Customer choice

Three segments for different needs to European destinations.

Business

For those who put extra comfort and service first.

Economy Flex

For those focusing on efficient and flexible travel.

Economy

For those who want low fares or the lowest snowflake fares.

2004

The SAS Group's Annual Report & Sustainability Report

sasgroup.net

A STAR ALLIANCE MEMBER

SAS Group

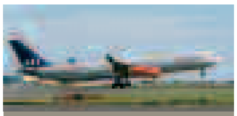
Table of contents

Company information

Reports	All reports are available in English and Swedish and can be ordered from SAS, SE-195 87 Stockholm, telephone +46 8 797 17 88, fax +46 8 797 51 10. The reports can also be accessed and ordered via the Internet: **www.sasgroup.net** Direct further questions to Investor Relations SAS Group: Head of IR Sture Stølen, telephone +46 8 797 14 51 or e-mail: **investor.relations@sas.se**
Group publications	The Code of Conduct, rules and guidelines for business ethics for the SAS Group in Danish, Norwegian, Swedish, English and Spanish will be available in spring 2005 and Policy Framework for Civil Aviation in Scandinavia is available in Danish, Swedish and English in printed or digital form at **www.sasgroup.net**
Financial calendar	Annual General Meeting, April 13, 2005 ■ Interim Report 1 (January-March), May 3, 2005 ■ Interim Report 2 (January-June), August 17, 2005 ■ Interim Report 3 (January-September), November 8, 2005 ■ Year-end Report 2005, February 2006 ■ Annual Report 2005 & Sustainability Report, March 2006 ■ The SAS Group's monthly traffic data and most recently updated financial calendar are available at **www.sasgroup.net**
Annual General Meeting	The SAS Group's Annual General Meeting will be held on April 13 at 4.00 p.m. Venues: ■ Copenhagen, Radisson SAS Scandinavia Hotel, Amager Boulevard 70 ■ Stockholm, Berns Hotel, Kammarsalen, Näckströmsgatan 8 ■ Oslo, Radisson SAS Plaza Hotel, Sonja Henies Plass 3.

The SAS Group's business areas

SAS Group

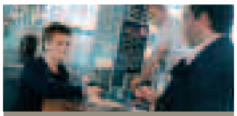


Scandinavian Airlines Businesses

- Scandinavian Airlines Danmark
- SAS Braathens
- Scandinavian Airlines Sverige
- Scandinavian Airlines International

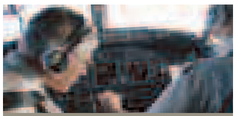
Subsidiary & Affiliated Airlines

- Spanair
- Widerøe
- Blue1
- Affiliated Airlines: airBaltic, Estonian Air



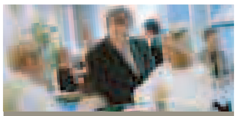
Airline Support Businesses

- SAS Ground Services
- SAS Technical Services
- SAS Cargo Group



Airline Related Businesses

- SAS Flight Academy
- Jetpak Group
- European Aeronautical Group
- SAS Media
- SAS Business Opportunities
- SAS Trading



Hotels

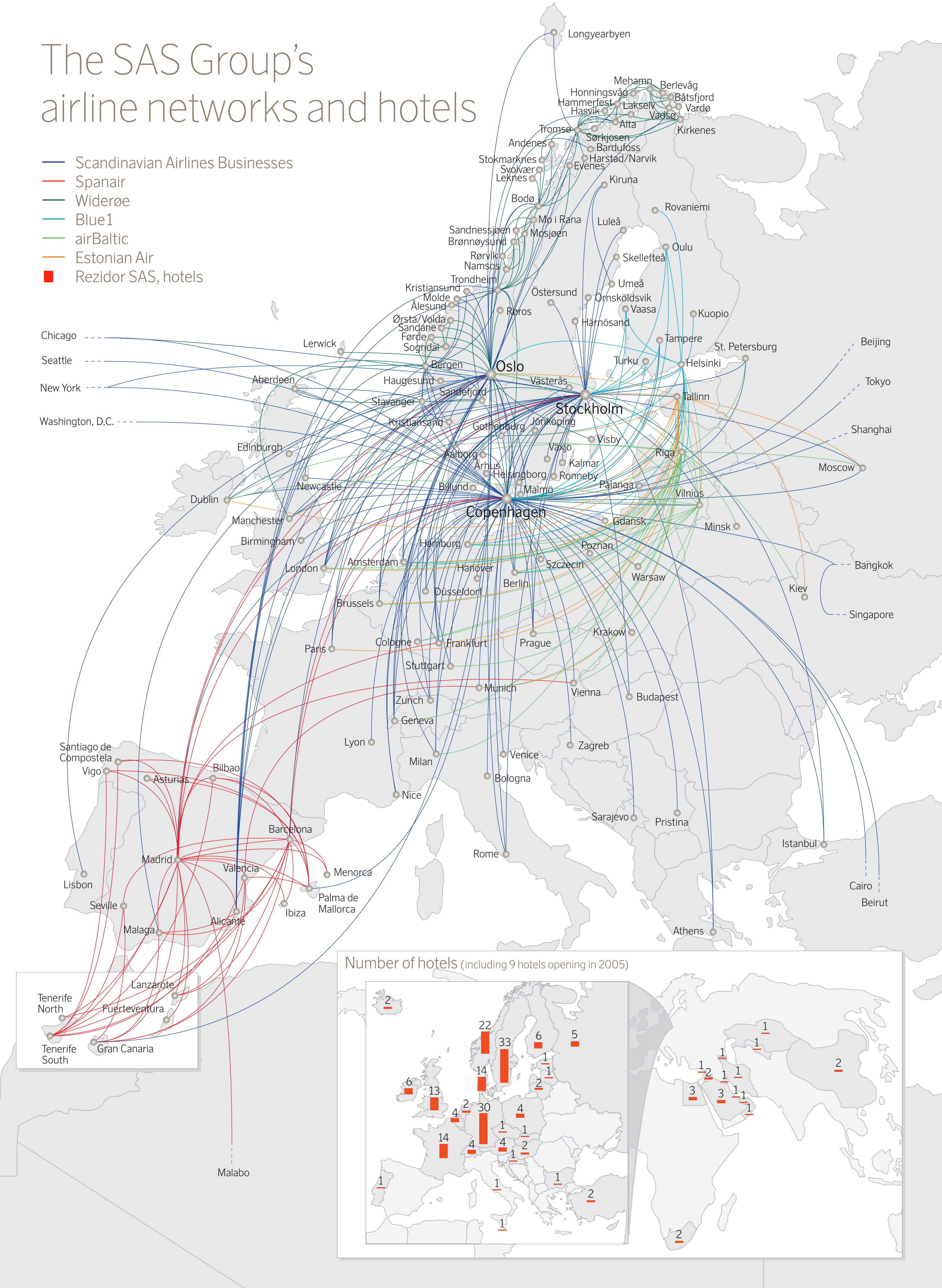
- Rezidor SAS

SAS AB is the Nordic region's largest listed airline and travel group and the fourth-largest airline group in Europe in terms of passengers carried and operating revenue. The SAS Group's airlines fly to, from and in Scandinavia and the rest of Europe and to and from North America and Asia.

The Group has an extensive network of approximately 1,445 daily departures to 146 destinations. Scandinavian Airlines is a founding member of the world's biggest airline alliance - Star Alliance™. The SAS Group has three alliance members: Scandinavian Airlines, Spanair and Blue1. The other airlines in the Group are Widerøe, airBaltic and Estonian Air.

The Group also has companies that support airline operations as well as a business area that operates hotels.

The SAS Group's airline networks and hotels



The SAS Group has solutions for customers with different needs

Along with our Star Alliance™ partners we offer connections by air to more than 770 destinations worldwide. We have a global route network for those with tight schedules, who want be able to rebook flights and use their travel time efficiently. We also have lots of choices for those who are simply after a low fare. In addition, we offer 190 hotels in different segments in many destinations.

The year in brief

Operating revenue	■ Operating revenue for the full year amounted to MSEK 58,073 (57,754), an increase of 0.6%. For comparable units and adjusted for currency effects, operating revenue increased during the full year by 3.3% or MSEK 1,892.
Income	■ The SAS Group's total number of passengers rose by 4.4% to 32.4 million passengers. ■ Income before depreciation and leasing costs for aircraft (EBITDAR) amounted to MSEK 4,383 (3,761) for the full year. ■ Income before capital gains and nonrecurring items improved by MSEK 408 and amounted to MSEK –1,813 (–2,221) for the full year. ■ Income after financial items amounted to MSEK –1,945 (–1,470). ■ Income after tax was MSEK –1,872 (–1,415). ■ CFROI for the 12-month period January-December 2004 was 9% (7%).
Earnings per share	■ Earnings per share for the SAS Group amounted to SEK –11.38 (–8.60) for the full year. Equity per share was SEK 67.84 (79.84).
Unit cost	■ Currency-adjusted total unit cost decreased by 11% for Scandinavian Airlines Businesses during the period January-December 2004. Adjusted for increased jet fuel prices, the unit cost decreased by 14%. Since the fourth quarter of 2002, the unit cost has fallen by 26%, adjusted for currency effects and increased fuel prices.
Dividend	■ The Board of Directors proposes to the Annual General Meeting that no dividend be paid to SAS AB's shareholders for the 2004 fiscal year.
Turnaround 2005	■ As of December 31, 2004, the number of employees had been reduced by 4,580, corresponding to 76% of the total reduction. Completed activities corresponding to SEK 11.9 billion have been implemented, corresponding to 85% of the total measures.
2005	■ Continued major uncertainty over developments in the airline industry provides reason to be cautious, but subject to unchanged yields, traffic growth and no significant changes in the business environment, adopted business plans indicate positive earnings for 2005.
Environmental index	■ The environmental index for 2004 improved by 2 points for Scandinavian Airlines to 76 (78) and by 4 points for Braathens to 82 (86).

We offer Scandinavia's largest selection of low-fare flights

The SAS Group

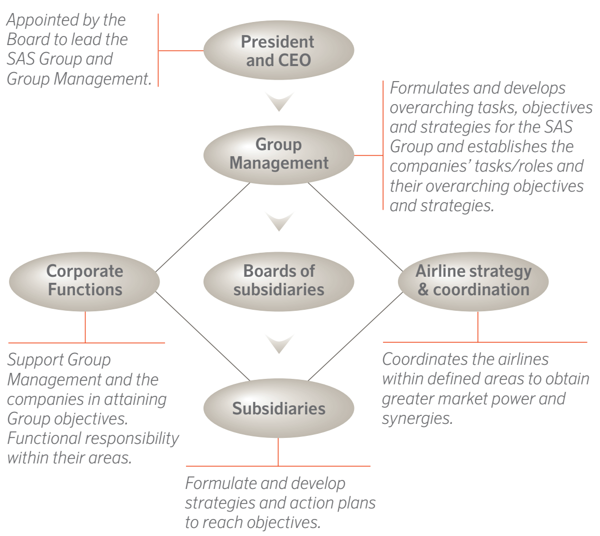
After the incorporation of business units, the SAS Group's business structure provides greater transparency, clarifies responsibility for earnings and fosters a businesslike approach. This structure is also meant to simplify benchmarking, internally as well as externally.

SAS Group Management provides the framework for the Group's businesses and sets overarching strategies, guidelines and policies. The SAS Group sets standards for its businesses in the form of growth, earnings and return targets for capital employed. Management targets are tailored to each industry and are compared with competitors, thus contributing to the Group's value creation. For Group airlines, operational management focuses on key data that reflect an efficient production platform. Management is exercised through Group Management representation on the operations' boards of directors.

There are advantages to being a large corporation and exploiting synergies. In the Group's experience, however, large complex systems, such as the previously totally integrated Scandinavian Airlines, have resulted in increased costs and thus have not represented a competitive advantage.

Through smaller units and a greater degree of local identity and flexibility, the goal is to create a positive dynamic among the management and employees. The division into business units is to proceed without losing the common brand and the Group's economies of scale in specific areas. These economies are primarily in shared service units.

SAS Group's management model



The SAS Group's management philosophy

- The basis of SAS's management philosophy is that accountability promotes efficiency, value-creation and motivation.
- SAS will comprise clearly defined businesses organized as subsidiaries within the Group, with full accountability.
- Each subsidiary is to be competitive in its business.
- Intra-group business relations are to be characterized by professionalism and based in commercially sound agreements.
- The Group sets standards for subsidiaries, guiding and coordinating in areas where synergies and coordination needs exist.
- The culture of the SAS Group is to be characterized by our shared values.

The SAS Group's business structure

SAS Group

Scandinavian Airlines Businesses	Subsidiary & Affiliated Airlines	Airline Support Businesses	Airline Related Businesses	Hotels

Key figures (Definitions and concepts, see page 118)	2004	2003
Operating revenue, MSEK	58,073	57,754
EBITDAR, MSEK	4,383	3,761
EBITDAR margin	7.5%	6.5%
EBIT, MSEK	–904	–881
EBIT margin	–1.6%	–1.5%
CFROI	9%	7%
EBT, income after financial items, MSEK	–1,945	–1,470
Income before nonrecurring items	–1,813	–2,221
Investment, MSEK	3,769	4,488
Average number of employees	32,481[1]	34,544[1]
Total number of aircraft	297	302
Number of daily departures, average	1,445	1,377
Number of destinations	146	130
Carbon dioxide (CO_2), 000 tonnes	5,951	5,597
Nitrogen oxides (NOx), 000 tonnes	21.6	21.3

[1] *Of which women 42% and men 58%.*

Key figures, traffic and capacity - airline operations	2004	Change
Number of passengers, 000	32,354	+4.4%
RPK, million	32,838	+8.0%
ASK, million	51,532	+7.6%
Cabin factor, scheduled	63.7%	+0.2 pts.[2]
Yield, SEK	1.12	–11.5%
Unit cost, SEK	0.73	–11.8%

[2] *Change in percentage points (pts.).*

Key figures - the SAS Group's share, SEK	2004	2003
Earnings per share	–11.38	–8.60
Market price at year-end	60.0	68.0
Dividend (proposed for 2004)	0.0	0.0
Dividend yield, average price	0.0%	0.0%

Overview of the SAS Group's business areas

Business area	Key figures	2004	2003[1]

Definitions and concepts, see page 118.

