scandinavian Airlines, Braathens, Air Botnia and Lufthansa. SAS Cargo Group also conducts land-based freight services via SAS Cargo Trucking.

SAS Cargo Group's environmental impact comes from fuel consumption, which causes emissions of carbon dioxide and nitrogen oxides, and noise. Emissions data for SAS Cargo Group's air transport operations are included in the emissions data from the Group company concerned. Similarly, the business's environmental impact from road transport is reported by the operating company, Kim Johansen International Transport A/S. In an agreement with SAS Cargo Group, this transport operator has undertaken to work actively to reduce energy and resource consumption and to report its environmental impact.

As a natural consequence of cooperation with customers, SAS Cargo Group decided to extend its ISO 9002 quality certification to include ISO 9001 and ISO 14001. Work on integrating these systems was resumed at the end of 2002 having been suspended while the focus of the business was on measures to improve profitability. The goal is to achieve environmental certification in the third quarter of 2003.

In 2002, SAS Cargo Group together with its customers Novo Nordisk and Novozymes, and Danzas which is one of the world's largest leading providers of freight transportation, developed a method for calculating the environmental impact of air freight transports.The system has been developed so that SAS Cargo Group, in dialog with its customers, can document both its own and its customers' environmental impact and improvement work.

Airline Related Businesses

Airline Related Businesses include the businesses Scandinavian IT Group, SAS Trading, SAS Flight Academy, Jetpak, European Aeronautical Group, and SAS Media. These are mainly office-based operations and their environmental impact is mostly indirect. The direct environmental impact is associated with energy and resource consumption at the offices, waste generation and transportation.

Scandinavian IT Group

Scandinavian IT Group's main business is focused on meeting the IT support requirements of the airline industry.

Scandinavian IT Group's most significant environmental impact is energy consumption, but it also includes generation of electrical and electronic waste. The waste is collected for recycling and waste management by approved electronic recycling companies.

See also Report of the Board of Directors, page 76.

SAS Trading

SAS Trading conducts tax-free and other sales in 35 stores at 20 airports in Scandinavia, Poland and the Baltic countries. These operations involve handling a large volume of packaging waste. This is included in the airport owners' approved waste management systems and reported by them. The SAS Trading stores that sell food are subject to local food regulations and supervised by the environment and health authorities.

SAS Flight Academy

SAS Flight Academy conducts training for pilots and others for the SAS Group and other airlines. A key part of pilot training is knowledge of optimization of flying procedures in order to also use the aircraft in an eco-efficient manner.

Jetpak

The Jetpak group markets time-guaranteed, local delivery services and regional door-to-door express deliveries with the Nordic countries as its home market. Operations comprise both ground and air-based services which are mainly produced by the suppliers included in the franchise agreements between Jetpak/AdenaPicko's and its franchisees. In total there are about 55 franchisees and approximately 350 delivery service vans. There are also agents at 35 airports in Sweden which produce for Jetpak.

The Jetpak group works actively with environmental issues within its own operations. For example, minimum requirements are made on supplier's cars and trucks. All traffic planning is optimized to reduce negative environmental impact. Cycle messengers are one example of eco-compliant deliveries in large cities.

In the warehouse and cross-docking facilities hybrid trucks are used which can be operated on electricity or diesel.

The Jetpak group support improvement projects relating to alternative fuels and eco-optimized logistics, among other things through active membership of the Swedish Electric & Hybrid Vehicle Association.

In 2002 Jetpak's main focus was on a reorganization process which meant that environmental work did not have top priority. In 2003, on the other hand, preparations will start for certification of the environmental management system according to ISO 14001

European Aeronautical Group (EAG)

European Aeronautical Group's operations include production of route manuals for 130 large and small airlines. EAG's greatest environmental impact therefore comprises extensive consumption of paper. In 2002, 155 tonnes of paper was used. At the same time, there is considerable potential for improvement in view of discussions on replacing paper with electronic products. At present a transfer to a totally paperless cockpit is not possible due to official requirements.

SAS Media

SAS Media produces the inflight magazines Scanorama, Scanorama Japanese, and SAS Magasinet in Norway and Sweden. SAS Media has been conducting active environmental work since 1998 and has an environmental management system which covers both the external environment and the working environment.

SAS Media rents premises from an external landlord who has agreed to provide SAS Media with a report on the company's energy and resource consumption.