Scandinavian Airlines Businesses

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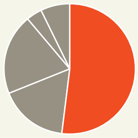
Key figures	2004	2003[1]
Operating revenue, MSEK	35,673	37,826
EBITDAR, MSEK	2,027	2,238
EBITDAR margin	5.7%	5.9%
Earnings, MSEK[2]	–1,439	–1,763
CFROI	6%	5%
Investment, MSEK	874	1,173
Number of passengers, mill.	23.8	23.4
Average number of employees	9,254	11,170
Carbon dioxide (CO_2), 000 t[3]	3,747	3,529
Nitrogen oxides (NOx), 000 t[3]	14.1	14.1
Environmental index[3]	76	78

Sales breakdown	2004
Norway	30%
Sweden	26%
Denmark	12%



Subsidiary & Affiliated Airlines

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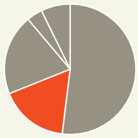
Key figures	2004	2003[1]
Operating revenue, MSEK	11,838	11,101
EBITDAR, MSEK	1,466	1,404
EBITDAR margin	12.4%	12.6%
Earnings, MSEK[2]	–136	–202
Investment, MSEK	1,017	1,830
Number of passengers, mill.	8.6	7.6
Average number of employees	5,145	5,009
Carbon dioxide (CO_2), 000 t[4]	2,190	2,052
Nitrogen oxides (NOx), 000 t[4]	7.5	7.18
Environmental index, see each company		

Sales breakdown	2004
Spain	55%
Norway	23%
Finland	7%



Airline Support Businesses

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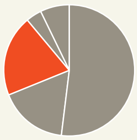
Key figures	2004	2003[1]
Operating revenue, MSEK	14,213	13,850
EBITDA, MSEK	1,077	608
EBITDA margin	7.6%	4.4%
Earnings, MSEK[2]	498	67
Investment, MSEK	585	494
No. of pass. handled, mill.	72.1	68.3
Flown tonnes, 000	278	289
Average number of employees	11,893	11,691
Unsorted waste, tonnes[5]	344	550
Energy consumption, GWh[5]	183	200

Sales breakdown	2004
External operating revenue *of which Denmark 32%, Sweden 29%, Norway 27%*	33%
SAS Group	67%



Airline Related Businesses

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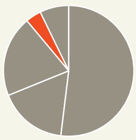
Key figures	2004	2003[1]
Operating revenue, MSEK	2,913	4,776
EBITDA, MSEK	197	328
EBITDA margin	6.8%	6.9%
Earnings, MSEK[2]	40	62
Investment, MSEK	182	177
Number of simulator hours	66,407	54,829
Average number of employees	862	2,107
Unsorted waste, tonnes	–[6]	–
Energy consumption, GWh	–[6]	–

Sales breakdown	2004
External operating revenue *of which Norway 62%, Sweden 15%, Denmark 3%*	84%
SAS Group	16%



Hotels

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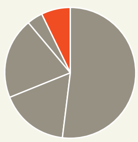
Key figures	2004	2003[1]
Operating revenue, MSEK	4,552	3,558
EBITDA, MSEK	165	–106
EBITDA margin	3.6%	–3.0%
Earnings, MSEK[2]	1	–245
Investment, MSEK	521	576
Number of rooms sold, 000	5,964[7]	5,121
Average number of employees	4,436	3,474
Unsorted waste, tonnes	10,505	10,002
Energy cons. per m^2, kWh	281	276
Water cons./guest night, l	454	473

Sales breakdown	2004
Norway	31%
Sweden	17%
Denmark	11%



[1] Pro forma 2003 for business areas Scandinavian Airlines Businesses and Subsidiary & Affiliated Airlines. [2] Income after financial items and before nonrecurring items. [3] Excluding SAS Braathens. [4] Including Braathens. [5] Total figures include Airline Related Businesses, Airline Support Businesses and all units owned or managed by SAS Facility Management (buildings and land, owned or managed) [6] See Airline Support Businesses. [7] Hotels operated as owned, leased or on management contracts.

Operation • Market • Competitors • Customers • Return requirements

Scandinavian Airlines Businesses comprises airlines that all together constitute Northern Europe's largest airline, carrying almost 24 million passengers in 2004. This business area includes Scandinavian Airlines Sverige, Scandinavian Airlines Danmark, SAS Braathens and Scandinavian Airlines International. Scandinavian Airlines Businesses coordinates the Group's sales resources in Scandinavia and worldwide.	*Main markets* are Scandinavia, Europe, North America and Asia. *Competitors* are airlines in Scandinavia and the rest of Europe. Its chief European rivals are Air France/KLM, British Airways and Finnair. Other competitors based in Scandinavia are Maersk Air, Sterling, Malmö Aviation and Norwegian *(see Analysis of competitors, page 15).*	*Customers:* Scandinavian Airlines Businesses' main focus is on frequent travelers. The business area's products target both the business and leisure travel segments. *The return requirement* for airlines in this business area is at least 20% CFROI over a business cycle.
Subsidiary & Affiliated Airlines comprises Spanair, Widerøe and Blue1 airlines, which carried all together 8.6 million passengers in 2004. Spanair is Spain's second largest airline, with both scheduled and charter service. Widerøe is Norway's leading regional carrier, and Blue1 is Finland's fastest growing airline. The business area also includes the affiliated companies airBaltic and Estonian Air.	*Main markets* are Spain, Norway, Finland and the Baltic states. *Competitors* are Iberia, Finnair and Air Europa. *(See Analysis of competitors, page 15.)*	*Customers:* These airlines have different business models suited to customer needs and demands in the respective home markets. *The return requirement* for airlines in this business area is at least 25% CFROI over a business cycle.
Airline Support Businesses supports airline operations. The business area consists of the units SAS Ground Services (SGS), SAS Technical Services (STS) and SAS Cargo. Market leaders, SGS and STS have a strong position and offer ground handling services, technical maintenance of aircraft and baggage handling. SAS Cargo has a strong position in freight handling to, from and in the Scandinavian market.	*The main market* is the Nordic countries, but the industry in general is global in scope. *Competitors* in technical maintenance are SR Technics group and Air France Industries. SAS Ground Services compete with Servisair/GlobeGround and Novia, among others. SAS Cargo's competitors are DHL and TNT. *(See Analysis of competitors, page 15.)*	*Customers:* SAS Cargo's customers are mostly found outside of the SAS Group. SGS's and STS's customers are primarily within the SAS Group. *Return requirements:* SGS's target is an EBITDA margin of at least 8% over a business cycle. STS has a target ROIC of 12% over a business cycle. SAS Cargo's financial target is a CFROI of at least 20% over a business cycle.
Airline Related Businesses comprises SAS Flight Academy, Jetpak Group, European Aeronautical Group, SAS Business Opportunities and SAS Media. Industry solutions for SAS Trading's operations are being considered. The units are engaged in airline-related activities such as retailing at airports, training pilots and cabin crew, express deliveries of packages, production of flight planning systems and inflight magazines.	*Main market:* Operations are primarily in the Scandinavian market. *Competitors* are local and global players, including for Jetpak Group, UPS and the Nordic postal services. *(See Analysis of competitors, page 15.)*	*Customers:* Its customers are private companies, airlines and the public sector. *Return requirements:* SAS Flight Academy's financial target is an ROIC of at least 13% over a business cycle. Jetpak's financial target is an EBITDA margin of at least 15%.
Rezidor SAS Hospitality operates the SAS Group's hotel business, with 190 hotels in 41 countries. The company has five brands: Radisson SAS, Park Inn, Regent, Country Inn and Cerruti. In 2004 the number of sold rooms was 6 million.	*Main market:* Rezidor has a strong position in the Nordic Countries, the Baltic region, the Benelux countries, the U.K. and Ireland and is strengthening its position in other European markets as well as in Africa, the Middle East and Asia. *Competitors* are Hilton, Marriott, Sheraton, Novotel, Scandic and Choice hotels and others. *(See Analysis of competitors, page 15.)*	*Customers:* Rezidor is aimed at leisure and business travelers in the luxury, first class and mid-market segments. *The return requirement* for the operations is an EBITDA margin of 10% over a business cycle.

> With substantially lower costs and a new business structure, we have laid the groundwork for an all-out commercial effort

President's comments

After years of losses in the airline business, dramatic world events and overcapacity, there was hope of more stable revenue and positive earnings for 2004.The first six months saw good growth, but we experienced a kind of price pressure never seen before in the market. In 2004, air fares in Scandinavia had become among the lowest in Europe.

During the year the SAS Group's airlines dealt with four crucial challenges: getting the fall in yield, that is, average unit revenue, under control, while tackling the overcapacity in the market, compensating for the impact of record-high jet fuel prices and implementing Turnaround 2005. Stricter yield management allowed us to slow down the decline in the yield in autumn 2004, while beginning in the autumn a fuel surcharge softened the impact on earnings of the high price of fuel. The overcapacity remains, especially in Swedish domestic traffic and on certain European routes, while our Scandinavian competitors are posting heavy losses. Turnaround 2005 has largely proceeded as planned.

Due to the aforementioned challenges, earnings for 2004 are highly unsatisfactory; nevertheless we can see clear progress throughout the Group. Our hotel business Rezidor SAS has gone from losses in 2003 to showing a profit for 2004. SAS Technical Services' and SAS Ground Services' earnings levels are not far from the return requirements set by the Group, and Widerøe had its best result ever in 2004.

With over 32 million passengers, the SAS Group is Europe's fourth largest airline group. The range of the Group's products is illustrated by the fact that while Scandinavian Airlines Businesses is the biggest provider of low-fare travel in Scandinavia, 1.5 million passengers flew on our long-haul routes last year, a new record. The fact that more travelers are choosing our full-service concept Business on our long-haul routes is also good news.

Turnaround 2005 a success

Despite successes in many parts of the Group, profitability in Scandinavian Airlines Danmark and Scandinavian Airlines Sverige is the remaining challenge for creating overall profitability in the Group.

During the year, the work continued to ensure the Group's long-term competitiveness. The goal of Turnaround 2005 is to achieve cost savings of SEK 14 billion, creating a platform for cost-effective business units in the entire Group. By the end of 2004, SEK 11.9 billion had been implemented. There are specific action plans to carry out the remaining SEK 2.1 billion. We have lowered our unit cost by 26% since the end of 2002. Yet we are not stopping there, but are continuing to cut costs over and above Turnaround 2005, seeing this as part of our ongoing operations.

A willingness to change in our employees and active collaboration between management and labor organizations have been, and will be, the key to succeeding in this.

Incorporation implemented

The new Group structure with incorporated business units, introduced on October 1, 2004, creates more transparency and less complexity, while responsibility for earnings is moved closer to the individual employee. This makes further streamlining possible in all areas. SAS will act more quickly in the market than ever before, and SAS Braathens' rapid integration and impressive return to profitability in the Norwegian market is an example of this.

The airline industry is traditionally a personnel-intensive business, and payroll expenses are the biggest cost item. It is unavoidable that cost cutting impacts the number of jobs, and in 2004, 2,130 employees left the Group. Although the situation prevented us from offering severance packages, we did establish career support and set up a resource center to assist affected employees.

Refocusing the Group

During the year we clarified our portfolio strategy, and, based on the Group's main strategy, focused on our core activities. If a company does not create added value for the Group, its position in the Group will be questioned.

We have decided to consider an industry solution for SAS Trading, since the conditions do not exist for profitable operation. During the year the majority-owned distribution company Travellink was sold.

Commercial excellence - focusing on the market and on customers

Recent years have seen efforts to reduce costs, with a focus on internal change. This has been absolutely necessary for the business. Now that a more cost-effective platform and clearer structure has been established, we are going to focus on commercial excellence, putting the customer first.

Price transparency and a keen ear are essential. We will offer our customers value for the money they are willing to pay for their travel. This requires broad knowledge about customers and competitors, and it requires that we act quickly on what we learn. Everything we offer is governed by the needs of the market and is constantly being adjusted.

In our new European route concept in autumn 2004, three customer segments were identified: those focusing on low fares, those appreciating efficient travel, while also being price-conscious, and those willing to pay a little extra for substantially more comfort. The first two categories are growing generally; the third category only on long-haul routes.

The Group's airlines are developing and tailoring the service concept to their respective markets. We are abandoning the regulated systems of fares and rules and loosening up the old price structures. Our low-fare alternative snowflake was introduced with great success on numerous European routes. The new Economy Flex has also performed well since its introduction in October 2004.

Flexible capacity utilization

The same flexibility as in the service concept is also found in how we work with available capacity. Beginning in the first quarter 2005, we are reducing capacity, but since we are also raising our aircraft utilization further, the net effect on the selection of flights is less. When this reshuffling takes place, it is an asset that the Group's various airlines operate in markets with different growth rates in a single efficient network.

In our home market we see great growth potential in the Baltic countries and parts of Russia. The SAS Group is part owner of Estonian Air and airBaltic. airBaltic has grown quickly to 600,000 passengers a year. In the St. Petersburg area, with a population of almost 8 million, the demand for air travel is growing in step with the rapidly growing economy.

Global network strategies

With 18 airlines flying to over 770 destinations in 133 countries, Star Alliance™ is the world's biggest and most developed airline alliance. The SAS Group has three members: Scandinavian Airlines, Spanair and Blue1. This alliance enables us to offer a global network, something internationally active business customers expect. The SAS Group's airlines offer tailored solutions to small and medium-sized businesses' needs for flexible travel.

Spanair already sees numerous benefits from Star Alliance, showing positive earnings, adjusted for the adverse impact of external events in 2004.

Sustainable development

In addition to our ongoing environmental work, the SAS Group's sustainability work focused especially on questions of corporate responsibility and relations with the world around us. We are doing this work in line with the UN Global Compact's ten principles for responsible business.

For the SAS Group, as for the entire industry, greenhouse gas emissions are an unavoidable effect of operations. That is why it is a major challenge to seek solutions to minimize aviation's climate impact. The SAS Group is doing its part by supporting research and development of renewable jet fuel and not least by making our own airline operations more efficient. I am therefore pleased to report that Scandinavian Airlines has reached its target set in 1996 of improving its eco-efficiency by 24 points by 2004.

To further help to reduce the airline industry's climate impact, the SAS Group is working actively to allow the airlines to participate in the EU's system for trading CO_2 emission rights. This would enable the airlines to pay for their emissions, while giving those who are able to reduce their emissions a strong incentive to do so.

New platform - commercial excellence

The world economy is still in recovery, with growth especially robust in Asia, where we have introduced Shanghai as a new destination. The majority of markets, primarily in Europe, are still seeing weakness. However, forecasts indicate that the demand for air travel will grow, both on long routes and within Europe. Particularly strong growth is anticipated in the Baltics. This will be a golden opportunity for the Group's airlines, while we expect stiff competition and overcapacity in many markets. The number of low-fare carriers continues to grow, but they will have to expect increasing competition from network airlines. We have Scandinavia's biggest selection of low-fare travel, and with improved costs as a basis, we are expanding in Europe even more. The Baltic airlines already have costs below many of the biggest European low-fare operators. We expect that as in 2004 a consolidation will take place even in the low-fare segment, since the losses are substantial and there are too many players in the market.

Full year 2005

A positive general market development is expected in 2005 and an unchanged competitive situation. Ongoing capacity adjustments and an intensified concentration on specific commercial activities with a strong customer focus are expected to stabilize yield and improve cabin factors.

Continued major uncertainty over development in the airline industry gives reason to be cautious, but subject to unchanged yields, favorable traffic development and no significant changes in the business environment, adopted business plans indicate positive earnings for 2005.

Stockholm, March 2005

Lindegaard

Jørgen Lindegaard
President and CEO
jorgen.lindegaard@sas.se

Important events

First quarter 2004 2004	■ Widerøe won the bid to provide air services in northern Troms county in northern Norway for three years. ■ Within the framework of Turnaround 2005, the SAS Group signed new collective bargaining agreements with all its unions except for the Swedish Transport Workers Union.
Second quarter 2004	■ SAS Braathens launched in the Norwegian market. ■ SAS AB's Annual General Meeting decided not to pay a dividend for 2003. ■ The SAS Group was downgraded by credit rating agency Moody's to B1. ■ SAS Braathens' offices were visited on June 22 and 23 by the Norwegian Competition Authority. The visit was part of the Competition Authority's investigation of the fare structure in the Norwegian market.
Third quarter 2004	■ SAS Commuter's operations were integrated into the other airline operations and into SAS Technical Services. ■ On September 26-28, the SAS Group saw major production disruptions due to large numbers of air traffic controllers calling in sick.
Fourth quarter 2004	■ SAS Scandinavian Airlines Danmark A/S, SAS Braathens AS and SAS Scandinavian Airlines Sverige AB were incorporated as subsidiaries of the SAS Consortium. SAS Ground Services (SGS), SAS Technical Services (STS) and SAS Trading were incorporated as subsidiaries of SAS AB. ■ Scandinavian Airlines launched Economy Flex as part of a three-class division on European routes, introduced on October 31. snowflake as a concept was integrated into ordinary operations. ■ The SAS Group decided to adopt a Capacity & Utilization Focus, with the aim of increasing capacity utilization. ■ Blue1 became the first regional member of Star Alliance on October 31. ■ The Norwegian Competition Authority notified SAS Braathens of a fine of up to MNOK 20 for alleged abuse of its dominant position on the Oslo-Haugesund route. ■ SAS Braathens and the unions at Scandinavian Airlines and Braathens agreed to a new contract whereby pilots and cabin crew were transferred to SAS Braathens effective December 31. ■ SAS Trading winds up its tax-free operations at Norwegian airports.
After January 1	■ In the aftermath of the Asian tsunami disaster, Scandinavian Airlines flew 23 extra flights to Thailand. ■ On January 17, SAS Braathens submitted its reply to the Norwegian Competition Authority in which SAS Braathens denies the Competition Authority's accusations that it abused its dominant position. ■ The SAS Group changed the areas of responsibility in Group Management to achieve a more homogeneous structure and clarify responsibility for earnings. John S. Dueholm took over responsibility for the business area Scandinavian Airlines Businesses as of February 15.

With Economy Flex you don't fly faster, but you do travel quicker

Commercial excellence

SAS Group Management comments on 2004, the new Group structure, Turnaround 2005 and the new commercial excellence program.

President and CEO Jørgen Lindegaard: "Turnaround 2005 has given us a cost level just over SEK 10 billion lower than in 2003, in other words, a considerably more robust production platform for the future. We have specific action plans that will yield the remaining SEK 2.1 billion in Turnaround 2005. Scandinavian Airlines Businesses has cut its unit cost by 26 percent since 2002, and along with a new Group structure, this is a change that gives the Group flexibility and energy that we did not have before.

To be able to carry out such a major transformation indicates the inherent strength of our employees. But a downsizing of this magnitude with new compensation levels has had an impact on them."

Executive Vice President Bernhard Rikardsen: "We worked intensively on the new collective bargaining agreements in the spring. This took a lot of time and resources and, not surprisingly, it was sometimes tough. But it was crucial not to waver from the conviction that there is no other way; we need cost reductions that really give us long-term advantages, both for competitiveness and for faith in the future.

In addition, there is the new structure that we have introduced during the year, which means freedom for employees but also responsibility for their unit's earnings."

Executive Vice President and Chief Financial Officer Gunilla Berg: "We started by creating a clearer structure so that each company on its own power can develop its core activities according to the logic of its own business. You could say that we are "normalizing" the SAS Group's structure to resemble that of other groups. Giving companies their own responsibility for earnings is a strategy that has proved successful in other companies even within the Group. Clearer responsibility for earnings is vital, but requires a well-functioning and integrated management model. Such a model is now in place Group-wide."

Executive Vice President John S. Dueholm: "The loss for the full year 2004 was substantial and was due to heavy pressure on the yield and overcapacity in the Scandinavian market. If not for Turnaround 2005, the losses would have been considerably greater. Our technical operation STS and ground handling business SGS are earning money, but they still have a way to go to achieve their return requirements. Although we will now continue to hold the line on costs, we are also going on the offensive commercially.

Our strategy for 2005 will focus on the customer. Yet we cannot carry it out without our employees' support and commitment. Our concept for Europe is a big step for us, and it has largely been well received. We are giving our frequent travelers an enhanced product that saves time and money. It's clear that we're continuing with uncomplicated travel, and all our products will be flexible and give customers a choice.

Deputy CEO Gunnar Reitan: "Rezidor SAS, the Group's hotel operations, has been a separate unit from the start. Spanair has proved to be innovative, introducing new concepts like on-time guarantees, one-way fares and demand-based pricing. I hope that other units in the SAS Group can continue to benefit from our experience from Spanair.

Having been independent for a long time, airBaltic and Estonian Air can point to unit costs that few other European players can match. This is essential for new business opportunities and further increasing shareholder value."

In 2005 we are launching a new Swedish website and developing simpler check-in routines and on board comfort as well as offering inexpensive snowflake tickets on our entire European network."

Jørgen Lindegaard: "In 2005 we will continue to adapt and coordinate our network of Group airlines to increase our value to customers. We will continue to streamline beyond Turnaround 2005 and work to raise our cabin factor even further and increase the productivity of aircraft and personnel alike. Above all, we are increasing our commercial focus on the way to a profitable SAS."

THE YEAR THAT WAS • TURNAROUND 2005 • GREATER COMMERCIAL EXCELLENCE

Business concept, vision, objectives & values

The SAS Group has a strong position in the important Northern European airline market. To retain and strengthen this position, the Group's resources and future development will primarily focus on its core activities - the airlines. The Group's core activities also include the companies in Airline Support Businesses, as controlling and developing them is strategically important for performing the Group's primary mission. Since the other companies in the Group are not deemed to be of strategic interest to this primary mission, continued ownership will be evaluated on an ongoing basis. Involvement in new companies will be evaluated in those instances when they support core activities and produce added value.

Business concept & mission

The SAS Group's primary mission is to serve Northern Europe with air travel.

Vision

The preferred choice!

Objectives

The Group's overall financial objective is to create value for its shareholders.

The SAS Group's objectives in the coming five-year period are:

- to achieve an average CFROI of at least 20%
- to increase the Group's share of the Northern European airline market
- for each unit to achieve its customer satisfaction, employee satisfaction and environmental impact targets
- for airline operations to achieve their flight safety targets.

Values

- Consideration
- Reliability
- Value creation
- Openness

- Consideration - We care about our customers and employees and acknowledge our social and environmental responsibilities.
- Reliability - Safe, trustworthy and consistent in word and deed.
- Value creation - A professional businesslike approach and innovation will create value for our owners.
- Openness - Open and honest management focused on clarity for all stakeholders.

Financial objective

- To create shareholder value.

Return target

- 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, which is to be at least 20% over a business cycle.

Indebtedness objective

- The SAS Group aims to maintain a level of indebtedness and equity/assets ratio that in the long run enables the Group to be perceived as an attractive borrower.

Equity/assets ratio target

- At least 30%.

Flight safety objective

- Each year, flight safety is to be improved in line with the latest technical requirements and standards prevailing and available in the market.

The units's own targets

The units have set their own targets for:

- *customer satisfaction*
- *employee satisfaction*
- *environmental impact.*

The SAS Group's strategies

The SAS Group's strategic efforts are aimed at taking Group companies where we want them to go. These efforts are conducted on two levels. On one level, there are Group-wide strategic focus areas on which all the Group's companies are to work during the strategic plan period; on the other, the various business areas and companies are responsible for preparing strategies to meet the objectives set by the Group.

The SAS Group's strategic focus areas

Commercial excellence	Cost improvement and flexibility	Optimization of production	Portfolio strategy	Governance, organization, personnel
▪ Customer segmentation ▪ Products ▪ Price structure ▪ Markets ▪ Sales ▪ Distribution ▪ Ancillary revenue	▪ Turnaround 2005 ▪ Further rationalizations ▪ Increased cost-flexibility	▪ Optimizing production, route systems and networks ▪ Capacity and utilization focus ▪ Ensuring presence in growth markets	▪ Alliances ▪ Structural deals ▪ Horizontal integration in the value chain	▪ Group governance ▪ Human resource development ▪ Communication

Commercial excellence
Commercial excellence is intended to create differentiation in the market vis-à-vis our competitors, securing the SAS Group's leading market position and strong brands. In addition, the active involvement of employees will strengthen the Group's competitiveness, so that its products stand out in a more standardized market.

Cost improvement and flexibility
Beyond the extensive Turnaround 2005 program, it is strategically vital for the SAS Group's airlines to continue streamlining to increase their competitiveness.

The Group will continually benchmark Group airlines, and discrepancies in cost level unrelated to active strategic choices will be the subject of renewed cost-cutting measures. In addition to cost reductions, the SAS Group will strive for greater flexibility and a modular cost structure.

Optimization of production system
As a result of rapid changes in the market and stiffer competition, it is crucial for the Group to focus on optimizing its total network. The Group will strengthen its production system by further developing Copenhagen as an international hub, while ensuring its presence in growth markets. The Group will also develop its aircraft fleet and optimize its capacity utilization.

To ensure its presence in growth markets, the SAS Group will strengthen its position in the Baltic region and Spain. The Group also sees interesting development potential in the Russian portion of the Baltic Sea region.

Strategic direction for SAS Group airlines

Focus on the business and leisure travel markets
The SAS Group's airlines will offer products for both the business and leisure travel segments, focusing on comfort and low price, respectively. Every product must be perceived as a good value. Service elements must reflect such SAS Group values as openness, reliability and consideration.

Prioritizing traffic flows
The SAS Group's airlines are mainly to focus on traffic flows:
- in Northern Europe
- between Northern Europe and the rest of Europe
- between Northern Europe and North America/Asia.

Clearly defined operating units with responsibility for earnings
As part of the Group's management philosophy, airline operations are to be run through different operating units with full responsibility for earnings. Each unit has its defined business model, with its local connection and a clearly defined role in the SAS Group's overall route network.

Efficient production platform
To attain the objective of serving both the business and leisure travel markets, requirements have been defined for Group airlines to have an efficient production platform that makes competitive prices possible in all segments.

Roles and commercial guidelines
Every airline in the SAS Group is to operate within its role in the Group's overall route system. The purpose is to ensure that it acts as one:
- in line with demands from customers and partners
- in a manner strengthening the SAS Group's total market position
- wherever significant economies of scale can be achieved.