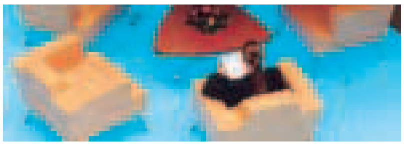
In 2002 SAS Media updated its environmental policy in accordance with the Group's sustainability and environmental policies, adjusted its environmental targets, and developed more key indicators for the environment. In 2002 the target to achieve 100% digital advertisements was reached. An environmental course was held for the most recent employees. An environmental questionnaire has been sent to SAS Media's most important suppliers.

In 2003, SAS Media's suppliers who received low scores or did not reply to the environmental questionnaire will be evaluated. SAS Media plans in 2003 to use the Group's web-based training program in order to update employees on environmental issues.

For more information about SAS Media's environmental work see: www.sasmedia.se.

Hotel operations

Rezidor SAS Hospitality



Key performance indicators Rezidor SAS Hospitality

	2002	2001	2000
Water consumption per guest night, liters	423	436	520
Energy consumption per m^2, kWh	289	292	304
Renewable energy sources (electricity), %	26	25	–
Unsorted waste per guest night, kg	2.13	2.09	1.99
CO_2 emissions, 1,000 tonnes	6.40	6.13	6.0
Environmental management system	●	●	◐
Environmental policy/objectives	●	●	◐

Information pertains to Radisson SAS hotels, excl. franchise.

Rezidor SAS Hospitality, which accounts for 13% of the Group's environmental impact, conducts the Group's hotel operations under four brands.

At the end of 2002, 133 hotels in the Rezidor SAS system were in operation, of which 119 were Radisson SAS hotels. These operations are undergoing rapid expansion. More than 50 hotels are under construction, and the Rezidor SAS group plans to expand with approximately 50 hotels per year.

Rezidor SAS conducts operations in 40 countries, including countries which do not fully conform to UN conventions on human rights. Rezidor SAS therefore prioritizes issues related to ethics and social responsibility. An environmental and social impact that is difficult to influence lies in the rapid expansion which the hotel operations are currently experiencing. This concerns land development, as well as planning and design of new hotels.

Hotels are mainly regulated by national and local legislation. One difficulty therefore is the major variations between legislation in Europe and that in countries in Africa and the Middle East.

The environmental impact of the hotel operations mainly comprises consumption of energy and water, and generation of waste. Use of materials and chemicals, primarily for washing and cleaning, is also significant. Choosing eco-compliant products is important for hotels so as to reduce the indirect environmental impact which arises from the use of goods and services.

In the last three years water consumption per guest night has decreased by 19%, without any effect on guest comfort. A systematic measurement and survey system has been initiated and measures for both energy and water conservation will be implemented as required. In addition to the environment, health and safety are prioritized areas. This is about reducing absence due to illness and accidents at work. Improved routines and regular training have led to a reduction in the number of incidents.

Rezidor SAS Hospitality has started to develop a Responsible Construction Guidelines checklist, which will provide support when making environmental demands related to construction and renovation of hotels. Lists have also been developed with environmental requirements for soap, shampoo, washing chemicals and printing services. Demands are also made based on social aspects.

In spring 2002 an inventory was drawn up of the freons CFC and HCFC which are used as coolants in fridges, freezers and air conditioning units. Hotels follow local legislation but do not top up CFCs and HCFCs.

At the end of 2002 an internal campaign was launched for the Rezidor SAS Responsible Business Program. A couple of hotels have reported that this program for responsible business has contributed to them both gaining new customers and keeping existing ones. Rezidor SAS has been well placed in suppliers' evaluations, regarding environmental and social responsibility, conducted by a number of major customers during the year.

Environmental management

Rezidor SAS Hospitality has implemented the SAS Group's sustainability policy and environmental policy and set its own targets based on these policies. These are formulated in 17 points in the Rezidor SAS Responsible Business Program. This program is also used in internal control routines.

Rezidor SAS Hospitality has an environmental director also responsible for matters relating to social responsibility and sustainable development. The environmental director reports directly to the president of Rezidor SAS. All hotels have an environmental coordinator.

Consumption of energy and water, and generation of waste, are reported once a month and this is part of the environmental management system that has been introduced throughout the company. Internal benchmarking, where the hotels can compare their key indicators regarding energy, water, and waste, is carried out two to three times a year.

In 2002, all hotels started environmental training for their staff. 35% of all employees have attended a two-hour basic environmental training course. All hotels plan to continue or follow up this training in 2003.

Cooperation and dialog with stakeholders

Cooperation was established with the supplier Ecolab in 2002 designed to improve chemicals handling at the hotels, among other things by reducing the number of chemicals used and also ensuring that these are used for the right purpose.

Rezidor SAS is represented in the International Hotels Environment Initiative (HEI) which is the international hotel industry's environmental cooperation body, and is a member of the International Hotels & Restaurant Association (IH&RA) and the World Travel & Tourism Council (WTTC). 80 hotels participated in local Save the Children campaigns during the year. All hotels are involved in at least one local project. Rezidor SAS sponsors UNESCO's World Heritage project.

During the year Radisson SAS published a status report for its Responsible Business Program, the Responsible Business Progress Report 2002. See: www.radissonsas.com/responsiblebusiness.

Definitions and concepts

AEA, The Association of European Airlines • An association of the largest European airlines.

ASK, Available seat kilometers • The total number of seats available for 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 (market adjusted capital employed) • Book shareholders' equity, plus minority interests, plus surplus value in the aircraft fleet, plus 7 times the annual cost of operating leases for aircraft, plus financial net debt, minus share of equity in affiliated companies. Can also be expressed as the book value of total assets, plus surplus value in the aircraft fleet, plus 7 times the annual cost of operating leases for aircraft, minus share of equity in affiliated companies, minus noninterest-bearing liabilities and interest-bearing assets, excluding net pension funds.

Available seat kilometers • See ASK.

Available tonne kilometers • See ATK.

Block hours • Refers to the time the aircraft leaves the departure gate until it arrives at the destination gate.

Breakeven load factor • The load factor that makes traffic revenue 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.

CAEP • Committee on Aviation Environmental Protection. Specialist group within the ICAO.

CAPEX, Capital expenditure • Future payments for aircraft on firm order.

Capital employed • Total capital according to the balance sheet minus noninterest-bearing liabilities.

Capital employed, market adjusted • See AV.

Capitalized leasing costs (x 7) • The annual cost of operating leases for aircraft multiplied by seven.

Carbon dioxide (CO_2) • A colorless gas formed during combustion. Carbon dioxide is a greenhouse gas.

CFROI, Cash flow return on investment • EBITDAR in relation to AV.

CO_2 • See Carbon dioxide.

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 • Measures how customers perceive SAS's services. Surveys are conducted every six months.

Debt/equity ratio • Financial net debt 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 tax divided by the total number of shares.

EBIT (including capital gains) • Operating income.

EBITDA, Earnings before depreciation • Income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

EBITDA margin • EBITDA divided by operating revenue.

EBITDAR, Earnings before depreciation and leasing costs • Income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

EBITDAR margin • EBITDAR divided by operating revenue.

EBT, Earnings before tax • Income before tax.

ECAC, European Civil Aviation Conference • Forum for cooperation between and coordination of European national authorities on civil aviation matters.

Equity method • Shares in affiliated companies are taken up at the SAS Group's share of equity, taking acquired surplus and deficit values into account.

Equity per share • Total shareholders' equity divided by the total number of shares.

Equity/assets ratio • Shareholders' equity plus minority interests in relation to total assets.

EV, Enterprise value • Average market capitalization (market value of shareholders' equity) plus average financial net debt during the year and 7 times the annual cost of operating leases for aircraft.

EVA, Equity value added • Return over and above the company's weighted average cost of capital (WACC) times market-adjusted capital.

Finance leasing • Based on a leasing contract where 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.

Financial net debt • Interest-bearing liabilities minus interest-bearing assets excluding net pension funds.

Financial net debt, market adjusted, NPV • Financial net debt plus present value of leasing costs for aircraft, NPV.

Financial net debt, market adjusted (x 7) • Financial net debt plus capitalized leasing costs (x 7).

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.

IFCA, International Flight Catering Association • Organization for all companies and suppliers that in some way are involved in the airline industry's catering operations. Has 600 member companies worldwide.

Interest coverage ratio • Operating income plus financial income in relation to financial expenses.

Interline revenues • For example: one airline issues a ticket for a journey later flown by another airline. This airline is then paid the revenue for that ticket.

IPCC, Intergovernmental Panel on Climate Change • Scientific panel appointed by the United Nations Environmental Program, UNEP, and the World Meteorological Association, WMO, to assess what is happening to the global climate and the impact of climatic disturbances.