To better tailor capacity to demand, in autumn 2004 the program Capacity & Utilization Focus was initiated. Scandinavian Airlines Businesses will reduce capacity by 4%, followed by an ongoing evaluation of the overcapacity situation in the market.

Portfolio strategy

Based on the Group's aim of focusing on its core activities, airline operations, it is crucial from a business standpoint to assess on an ongoing basis which companies in the portfolio are contributing to the Group's value creation. If a company does not create added value for the Group, its position in the portfolio will be questioned.

Governance, organization and human capital

A decentralized business structure comprising separate legal entities provides such advantages as increased transparency and increased accountability. This structure also means a faster decision process, since decisions are made closer to the market. The SAS Group will further develop and adjust this management model to tailor its activities to changes in the market.

Priority areas are: management with a commercial focus, employee commitment, sustaining human capital, more efficient work methods and being an attractive employer.

Supplementary strategies

Sustainability

- Sustainable development for the SAS Group will be attained by simultaneously focusing on financial growth, environmental standards and social responsibility. The SAS Group will create value growth for its shareholders by optimizing resource use and through a systematic choice of solutions that yield a low environmental impact.

Capital market and risk assessment

- Financial flexibility is maintained through high liquidity, adequate access to funding and an active dialog with the capital market.
- The task of finance operations is to identify, manage and handle the SAS Group's currency, interest rate and credit risks.
- Since the aircraft fleet is regarded as a financial asset, optimization of fleet financing is achieved by taking operating efficiency requirements, tax effects, financing costs, capital employed, and market value into consideration.

Partners

- Star Alliance™ will continue to be the cornerstone of the SAS Group's partner strategy.

Strategy for the SAS Group's brand portfolio

Portfolio strategy

The SAS Group has refined its brand portfolio by clarifying each company's role in the Group and its relation to the SAS master brand. Two brand strategies have been developed. For primary users of the SAS master brand, a master brand strategy has been formulated. The master brand represents what customers are to recognize and appreciate no matter which airline they travel on.

Strong brands with individual identities are addressed by an endorsement strategy. The customers are to recognize the SAS Group, even when traveling on an airline that is not a primary user of the SAS master brand, such as Spanair or Blue1.

Master brand strategy

The SAS master brand is the core of the SAS Group's brand portfolio. The roles of all the brands in the portfolio are determined by their relation to the master brand. Primary users of the master brand are more closely linked to the master brand's strategy. This means a higher degree of uniformity in terms of brand platform, design and market communication.

The main principle is for the SAS master brand to stand for efficient, flexible travel solutions and attentive service.

Endorsement strategy

The SAS Group's brands are to be developed and tailored to the demands set by the market. Within the Group, there are two ways to create a powerful and effective endorsement. To highlight the fact that the brand in question is part of the SAS Group, the phrase "SAS Group Company" is used along with the SAS master brand. To reinforce the visual affinity with the Group, a new design philosophy has been developed that has been implemented at Blue1 and airBaltic.

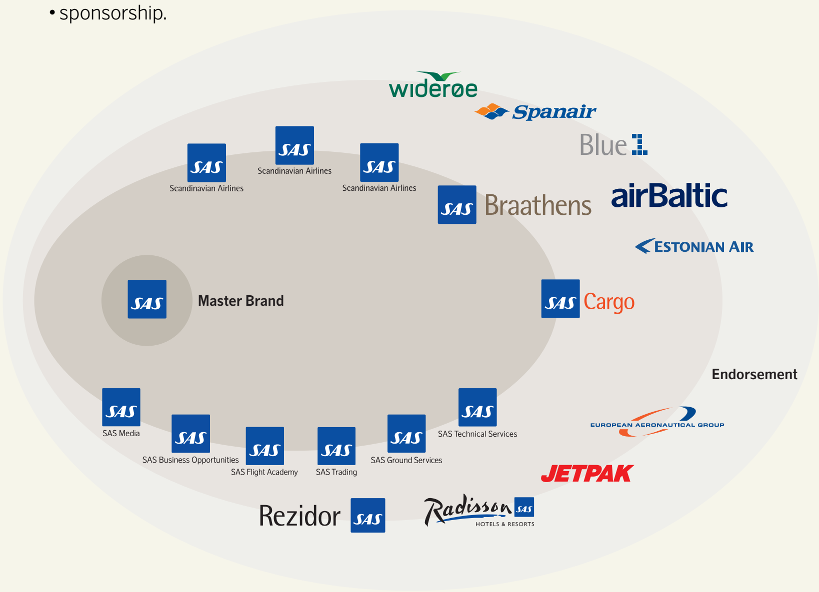
Development of the brand portfolio

To create the best conditions for developing the Group's brands, a number of key strategies for areas prioritized by the Group have been formulated and implemented:

- role in the Group portfolio
- brand building
- design and corporate identity
- market communication
- sponsorship.

All primary users of the SAS master brand are covered by the same key strategies. Similar principles apply to brands covered by the endorsement strategy.

Committed employees are vital for building strong brands. The SAS Group emphasizes getting support for and communicating its vision, strategy and values so that the customers' expectations are met and preferably exceeded.



Turnaround 2005

Through Turnaround 2005 the SAS Group has reduced its costs by SEK 9.6 billion since 2003. As a result, Scandinavian Airlines Businesses' unit cost has been cut by 26% since the end of 2002.

SAS Group's Turnaround 2005

The SAS Group has achieved major cost reductions designed over time to strengthen, on a par with the most efficient players, the Group's competitiveness on all traffic flows. All measures have been placed under Turnaround 2005 and when fully implemented will reduce the SAS Group's costs by a total of SEK 14 billion. As of December 31, 2004, the number of employees had been reduced by 4,580, corresponding to 76% of the total reduction compared with the planned 74%. Completed activities corresponding to SEK 11.9 billion have been implemented, corresponding to 85% of the total measures compared with the planned 93%. Some delay has arisen in relation to the original plan for two reasons: the productivity target is taking longer to achieve, due among other things to retraining of pilots, and the goal of 40% on-line sales has not yet been reached.

The earnings impact from measures during 2004 amounted to SEK 6 billion and in 2003-2004 to a total of SEK 9.6 billion.

Unit cost trend

Since the fourth quarter of 2002, Turnaround 2005 has reduced Scandinavian Airlines Businesses' unit cost by 26%, adjusted for increased fuel costs and currency effects. During 2004 the reduction was 11% despite the negative 2.7 percentage point effect on the unit cost from increased fuel costs. Spanair decreased its unit cost by 10.4% and Widerøe by 3.6% in 2004.

Focus on remaining activities

The SAS Group is now focusing on implementing the remaining activities totaling SEK 2.1 billion.

Productivity - flight staff

In combination with other organizational and operational factors, conditions relating to traffic programs, and above all retraining due to the new base division for pilots, prevented full attainment of the target set for the number of block hours for cabin crew and pilots in 2004. During 2004 block hours for pilots and cabin crews amounted to 550 and 570 hours, respectively. The aim is to raise productivity for cabin crew and pilots to 700-750 block hours/year, which is consistent with signed collective bargaining agreements and legal requirements.

The chances of achieving this target will be facilitated by the division of Scandinavian Airlines Businesses into three production bases and fully implemented resource allocation to each base.

Redundancies are being handled with a combination of dismissals, retirements and leaves of absence. In December 2004 agreements were signed with the pilots of Braathens and Scandinavian

Remaining measures to implement

Area	SEK billion
Productivity - flight staff (Scandinavian Airlines Businesses)	0.9
SAS Technical Services, LCC+ model	0.3
SAS Ground Services, LCC+ model	0.3
Distribution including IT	0.5
Other	0.1
Total	**2.1**

Remaining measures

Remaining measures totaling SEK 2.1 billion represent the difference between implemented measures and the target and will be implemented in 2005.

Earnings impact: 69% SEK 9.6 billion	**Implemented: 85% SEK 11.9 billion**	**Target: SEK 14 billion in 2005/2006**
In 2004 Turnaround 2005 cut costs in the Group by SEK 6.0 billion.	85% of the activities under Turnaround 2005 had been implemented before year-end.	The target for Turnaround 2005 is SEK 14 billion.

Remaining impact on earnings

Remaining impact on earnings represents the difference between the 2003-2004 impact on earnings and the target and totals SEK 4.4 billion.

Full-year earnings impact	2003	2004	2005	2006	Total
SEK billion	3.6	6.0	2.8	1.6	14.0

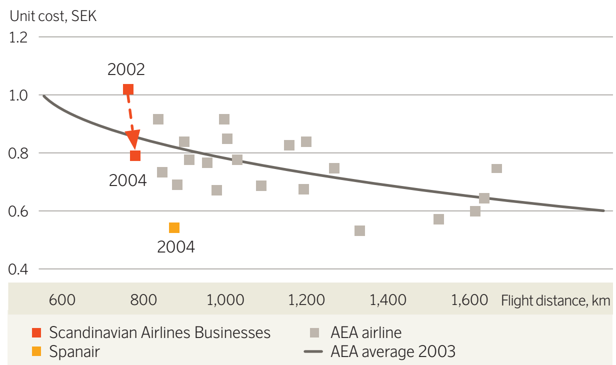
Of the 2005 earnings impact of SEK 2.8 billion, SEK 1.7 billion has already been implemented.

Scandinavian Airlines Businesses - currency-adjusted unit cost trend

MSEK	2003	2004	Share of difference
Payroll expenses	10,118	8,106	–5.4%
Jet fuel	3,514	4,508	2.7%
Government user fees	4,410	4,383	–0.1%
Selling costs	1,039	882	–0.4%
Handling costs	5,606	5,519	–0.2%
Technical aircraft maintenance	4,764	4,170	–1.6%
Other costs	5,035	3,284	–4.7%
Leasing costs	2,505	2,071	–1.2%
Operating expenses including aircraft leasing	36,990	32,923	–11.0%

Volume component (ASK = 8% including charter).

Unit cost comparison, AEA 2003



Scandinavian Airlines Businesses have cut their unit cost by 26% since 2002.

Airlines in Norway on operating in a joint AOC, which will increase the opportunities for achieving a higher number of block hours.

LCC+ model for technical aircraft maintenance and ground services

Still remaining for SAS Technical Services and SAS Ground Services is the introduction of a model to handle different service levels in the product portfolio for ground services and technical processes. A Low Cost Carrier+ (LCC+) model is less resource-intensive than a full-service product and the aim is that the entire value chain should reflect this.

Measures in SAS Technical Services amount to MSEK 300. A corresponding LCC+ model in SAS Ground Services amounts to MSEK 300. This also includes greater automation in SAS Ground Services. The aim is that the total proportion of self-service check-in should be 60%.

Distribution costs and IT systems

The airlines in the SAS Group will continue to focus on increasing ticketless travel and greater use of the Internet as a distribution channel. The aim is to increase Scandinavian Airlines Businesses' proportion of reservations via the Internet to approximately 40% from approximately 20% at year-end 2004. SAS Braathens has just over 30% of its reservations via the Internet. Remaining measures in IT amount to almost MSEK 200 and payment and distribution charges will also be reduced.

Reduction of full-time equivalents (FTEs)

Turnaround 2005 identified redundancies totaling 6,000 FTEs. Of these, 4,580 FTEs have been phased out (employees have left the SAS Group) through December 2004 (450 in Corporate Functions, 2,360 in Scandinavian Airlines Businesses, 1,470 in Airline Support Businesses and 300 in Subsidiary and Affiliated Airlines). *The support measures undertaken for redundant employees are discussed on page 106.*

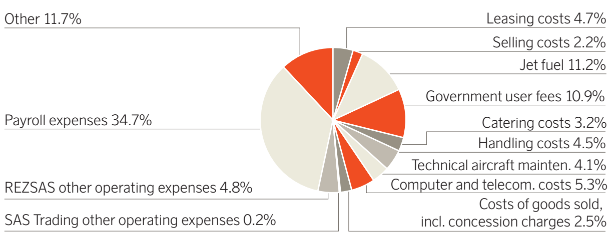
Restructuring costs

The restructuring costs that arose in Turnaround 2005 during 2004 amounted to MSEK 223 (496) of which approximately MSEK 100 relates to the integration of Braathens and the Norwegian part of Scandinavian Airlines into SAS Braathens. Restructuring costs have not had a negative impact on cash. During 2005, restructuring costs are expected to be lower than in 2004.

Continued streamlining

The new group structure of incorporated units makes it easier to make comparisons and allows measures to be implemented faster. Turnaround 2005 is part of the SAS Group's strategic focus areas for cost efficiency. In addition to Turnaround 2005, the SAS Group will continue to streamline operations to guarantee competitiveness and will continually compare the Group's airlines with relevant competitors in order to ensure that they are competitive in the market.