IRR, Internal Rate of Return • Discount rate where the present value of a project's cash flow, from investment to sales, is equal to zero.

Market capitalization at year-end • Share price multiplied by the number of outstanding shares.

Net debt • Interest-bearing liabilities minus interest-bearing assets.

Net profit margin • Income after financial items in relation to operating revenue.

Nitrogen oxides (NOx) • Formed from all combustion – in aircraft engines because the high temperature and pressure cause atmospheric nitrogen and oxygen to react.

NOx • See Nitrogen oxides.

NPV, Net present value • Used to calculate capitalized future costs of operating leases for aircraft.

Operating leasing • Based on a leasing contract in which the risk 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 acronym for SAS's employee surveys (Personalundersökning om livet i SAS koncernen). The annual surveys measure how SAS's employees perceive their working environment.

Regularity • The percentage of flights completed in relation to flights schedules, excluding flights canceled for commercial reasons.

Return on capital employed • Operating income plus financial income in relation to average capital employed. Capital employed refers to total assets as specified in the balance sheet minus noninterest-bearing liabilities.

Return on equity • Income after taxes in relation to average shareholders' equity.

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.

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.

Sale and leaseback • Sale of an asset (aircraft, building, etc.) that is then leased back.

Total load factor • The relation between RTK and ATK expressed as a percentage. The proportion of total available capacity sold and flown.

Total return • The sum of change in share price and dividends.

TSR, Total shareholder return • Average total return.

Unit cost • Airline operations' total operating expenses minus non-traffic related revenue per ASK.

Unit revenue (yield) • Average traffic revenue per RPK.

WACC, Weighted average cost of capital • 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.

Wet lease agreement • Leasing in of aircraft including crew.

Yield • See Unit revenue.

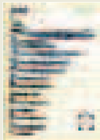
SAS retrospective

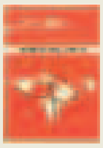
Fifty years of annual reports

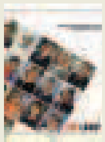

1954-55

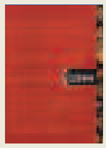

1958-59


1968-69

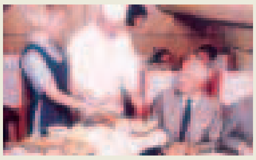

1970-71


1980-81


1988


1994

SAS was formed from Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL) and Svensk Interkontinental Lufttrafik AB (SILA). The first intercontinental flight went between Stockholm and New York.



1918
Det Danske Luftfartselskab A/S (DDL), SAS's Danish parent company, is founded.

1920
DDL is listed on the Copenhagen Stock Exchange.

1924
AB Aerotransport (ABA), SAS's Swedish parent company, is founded.

1927
Det Norske Luftfartselskap A/S (DNL), SAS's Norwegian parent company, is founded.

1946
SAS is formed from Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL) and Svensk Interkontinental Lufttrafik AB (SILA). The first intercontinental flight Stockholm - New York.

1951
DDL, DNL and ABA form the present SAS Consortium.

1954
SAS is the world's first airline to fly the Copenhagen - Los Angeles polar route in scheduled service.

1957
SAS is the first airline to offer "round the world service over the North Pole." North Pole shortcut Copenhagen - Anchorage - Tokyo.

1959
SAS enters the jet age. The first jet aircraft, Caravelle, in service.

1960
SAS opens its first hotel, the SAS Royal Hotel Copenhagen.

1965
SAS is first to introduce an electronic reservations system.

1971
SAS puts its first Boeing 747 jumbo jet into service.

1980
SAS opens its first hotel outside of Scandinavia, the SAS Kuwait Hotel.

1981
SAS EuroClass is introduced on all European routes.

1982
SAS is the most punctual airline in Europe for the first time.

1984
SAS receives Air Transport World's distinction "Airline of the Year" for 1983.

1986
Spanair is founded.

1989
SAS International Hotels owns 40% of Intercontinental Hotels Group. This stake is sold in 1992.

1994
Focus on airline operations in the SAS Group - sale of a number of subsidiaries.

1996
SAS celebrates its 50th anniversary on August 1.

1997
SAS is one of the founders of Star Alliance™.

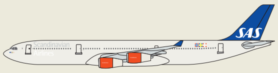
1998
Air Botnia becomes a wholly owned subsidiary of the SAS Group.