The SAS Group's cost structure

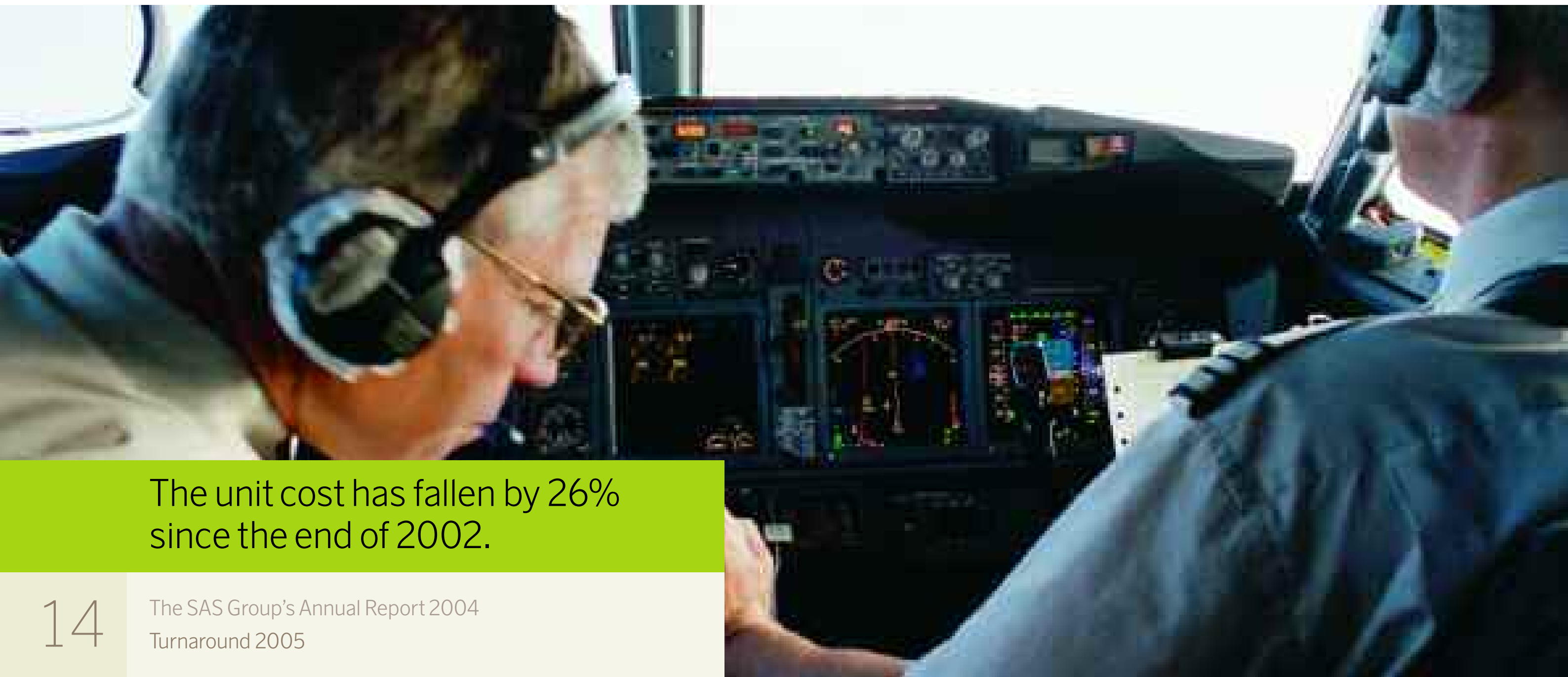


On a monthly basis, the SAS Group's cost structure is approximately 70% fixed and 30% variable. On an annual basis approximately 10-20% is fixed and 80-90% variable. The difference mainly depends on personnel turnover and scheduling of the aircraft fleet.

The Group's companies - income and long term target achievement

2004	Negative result	Positive result	Target achieved [1]
Scandinavian Airlines Danmark	●		
SAS Braathens		●	
Scandinavian Airlines Sverige	●		
Scandinavian Airlines International	●		
Spanair	●		
Widerøe		●	◐
Blue1	●		
airBaltic	●		
Estonian Air		●	
SAS Ground Services		●	◐
SAS Technical Services		●	
SAS Cargo Group		●	
SAS Flight Academy		●	◐
Jetpak Group		●	
SAS Trading	●		
Rezidor SAS		●	

[1] *Degree of target achievement compared to the Group's return requirement over a business cycle.*

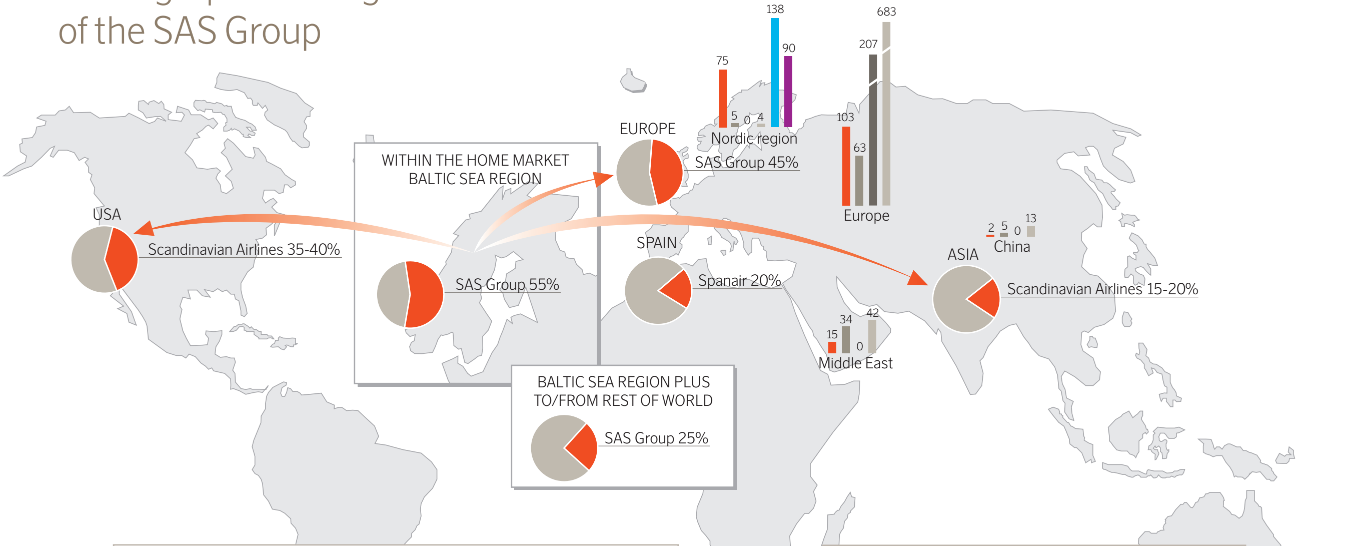


The unit cost has fallen by 26% since the end of 2002.

Markets

The SAS Group defines the Baltic Sea region as its home market. The Group also has activities in other regions in airline operations, other airline related businesses and hotel operations. The map describes the Group's position in the various markets, and the table shows the market shares of its various competitors. *For trends and outlook see each unit.*

Strategic positioning of the SAS Group



Number of hotels	*Nordic region*	*Europe*	*China*	*Middle East*	*South Africa*
Rezidor SAS	75	103	2	15	2
Hilton/Scandic	120	73	5	34	2
NH Hotels	0	207	0	0	1
Accor	4	683	13	42	4
Choice	138				
Rica	90				

Market shares stated are estimates and are based on OAG production data as well as publicly available information.

Analysis of competitors

Business area	Market	SAS Group's market share	Competitor's market share		Comments
Scandinavian Airlines Businesses	Baltic Sea region	approximately 20%	Finnair Group	<10%	The market share of the SAS Group's airline operations regarding production to, from and within the Baltic Sea region is approximately 25%. In airline related operations comparable data is missing. These operations are highly specialized, which makes the industry difficult to define and market share data is not relevant. SAS Ground Services', SAS Technical Services' and their competitors' market shares vary considerably and stating an overall market share is not relevant.
	Baltic Sea region		Air France/KLM	<4%	
	Baltic Sea region		British Airways	<4%	
	Baltic Sea region		Norwegian	<4%	
	Baltic Sea region		Maersk Air	<4%	
	Baltic Sea region		Sterling	<3%	
Business area	**Market**	**SAS Group's market share**	**Competitor's market share**		
Subsidiary & Affiliated Airlines (Spanair, Widerøe & Blue1)	Baltic Sea region	approximately 5%	Finnair Group	<10%	
	Baltic Sea region		Maersk Air	<4%	
	Baltic Sea region		Sterling	<3%	
	Spanish domestic traffic	Pert. to Spanair 15-20%	Iberia	>50%	
	Market	**SAS Group's market share**			
SAS Group's airline operations	Baltic Sea region	25%			
	Market	**SAS Group's market share**	**Competitor's market share**		
Airline related operations					
SAS Ground Services	Scandinavia	–	Servisair/GlobeGround	–	
	Scandinavia	–	Novia, Nordic Aero	–	
SAS Technical Services	Europe	–	SR Technics group	–	*Data for airline operations is based on OAG data.*
	Europe	–	Air France Industries	–	
SAS Cargo Group	Europe	3%	Lufthansa Cargo	26%	*Data for airline related operations is based on available public information and estimates.*
	Europe-North America	3%	Lufthansa Cargo	20%	
Jetpak Group	Nordic region, express delivery	2%	Nordic postal services	>40%	
	Nordic region, logistics	1%	Nordic postal services	8%	

Value & growth

The aviation industry is a growing industry, with good development potential. With its leading position in the Baltic Sea region, the SAS Group has good prospects for creating value for its shareholders.

Value chain in the aviation industry

Aircraft manufacturers	Aircraft leasing companies	Airports	Ground services	Technical services	Distributors	Network airlines
Examples: ▪ Boeing ▪ Airbus ▪ Bombardier	Examples: ▪ GECAS ▪ ILFC	Examples: ▪ Copenhagen Airport ▪ Vienna Airport ▪ Fraport	Passenger and baggage handling Examples: ▪ GlobeGround ▪ SGS	Aircraft maintenance Examples: ▪ STS ▪ LH Technics ▪ SR Technics	Travel agencies GDS / CRS Internet services	Historically, airlines have created shareholder value only during peak years
Value creation: Yes	Value creation: Yes	Value creation: Yes	Value creation: Yes	Value creation: Yes	Value creation: Yes	Value creation: No
EBIT margin approx. 7%	EBIT margin approx. 30%	EBIT margin approx. 26%	EBIT margin approx. 6%	EBIT margin approx. 6%	EBIT margin approx. 15%	EBIT margin approx. 3%

Value chain in the aviation industry

The value chain in the aviation industry comprises a number of companies in various industries, all of which, except for the airlines, have traditionally created value for their owners. Because of their location on the value chain as well as difficulties with quickly adjusting capacity with appurtenant costs to demand, airlines have had difficulty creating value for their owners in recent years. This is also because of long investment cycles. The underlying growth in the airline industry and ease of market entry have created overcapacity in the market. There is low flexibility in the personnel structure, and the negotiating position vis-à-vis other players in the value chain is weak. The traditional airlines, including the SAS Group, are working to increase their efficiency and renegotiating terms with other players to generate long-term and sustainable value creation among all players in the aviation industry. Although the SAS Group has not created value for its owners in recent years, a study shows that the Group has contributed positively in a socio-economic perspective *(see page 109).*

Consolidation in Europe

The consolidation of Braathens, Estonian Air and airBaltic provides greater opportunities for value creation in the SAS Group. The Group has thus begun the consolidation that is expected in the various regions in Europe. It is of strategic importance for the Group to secure its position in its home market, create flexibility and increase its room to maneuver. For example, Estonian Air and airBaltic have unit costs that are lower than several established low-fare players.

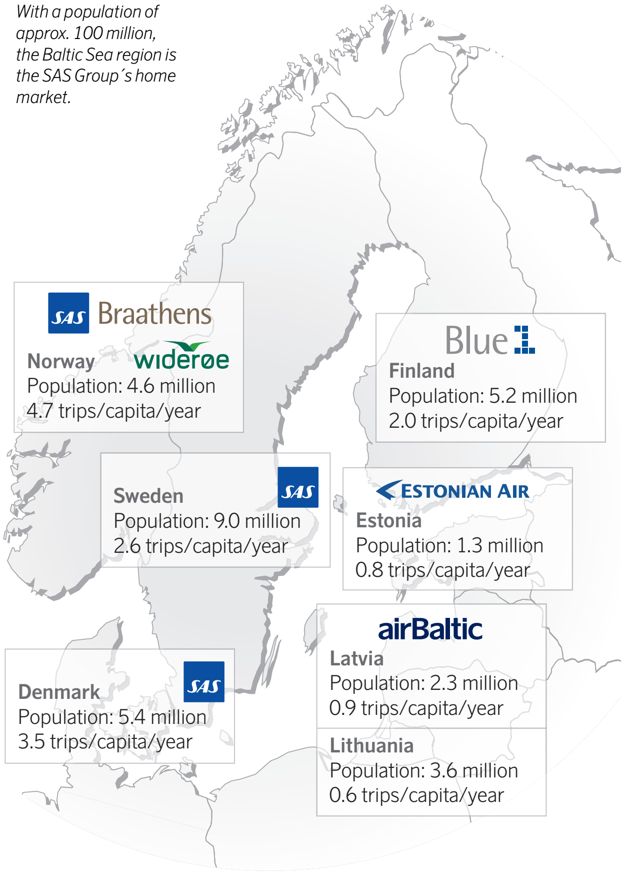
The Baltic Sea region - the SAS Group's home market

The SAS Group has defined the Baltic Sea region, with a population of approximately 100 million, as its home market. This area includes Scandinavia, Finland, western Russia, the Baltic states, Poland and northern Germany. The total value of air travel to and from this market of approximately 50 million passengers is about SEK 100 billion per year. In 2004 the SAS Group, including airBaltic and Estonian Air, carried 33.5 million passengers. The Group's market share in Scandinavia has risen to/from and within the southern and eastern portions of the Baltic Sea region. In 2004 airBaltic opened a base in Vilnius, Lithuania, with connections to 12 destinations. Blue1, the Group's airline in Finland, expanded its activities in 2004, undergoing a major makeover and starting domestic routes in Finland. The SAS Group has nearly tripled the number of departures from Finland since 1998 from approximately 40 to over 120 in 2004.