1999
The SAS Group becomes a majority owner of Widerøe.

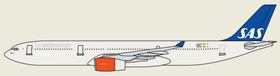
2001
A single SAS share is established. On July 6, SAS is listed on the stock exchanges in Stockholm, Copenhagen and Oslo. Braathens is acquired by the SAS Group in December.

The SAS Group's aircraft fleet (as of December 31, 2002)

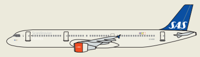
Scandinavian Airlines' aircraft fleet in traffic



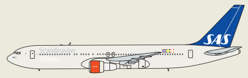
Airbus A340-300
Number of aircraft: 7
Number of seats: 261
Max. takeoff weight: 275.0 tonnes
Max. load: 43.0 tonnes
Length: 63.7 m
Wingspan: 60.3 m
Cruising speed: 875 km/h/545 mph
Range: 12,800 km
Fuel consumption: 0.039 l/seat kilometer
Engine: CFM56-5C4



Airbus A330-300
Number of aircraft: 2
Number of seats: 261
Max. takeoff weight: 233.0 tonnes
Max. load: 43.0 tonnes
Length: 63.7 m
Wingspan: 60.3 m
Cruising speed: 875 km/h/545 mph
Range: 9,700 km
Fuel consumption: 0.035 l/seat kilometer
Engine: RR Trent 772B



Airbus A321-200
Number of aircraft: 8
Number of seats: 160-184
Max. takeoff weight: 85.0 tonnes
Max. load: 21.5 tonnes
Length: 44.5 m
Wingspan: 34.1 m
Cruising speed: 840 km/h/520 mph
Range: 3,000 km
Fuel consumption: 0.036 l/seat kilometer
Engine: V2530-A5



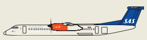
Boeing 767-300 ER
Number of aircraft: 9
Number of seats: 188-204
Max. takeoff weight: 186 tonnes
Max. load: 37.4 tonnes
Length: 54.9 m
Wingspan: 47.6 m
Cruising speed: 860 km/h/535 mph
Range: 10,500 km
Fuel consumption: 0.040 l/seat kilometer
Engine: P&W 4060

Boeing 737-600/700/800
Number of aircraft: 30/6/19
Number of seats: 91-103/116-137/179
Max. takeoff weight: 57.6-59.9/61.7/ 70.6 tonnes
Max. load: 13.0/15.0/19.0 tonnes
Length: 31.2/33.6/39.5 m
Wingspan: 34.3 m
Cruising speed: 850 km/h/530 mph
Range: 1,900/2,200/3,700 km
Fuel consumption: 0.044/0.042/0.034 l/seat kilometer
Engine: CFM56-7B

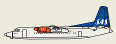
MD-90-30
Number of aircraft: 8
Number of seats: 147
Max. takeoff weight: 70.8 tonnes
Max. load: 17.0 tonnes
Length: 46.5 m
Wingspan: 32.9 m
Cruising speed: 825 km/h/515 mph
Range: 2,800 km
Fuel consumption: 0.041 l/seat kilometer
Engine: IAE V2525-D5

MD-81/82/83
Number of aircraft: 15/32/2
Number of seats: 141/145
Max. takeoff weight: 63.5/67.8/72.6 tonnes
Max. load: 14.6/17.1/16.4 tonnes
Length: 45.1 m
Wingspan: 32.9 m
Cruising speed: 825 km/h/515 mph
Range: 2,600/3,200/4,300 km
Fuel consumption: 0.043/0.043/0.043 l/seat kilometer
Engine: P&WJT8D-217C/-219

MD-87
Number of aircraft: 15
Number of seats: 110-125
Max. takeoff weight: 61.2 tonnes
Max. load: 14.8 tonnes
Length: 39.8 m
Wingspan: 32.9 m
Cruising speed: 825 km/h/515 mph
Range: 3,500 km
Fuel consumption: 0.048 l/seat kilometer
Engine: P&W JT8D-217C



deHavilland Q400
Number of aircraft: 24
Number of seats: 72
Max. takeoff weight: 29.0 tonnes
Max. load: 7.3 tonnes
Length: 32.8 m
Wingspan: 28.4 m
Cruising speed: 660 km/h/410 mph
Range: 1,000 km
Fuel consumption: 0.039 l/seat kilometer
Engine: P&W 150A



Fokker F50
Number of aircraft: 7
Number of seats: 50
Max. takeoff weight: 20.8 tonnes
Max. load: 4.9 tonnes
Length: 25.3 m
Wingspan: 29.0 m
Cruising speed: 520 km/h/320 mph
Range: 1,400 km
Fuel consumption: 0.038 l/seat kilometer
Engine: P&W 125 B

Spanair's aircraft fleet

Airbus A321-200
Number of aircraft: 4
Number of seats: 212
Max. takeoff weight: 93 tonnes
Max. load: 25 tonnes
Length: 44.5 m
Wingspan: 34.1 m
Cruising speed: 840 km/h/520 mph
Range: 3,800 km
Fuel consumption: 0.024 l/seat kilometer
Engine: V2533-A5

Airbus A320-200
Number of aircraft: 6
Number of seats: 156/180
Max. takeoff weight: 77 tonnes
Max. load: 19 tonnes
Length: 37.6 m
Wingspan: 34.1 m
Cruising speed: 840 km/h/520 mph
Range: 3,500 km
Fuel consumption: 0.027 l/seat kilometer
Engine: V2527-A5

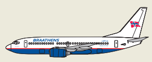
Spanair's aircraft fleet, continued

MD-82/83
Number of aircraft: 11/23
Number of seats: 155/170
Max. takeoff weight: 66.7/72.6 tonnes
Max. load: 19.1/17.7 tonnes
Length: 45.1 m
Wingspan: 32.9 m
Cruising speed: 815/825 km/h/505/510 mph
Range: 3,200/3,500 km
Fuel consumption: 0.043/0.040 l/seat kilometer
Engine: P&WJT8D-217C/-219

MD-87
Number of aircraft: 1
Number of seats: 110-125
Max. takeoff weight: 63.5 tonnes
Max. load: 15.4 tonnes
Length: 39.8 m
Wingspan: 32.9 m
Cruising speed: 815 km/h/505 mph
Range: 3,500 km
Fuel consumption: 0.047 l/seat kilometer
Engine: P&W JT8D-219C

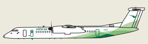
Boeing 717
Number of aircraft: 4
Number of seats: 115
Max. takeoff weight: 51.7 tonnes
Max. load: –
Length: 37.8 m
Wingspan: 28.5 m
Cruising speed: 825 km/h/515 mph
Range: 2,800 km
Fuel consumption: 0.037 l /seat kilometer
Engine: BR 715

Braathen's aircraft fleet



Boeing 737-400/500/700
Number of aircraft: 5/14/8
Number of seats: 150/120/134
Max. takeoff weight: 68/65.3/60.5 tonnes
Max. load: 17/13.9/15.6 tonnes
Length: 36.4/31/33.6 m
Wingspan: 28.9/29.9/33.6 m
Cruising speed: 800/800/850 km/h/500/500/530 mph
Range: 3,570/4,120/4,660 km
Fuel consumption: 0.031/0.033/0.029 l/seat kilometer
Engine: CFM 56-3/CFM 56-3/CFM 56-7B

Widerøe's aircraft fleet



deHavilland Q100/300/400
Number of aircraft: 17/9/3
Number of seats: 37/50/72
Max. takeoff weight: 15.6/19.5/29.3 tonnes
Max. load: 3.6/5.9/8.1 tonnes
Length: 22.3/25.7/32.8 m
Wingspan: 25.9/27.4/28.4 m
Cruising speed: 514/525/667 km/h 320/326/415 mph
Range: 1,400/1,500/1,800 km
Fuel consumption: 0.038/0.037/0.040 l/seat kilometer
Engine: PW121 Turboprop/PW123 Turboprop/PW150 Turboprop

Air Botnia's aircraft fleet

AVRO RJ-85
Number of aircraft: 5
Number of seats: 79
Max. takeoff weight: 42.2 tonnes
Max. load: 11.3 tonnes
Length: 28.6 m
Wingspan: 26.3 m
Cruising speed: 780 km/h/485 mph
Range: 2,200 km
Fuel consumption: 0.053 l/seat kilometer
Engine: Honeywell

SAAB 2000
Number of aircraft: 5
Number of seats: 47
Max. takeoff weight: 23.0 tonnes
Max. load: 5.4 tonnes
Length: 27.3 m
Wingspan: 24.8 m
Cruising speed: 685 km/h/425 mph
Range: 1,800 km
Fuel consumption: 0.042 l/seat kilometer
Engine: Rolls-Royce AE 2100A

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