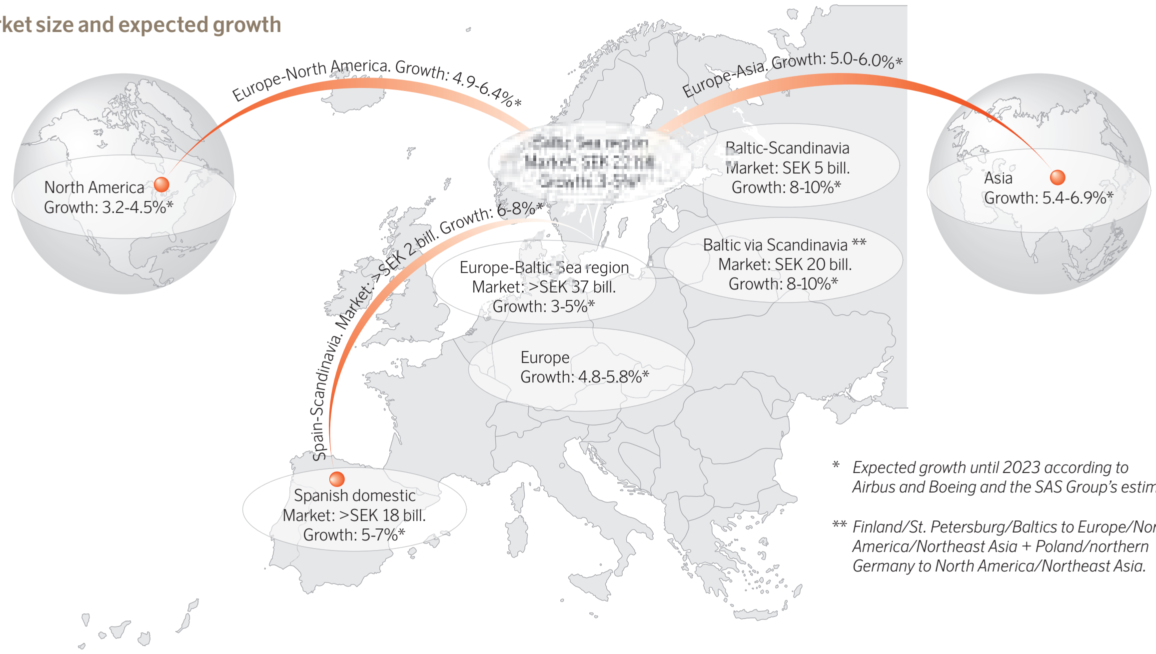
The SAS Group is giving priority to direct flights if traffic flows warrant, and transfers via Copenhagen, Oslo, Stockholm and Helsinki when traffic flows are too small to sustain a direct route. Its large catchment area enables the SAS Group, by transferring passengers, to maintain service to more destinations that would otherwise be possible as well as operate on intercontinental routes.

The Baltic Sea region

With a population of approx. 100 million, the Baltic Sea region is the SAS Group´s home market.



Market size and expected growth



* *Expected growth until 2023 according to Airbus and Boeing and the SAS Group's estimates.*

** *Finland/St. Petersburg/Baltics to Europe/North America/Northeast Asia + Poland/northern Germany to North America/Northeast Asia.*

The SAS Group's traffic flows:

- *Intercontinental traffic* - The Baltic Sea region's geographical position and passenger base in its home market permit a number of intercontinental routes to destinations in North America and Asia. Scandinavian Airlines International operates the SAS Group's international service, with three classes on board. The SAS Group's market share on the intercontinental traffic flows is between 25% and 30%. Its share of transfer traffic is approximately 60%.
- *Major European destinations, the "Big Five"* - The destinations London, Amsterdam, Brussels, Paris and Frankfurt have heavy volumes of both business and leisure travelers. The level of service on these flows is differentiated. The "Big Five" are served by Scandinavian Airlines Businesses, airBaltic and Estonian Air. The market share on these routes is 35-50%. Approximately 75-80% is point-to-point traffic.
- *Domestic traffic* - The SAS Group operates domestic service in Denmark, Finland, Norway and Sweden. The level of service on these flows is tailored to the particular market. The SAS Group's share varies widely.
- *Other European destinations* - Destinations in Central Europe and the U.K., often with a high percentage of business travelers, which require a differentiated product. The SAS Group's market share on these flows varies widely.
- *Southern Europe* - Destinations primarily with leisure travelers and competition from major European full-service carriers and charter airlines. In this market the SAS Group operates chiefly through Spanair and Scandinavian Airlines Businesses. On Spanish domestic, Spanair's market share is 15-20% and on flows between Spain and the Baltic Sea region the Group's market share is just over 40% of the scheduled market.
- *The Baltic states* - Traffic to and from the Baltic states represents a growing share of the Group's airline operations. Flight time on these routes is usually under an hour and a half. The Group's market share is approximately 40-60% in this region.

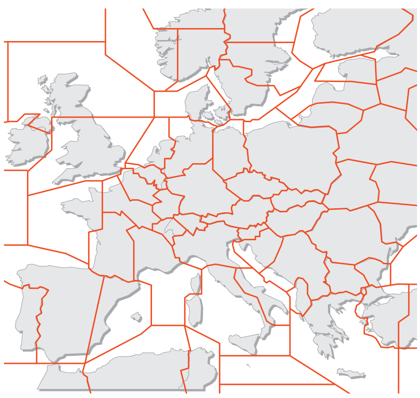
Forecasts for growth in the airline industry

Normally, the airline industry grows faster than the gross domestic product. A crucial factor in the market's contribution to capacity is net deliveries of aircraft. New aircraft delivered globally in 2004 comprised 5.0% of the world's total aircraft fleet. An estimated 1.6% of aircraft taken out of service in 2004 meant a net increase of approximately 600 aircraft, corresponding to a net increase of 3.5%. In 2005 net deliveries will amount to an estimated 3.3% and approximately 3.2% per year in 2005-2008. Traditionally, traffic (RPK) in the airline industry has grown approximately 5% per year, but is thought to have grown more in 2004 due to the weak comparative numbers for 2003. The world's two largest aircraft manufacturers, Airbus and Boeing, are forecasting an annual growth rate of approximately 5.3% and 5.2%, respectively, until 2023.The biggest increase is expected to take place in traffic in as well as to and from Asia, particularly China.

Policy framework for civil aviation

The deregulated civil aviation market covers the EU/EEA. This means that airlines with permits from national authorities can fly freely within this area. Outside of the EU/EEA, civil aviation is regulated by bilateral governmental agreements that contain requirements for national majority ownership and control, which are incompatible with the EU's right of free establishment. Therefore, within the EU an arrangement has been discussed that will govern aviation relationships between the EU and its member states and other countries. This means that in its bilateral negotiations, a member state is to look after the expressed interests of airlines in other member states. The bilateral markets that had been reserved for flag carriers can in this way be opened up to all airlines in the EU insofar as third countries accept this. This gives EU airlines increased access to the Scandinavian market and gives the SAS Group the same to other EU countries. *(See Sustainability Report, page 102.)*

Air traffic control (ATC) - segmentation problems



European air space is controlled by many different ATC systems. The airlines are demanding further integration and harmonization of the air space, an effort that has begun. ATC systems must become fewer in number and fully integrated. According to AEA, coordination would save approx. 12% of fuel consumed.

See also page 102: Congestion on the ground and in the sky.

Customer choice

The SAS Group's airlines serve many different markets. On domestic and intra-Scandinavian routes the primary focus is on simplicity and fares. That is why the SAS Group offers only a single class on these flights. For European routes, Scandinavian Airlines Businesses has since autumn 2004 identified three market segments that clearly show the connection between the fare and its value for the customer. Based on these market segments, the SAS Group has formulated its new customer and product strategy.

Scandinavian Airlines Businesses' new production concept for European flights

Business

- SAS Fast Track Security
- Lounge
- Empty middle seat
- More legroom
- Internet/telephone check-in
- At the gate 20 minutes before departure
- Priority boarding
- Food and beverages included
- Ticket can be changed/refunded
- Basic service commitment
- EuroBonus points

Economy Flex

- SAS Fast Track Security
- Internet/telephone check-in
- At the gate 20 minutes before departure
- Priority boarding
- Food and beverages included
- Ticket can be changed/refunded
- Basic service commitment
- EuroBonus points

Economy

- Competitive fares
- No advance reservation requirement
- Food and beverages may be purchased on board
- No changes once booked
- Basic service commitment
- EuroBonus points
- snowflake fares

snowflake

snowflake fares are available on European routes when demand is low.

The SAS Group has identified three market segments

The SAS Group's new customer and product strategy has been developed following a careful customer analysis and is based on segmenting the market into three groups with clearly differentiated needs.

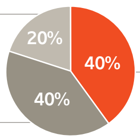
Segmentation of the air travel market

Comfort

Priority to comfort on board, access to lounges and better inflight service.

Productivity

Efficient and saves time. Ability to utilize travel time productively.



Low fare

Customers who do not want to pay for extras want air travel at the lowest fare.

The survey was conducted with 4,000 respondents in seven countries.

Commercial excellence

- The SAS Group will have a differentiated product assortment based on the customer's needs and willingness to pay.
- All products are to be produced and profitably delivered separately.
- The SAS Group will offer competitive products to price-sensitive customers as well as to customers who want comfort and to save time. This will create the volume needed to maintain an extensive traffic network.
- The SAS Group endeavors to create good long-term relationships with its customers through corporate agreements and a new program for small and medium-sized enterprises and by refining its EuroBonus loyalty program.
- Products are to be available via the sales channels that best suit the customers.

Quick and efficient at the lowest fare or with the most comfort

Fare structure and pricing

The pricing of an airline ticket is a combination of its value to a customer and the prevailing competitive situation. This can apply to a one-way product such as a snowflake flight, an economy class product, a three-class product within Europe or a long-haul flight in Economy, Economy Flex or Business.

The value added reflected by the price of the SAS Group's products is related to the network and the categories on board and on the ground. In addition, the price reflects flexibility and availability. snowflake fares are the lowest, and seats cannot be rebooked or refunded, nor do they apply for transfer traffic, but only from point A to point B. This is the same product that point-to-point operators offer. The fare the customer pays is also greatly affected by the taxes and fees the airline has to collect. However, there are operators in the market that even price themselves under this level to capture market shares.

From rule-based fare model to one-way pricing

Traditionally, airline pricing has had three main elements: price levels, rules and availability (capacity management). In recent years, airlines have simplified their rules with regard to fare structure. This has led to a demand to develop tools for capacity management that functions in a fare structure with fewer rules. The trend is to offer more one-way trips. Since the majority of customers travel round-trip, one-way fares are not only based on customer needs, but more on communicative advantages as well as simplicity and transparency when booking, which customers often do themselves on the Internet.

Several of the Group's airlines offer one-way fares, for example Spanair in Spain, SAS Braathens' domestic flights in Norway and Blue1's flights via Blue1.com. One-way pricing provides increased dynamism and encourages Internet booking.

In Scandinavian Airlines Businesses, demand-based pricing has begun for Business, Economy Flex and Economy.

As a rule, the fare structure in the airline business continues to be round-trip-based and includes transfer pricing. This allows travel on more than one airline, so-called interlining. Tickets are available via travel agents, Internet or telephone.

Yield management in the SAS Group

The SAS Group can manage the profile of each departure, which means that capacity is set aside to meet demand, based on the anticipated cabin factor. The Group can stop the sale of certain fare types to optimize revenue per departure. The SAS Group has developed a system for measuring price sensitivity, which the Group's pricing takes into account.

Scandinavian Airlines Businesses are working to judge willingness to pay in order to reserve more precisely and automatically the right number of seats for each class, thus optimizing revenues and customer satisfaction. Another goal is to optimize pricing. The system is expected to be in operation in autumn 2005, when the SAS Group will have a booking system fully adapted to the market.

Trends in product offerings

Ticketless travel

The SAS Group offers a large array of products based on using a credit card/Travel Pass as a ticket. In a few years, paper tickets are expected to disappear completely.

Internet on board

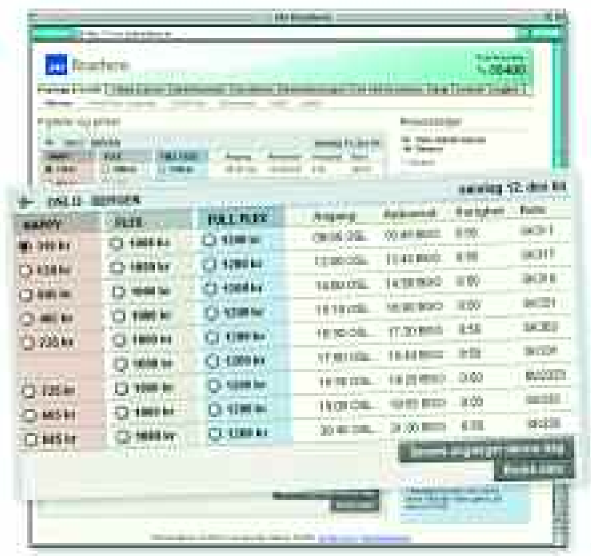
Scandinavian Airlines is the world's first airline to offer totally wireless broadband connections on board its intercontinental routes.*

** This will be available on all Airbus A340s and A330s starting in March 2005.*

Flexible and uncomplicated travel

To save time and make travel less complicated and more flexible, customers can book and check in over the Internet, via mobile phone or use self-service check-in. In Business and Economy Flex, customers are offered priority in choice of seats.

- *Baggage drop* - fast and easy baggage check-in.
- *Fast Track Security* - quicker security control for passengers in Business and Economy Flex has been introduced at the airports in Copenhagen, Stockholm and selected European cities.
- *The lounge* plays a key role for customers who want extra comfort; along with Star Alliance, the SAS Group offers more than 575 lounges worldwide.
- *At the gate,* Business and Economy Flex customers can check in 20 minutes before departure. These customers also have priority for choice of seats and boarding.
- *On board* the SAS Group offers a more differentiated product. Business features an expanded meal concept and extra comfort by leaving the middle seat empty. Economy Flex customers, seated behind Business class, are served food and beverages. Economy passengers pay on board for food and beverages, making possible a lower price for this basic product. The snowflake seat category is part of Economy, and customers travel on the same terms, but at the lowest fare.



Since May 2004, SAS Braathens has been offering one-way fares on its website. Fares depend largely on flexibility and departure time. During 2004 SAS Braathens Internet sales were over 30% and have risen further since the launch of the new website and fare structure.

Alliances

Star Alliance™ is the cornerstone of the SAS Group's global partner and network strategy. Star Alliance offers customers a complete, worldwide travel and service product. In November 2004, the Finnish carrier Blue1 joined Star Alliance as its first regional member. This means the SAS Group has three airlines in Star Alliance: Scandinavian Airlines, Spanair and Blue1.

Star Alliance™ gives the SAS Group's customers access to a worldwide route network, with coordinated high-quality travel products and services. With US Airways as a new member and Blue1, Adria Airways and Croatia Airlines as new regional members of Star Alliance last year, the alliance comprises 18 airlines that all together carry over 370 million passengers yearly, to and from 772 destinations in 133 countries.

This alliance is strategically vital and is very advantageous to the Group, yielding higher traffic revenue when more passengers choose to fly on the alliance's airlines. Since the founding of Star Alliance in 1997, such extra passengers and revenue have increased by 81% and comprise approximately 9% of Scandinavian Airlines' total passenger revenue. In March 2005 TAP Portugal is expected to join Star Alliance.

United Airlines and US Airways operated under bankruptcy protection in the U.S. in 2004. Air Canada completed its restructuring and emerged from bankruptcy in early October 2004. The risk of an adverse impact on Scandinavian Airlines is deemed to be slight, in that both United Airlines and US Airways, with government approval, have continued to operate normally during restructuring. The cooperation with these airlines in the alliance is unchanged.

Alliances and airline industry trends

The consolidation in the three biggest global alliances, Star Alliance™, oneworld™ and SkyTeam™, continues, and only a very few major international carriers in North America and Europe remain outside them. In Asia and the Middle East, too, numerous airlines are joining alliances. Through the merger of Air France and KLM, KLM and its partners Northwest Airlines and Continental Airlines became members of SkyTeam in 2004.

Star Alliance's ambition is to retain its position as the largest and most successful alliance. With its new members, SkyTeam has passed oneworld, becoming the second biggest airline alliance. Star Alliance has won several awards and distinctions, including being named "Best Airline Alliance 2003" by *Business Traveller* magazine.

Star Alliance member airlines have continued their efforts to develop new common travel products and services, airport facilities, IT systems, etc. A big effort has also been made to consolidate and quality assure the alliance's existing products, services and brands. This will enable alliance airlines to offer, produce and deliver less complicated, more flexible and more cost-efficient global travel to its customers.

In the turbulent situation prevailing in the airline industry the large airline alliances play a stabilizing role through their members' cooperation and global presence. The alliances are also focusing on cost-cutting measures through coordination and joint utilization of resources and facilities, joint purchasing as well as collaboration in such areas as product development, IT and the environment. However, profiting from such cost synergies has taken time.

Star Alliance has decided to act on its slogan "The Airline Network for Earth" by beginning to work with three international environmental, scientific and cultural organizations. The aim is to contribute to economic, social and environmental sustainability.

Collaboration on jet fuel

With the other members of Star Alliance, the SAS Group is planning to establish in the near future a joint company for purchasing and distributing jet fuel. The aim of the company is cost-effective contracts for the alliance's fuel purchases at strategically vital airports.

Cooperation with Lufthansa

Scandinavian Airlines is working continuously to develop its bilateral relationships and partnerships with members of Star Alliance, focusing on traffic to, from and within Northern Europe.

Lufthansa is one of Scandinavian Airlines' most important partner airlines. This cooperation is based on a joint venture approved by the European Commission and involves shared responsibility for

The SAS Group offers
a worldwide route network

earnings for the two carriers' operations between Scandinavia and Germany. By coordinating routes, timetables and capacity between Scandinavia and Germany, the two airlines aim for a common, cost-effective global travel and route network. Spanair also cooperates with Lufthansa in the alliance.

Lufthansa and Scandinavian Airlines coordinate their marketing and sales activities, customer services, etc., in their respective home markets. Passenger service at airports, aircraft maintenance, technical services, a certain coordinated development of the aircraft fleet plus joint purchases are other areas of cooperation.

Generally weak market performance and growing competition from point-to-point airlines meant that business class traffic between Scandinavia and Germany shrank in 2004, while economy class traffic grew somewhat. Thus, total traffic grew by 4% over the previous year. The cabin factor on Scandinavia-Germany routes was 55.5% (62.0%).

Both SAS and Lufthansa have benefited from the joint venture partnership that began in 1995 and in 1997 became the start of Star Alliance. The joint venture agreement between SAS and Lufthansa has antitrust immunity from the EU until December 31, 2005. Discussions have begun on how this partnership will operate and become formalized as of 2006. The partners are positive about continued cooperation. The details of the subsequent form of cooperation are expected to be ready in the second half of 2005.

European Cooperation Agreement (ECA)

The ECA is a joint venture between the SAS Group, Lufthansa and BMI (British Midland International), whereby the partners combine their route networks between London Heathrow and Manchester and the rest of the EEA. This cooperation has been approved by the European Commission and the agreement expires at the end of 2007.

Continued market weakness, chiefly in the business traffic segment, has led to a continued negative performance of traffic revenues in the ECA joint venture. Actions have been taken to adapt production and costs to the changed market and competitive situation. The loss for the ECA joint venture came to MSEK –134 (–244) for the SAS Group. The loss (outcome compared with baseline) is covered 45% each by Scandinavian Airlines and Lufthansa and the remaining 10% by BMI.

The SAS Group's share of earnings, ECA

	2004	2003	2002	2001
Income, MSEK	–134	–244	–418	–335

Regional partners

Scandinavian Airlines also has a minority participation in Skyways, and cooperates commercially with it. Skyways is also part of SAS's EuroBonus program. There is also cooperation with Estonian Air, airBaltic and Icelandair, which are also included in SAS's EuroBonus program.

The SAS Group has three Star Alliance members:

SAS helped to found Star Alliance in 1997. In March 2003, the group's Spanish subsidiary Spanair joined the alliance, and in November 2004 Blue1 also became a member, the first regional airline in the alliance.

Key figures – the world's biggest airline alliances in 2004

	Share of world's total RPK	Passengers per year (mill.)	Yearly oper. rev. (USD bill.)
Star Alliance™	21.9%	19.5	24.9
SkyTeam™	19.1%	18.0	18.6
oneworld™	15.4%	11.9	14.4
Total	**56.4%**	**49.4**	**57.9**

Source: Airline Business Magazine, September 2004.

Key figures for Star Alliance™ 2004

	Passengers/year (mill.)	Destinations	Countries	Aircraft	Daily departures	RPK (bill.)	Yearly oper. rev (USD bill.)	Employees
Air Canada	30.0	150	36	330	1,288	61.0	6.2	40,000
Air New Zealand	9.6	45	15	81	228	22.7	2.1	10,000
ANA - All Nippon Airways	50.9	67	10	181	205	55.8	9.0	14,500
Asiana Airlines	11.8	52	16	63	1,861	16.8	1.8	6,411
Austrian	8.8	124	64	92	226	18.0	2.0	7,200
British Midland International	7.5	33	11	42	882	6.8	1.1	4,500
LOT Polish Airlines	3.7	58	31	53	558	6.2	0.7	4,048
Lufthansa	50.9	175	75	360	408	90.7	20.1	34,559
Scandinavian Airlines Businesses	23.8	100	33	200	913	26.4	4.9	9,254
Singapore Airlines	15.3	56	32	96	493	64.7	4.5	13,259
Spanair	5.6	25	7	53	177	5.1	1.1	2,631
Thai Airways International	17.0	76	35	83	206	44.4	3.4	25,544
United Airlines	68.5	188	23	532	262	168.1	13.1	63,000
US Airways	52.8	187	37	279	3,493	60.8	6.8	28,278
Varig	12.4	73	20	85	3,115	26.5	2.1	11,500
Regional members:								
Adria Airways	0.9	22	17	9	55	–	0.2	539
Blue1	1.1	14	8	14	84	0.7	0.2	366
Croatia Airlines	1.5	29	16	11	61	1.1	0.2	1,045
Star Alliance™	372.1	772	133	2,564	14,515	675.8	79.4	276,634
SkyTeam™	316.0	507	112	1,324	10,000	614.0	65.1	186,051
oneworld™	209.0	568	135	1,504	9,571	492.7	50.5	273,495

Source: Airline Business Magazine, September 2004 / www.staralliance.com / airlines' own data.

Quality & safety

Flight safety is the top priority in the SAS Group. Flying is the safest way to travel, and 2004 was the safest year ever for civil aviation worldwide. High levels of safety and quality are essential for stable operations and solid finances. During the past year, none of the Group's airlines registered any safety-related incidents posing a high risk.

Flight safety & quality

In 2004, Scandinavian Airlines and Blue1 were certified by the IATA following an IATA Operational Safety Audit (IOSA). This audit resulted in Scandinavian Airlines' being approved and listed by the IATA. This may be compared to meeting the highest international recommendations and standards (according to the IATA). In 2004, Blue1 was the first Finnish airline to receive this certification. This approval makes possible global code-share operations. Scandinavian Airlines and Blue1 are among the first 16 airlines of the IATA's 270 members to qualify for the IOSA register. In 2005, other airlines in the Group will be the subject of an IOSA.

The flight safety situation of the SAS Group in 2004 continued to be stable. After a number of incidents connected with air traffic control in the Scandinavian countries, the civil aviation authorities were contacted.

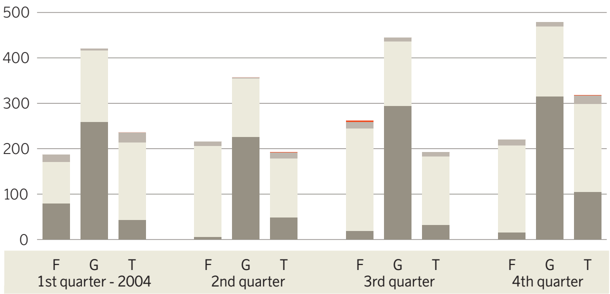
Aircraft maintenance

The SAS Group's aircraft maintenance is primarily performed by SAS Technical Services and is followed up via reporting systems, audits and testing. Quality work is done jointly and all reported incidents are evaluated according to the risk analysis system. Maintenance is performed according to strict rules and a stringent control system that ensures airworthy aircraft. (This activity is monitored by, and any incidents are reported to, the Scandinavian Civil Aviation Supervisory Office.) In autumn 2004, a potential routine violation was pointed out at Gardermoen. A report by the Scandinavian governments and an internal SAS Group report both concluded that no aircraft had been in traffic without necessary maintenance being performed on it.

Number of reported incidents in 2004

For explanations, see below.	R1	R2	R3	R4	R5
Flight operations	0	3	53	711	117
Ground operations	0	0	25	585	1,090
Technical operations	0	2	66	646	225
Total	**0**	**5**	**144**	**1,942**	**1,432**

Number of reported incidents in Scandinavian Airlines Businesses and Airline Support Businesses



F = Flight operations G = Ground operations T = Technical operations

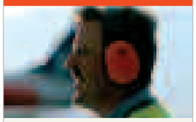
- R1: High risk (No reported incidents in this category in 2004).
- R2: Elevated risk under all circumstances.
- R3: Elevated risk under adverse circumstances that periodically occur.
- R4: Non-elevated or elevated risk only under extreme circumstances. Employed for incidents showing possible safety problems.
- R5: Non-elevated risk, since the incident is not safety related.

Flight safety management

Flight operations

Reporting area:
- Authority
- Planning
- Communication
- Navigation
- Monitoring
- Cabin safety

Ground operations



Reporting area:
- Aviation security
- Handling passengers
- Load control
- Hazardous goods
- Clearance
- Abnormal situations

Technical operations

Reporting area:
- Operations
- Planning
- Materials
- Service
- Production
- Ground equipment

Caused by:
- Performance
- Cooperation
- Human/machine
- Equipment
- Procedure
- Management/control
- External factors

Analysis:
- Every reported incident is analyzed and classified according to criteria in RAMS (Risk Assessment Method in SAS). All incidents are subsequently investigated.

Action:
- Once the fundamental cause of an incident is established, a decision is made on the corrective steps to be taken to prevent a repetition.
- Implementation of the measures is followed up to make sure that the desired result has been achieved.

Aviation security

Regulation EC 2320/2002, implementing common European rules for aviation security, was fully implemented in 2004. This regulation has had far-reaching consequences in many areas for airlines and airports alike, resulting in higher costs for the SAS Group's companies in ground service. It has especially meant changes at airports and the flow of materials, cargo and passengers. *See also Sustainability information, page 109.*

Measuring quality

Safe aircraft and safe equipment must be used on all flights. Quality is measured by analyzing punctuality and regularity and continously following them up against set targets (*see each airline concerned).* Every promise to a customer is a commitment the Group takes seriously. The SAS Group regularly measures customer satisfaction, with the results used for adapting existing services and developing new products.

Scandinavian Airlines Businesses' Risk Index, 2004

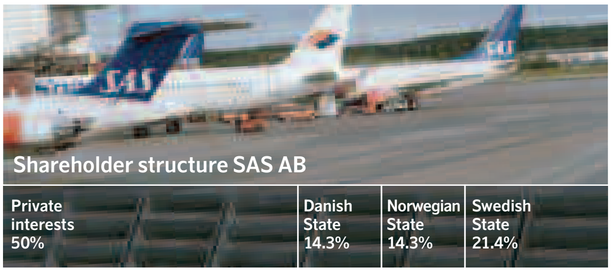
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2003	2.86	2.98	1.84	1.82	2.10	1.52	2.96	2.00	2.28	1.60	2.53	1.93
2004	2.26	1.76	0.95	1.47	1.20	1.52	2.01	1.94	1.66	1.35	1.43	1.44

The risk index is a systematic follow-up model that takes reported incidents into account and weights them according to degree of risk. The objective is to score the lowest possible value.

The capital market

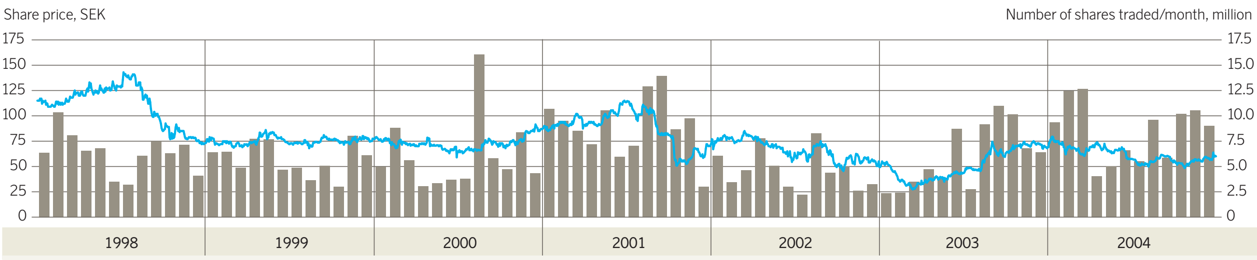
■ Share data ■ Ten-year financial overview ■ Return & earnings requirements
■ Risks & sensitivity ■ Investment & capital employed

In its dialog with the capital market, the SAS Group's goal is to strengthen interest in the SAS Group's share among existing and potential investors by providing relevant, up-to-date and timely information. Investors and capital market players are to be provided unambiguous information on the company's operations with a focus on improving shareholder value along with information on how sustainability-related issues contribute to value creation. The SAS Group endeavors to make itself available to the capital market through its presentations in Scandinavia and internationally.



The SAS Group's share: The SAS Group's share is primarily listed on the Stockholm Stock Exchange and secondarily listed in Copenhagen and Oslo. The Group's total market capitalization was MSEK 9,870 at the end of 2004. The number of shares traded rose by 41% in 2004.

SAS Group's share price performance and trading volume 1998-2004



— Closing price (current price) in SEK. Prior to July 6, 2001 the share price performance pertains to the former listed parent company SAS Sverige AB on the Stockholm Stock Exchange and subsequently to SAS AB.

■ Trading per month. Total trading on the stock exchanges in Copenhagen, Oslo and Stockholm. Prior to July 6, 2001, it refers to the former parent companies SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB and as of July 7, 2001, to SAS AB.

Sources: SIX and the SAS Group

Financial target	■ The SAS Group's overriding financial objective is to create value for its shareholders. The aim is for total shareholder return, i.e. 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.
IR/Information policy	■ The SAS Group's IR policy was approved by SAS AB's Board and is aimed at providing adequate and correct information to the capital market. (The policy is available on www.sasgroup.net).
Dividend policy	■ The SAS Group's annual dividend is determined by taking into account the Group's earnings, financial position, capital requirements and relevant macroeconomic conditions. ■ Over a business cycle the dividend is to be in the region of 30-40% of the Group's income after standard tax.
Financial strategy	■ Financial flexibility is maintained through high liquidity, good access to funding and an active dialog with the capital market. ■ The aim of finance operations is to identify, manage and handle the SAS Group's financial risks relating to currency, interest rates and credit. ■ The aircraft fleet is regarded as a financial asset and optimization of fleet financing is achieved by taking operating efficiency requirements, tax effects, financing costs, capital employed and market value into consideration.
Capital market activities planned for 2005:	■ *Analysts.* Quarterly meetings and phone conferences. ■ *Investors.* Quarterly meetings in Copenhagen, Oslo, Stockholm and London, biannual meetings in the rest of Europe and the U.S. Participation in industry seminars and conferences. ■ *Brokers and the financial press.* Quarterly meetings and annual seminars.

Share data

The SAS Group is monitored by analysts at Scandinavia's leading brokerages and by a large number of the major international houses. Trading of the SAS share increased by 58% in 2004, to a total of SEK 6.4 billion.

Price performance in the industry

Share prices of airlines rose in January 2004. Despite higher volumes of traffic market capitalization fell in the beginning of February 2004 due to earnings warnings caused by overcapacity and increasingly higher jet fuel prices. The market recovered somewhat towards the end of 2004 after the previously record-high fuel prices fell. From the top price in January to the lowest level in October the market capitalization of the European airlines Alitalia, Easyjet, British Airways, Finnair, Iberia, Lufthansa and Ryanair fell by 35% and for the SAS Group by 39%. For the full year 2004 the market capitalization of these airlines decreased by 9.3% whereas the SAS Group's market capitalization fell by 11.8%, 2.5 percentage points worse than its competitors.

Trading of the SAS Group's share

The SAS Group's share is primarily quoted in Stockholm and secondarily quoted in Copenhagen and Oslo. Compared with 2003, the number of shares traded in the SAS Group increased substantially in 2004. Trading of the SAS Group's share in 2004 amounted to SEK 6.4 (4.1) billion, an increase of 58%. This made the SAS Group's share the eighth most traded airline share in Europe, the same level as in 2003. Total volume came to 100.8 (71.7) million shares, corresponding to 61% (44%) of the total number of outstanding shares. Adjusted for the three states' 50% participation in the SAS Group, this corresponds to a total turnover of 123% (87%). Of the total trading volume, 55% (53%) was traded on the Stockholm Stock Exchange, 36% (27%) in Copenhagen and 9% (19%) in Oslo. Measured in number of shares traded in 2004, 36.1 (19.7) million were traded in Copenhagen, 8.8 (13.9) million in Oslo and 55.9 (38.1) million in Stockholm.

Shareholders

The SAS Group had 22,270 (20,789) shareholders on December 31, 2004. The three Scandinavian states own all together 50% of the Group. The largest private shareholders are the Wallenberg Foundations, Norwegian National Insurance Scheme Fund, Odin Fondene, Första AP-fonden and Handelsbanken funds. The total institutional holding is approximately 40-45% while the portion held by private individuals is approximately 5-10%. The holding in Scandinavia totals approximately 90% while the holding outside the EEA is below 5%.

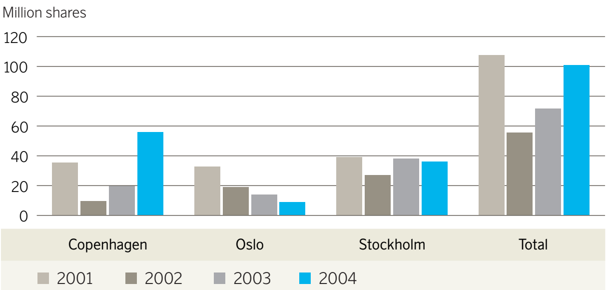
Dividend

In the present circumstances of negative earnings from operations, financial strength is of utmost importance. The Board of Directors proposes that no dividend be paid to SAS AB's shareholders for the 2004 fiscal year.

The SAS Group's return

By the end of 2004, an investment of SEK 100 made on January 1, 1995 would have grown to SEK 139 including reinvested dividends. This corresponds to an annual average total return of 3.4%.

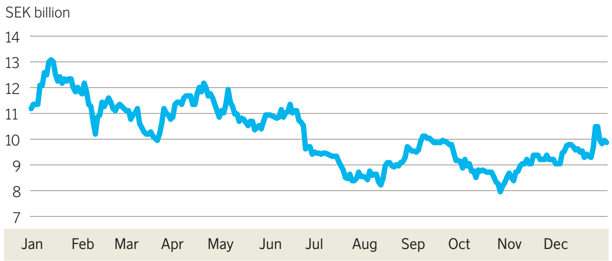
Volume of shares traded on the three exchanges, plus total, 2001-2004



Compared with 2003, trading of the SAS Group's share in 2004 increased by 83% in Copenhagen and 47% in Stockholm, but fell by 37% in Oslo.

Sources: SIX and the SAS Group

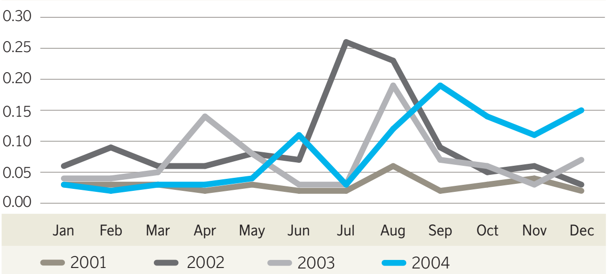
Total market capitalization performance for the SAS Group, 2004



Market capitalization sank by 11.8%, to MSEK 9,870. The highest quotation during the year was MSEK 13,078, the lowest MSEK 7,962.

Sources: SIX and the SAS Group

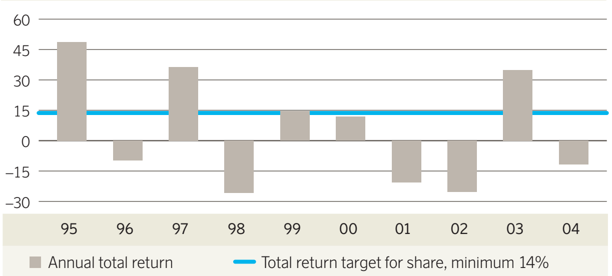
Share of total trading measured in Swedish kronor of the SAS Group's share on the Stockholm Stock Exchange 2001-2004, %



The SAS Group's trading share on the Stockholm Stock Exchange was relatively stable in 2004 at approximately 0.1%, the highest value ever recorded.

Sources: Stockholm Stock Exchange and the SAS Group

Annual total return of the SAS Group's share 1995-2004, %



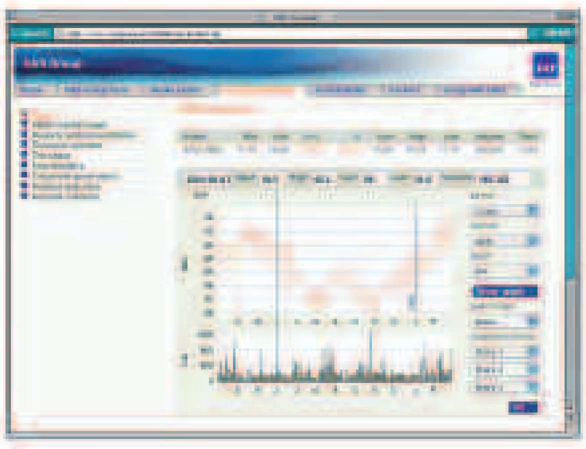
Average annual effective return for the period 1995-2004 was 3.4%.

Monitoring of the SAS Group by analysts

Interest by analysts in monitoring the SAS Group rose in 2004, particularly outside Scandinavia. In Scandinavia, most of the major international banks monitor the SAS Group and during the year some of the world's largest investment banks began monitoring the SAS Group.

The SAS Group's dialog with the capital market

The SAS Group's ambition is to offer prompt, relevant and timely information. The SAS Group's website www.sasgroup.net contains up-to-date information on the Group's financial performance, stock market information, financial calendar, traffic statistics, environmental index, company information and other important data. The SAS Group complies with an IR/information policy set by SAS AB's board (see www.sasgroup.net for a copy) with the aim of ensuring the provision of sound and impartial information to the market. In the first quarter of 2005 the SAS Group launched a new Group information site offering more information about the company in order to improve and elucidate information to the various interests in the market.



Further information about the share with interactive diagram, financial calendar, traffic statistics, IR policies, corporate governance and much more is available on www.sasgroup.net

Key data per share, SEK	2004	2003	2002	2001	2000
Market capitalization, mill.	9,870	11,234	8,329	11,147	15,599
No. of shares traded, mill.	100.8	71.7	55.6	107.5	72.5
No. of shares at year-end, mill.	164.5	164.5	164.5	161.8	164.5
Income after tax	–11.38	–8.60	–0.81	–6.65	12.98
Cash flow from the year's operations	–9.34	–7.09	13.06	–2.19	24.01
Dividend (proposed 2004)	0.00	0.00	0.00	0.00	4.50
Dividend % of earnings after tax	0%	0%	0%	0%	35%
Book equity	67.84	79.84	92.33	97.14	106.50
Market price at year-end	60.0	68.0	49.4	68.0	90.0
Highest market price during the year	79.5	75.0	85.0	115.0	91.5
Lowest market price during the year	48.4	27.4	45.5	51.0	59.0
Average price	61.8	51.3	66.2	86.8	73.5
Share price/Equity per share, at year-end	88%	85%	53%	70%	85%
Dividend yield, average price	0.0%	0.0%	0.0%	0.0%	6.1%
P/E ratio, average	neg	neg	neg	neg	5.7
P/CE ratio, average	neg	neg	neg	neg	3.1

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. The number of outstanding shares is calculated on a weighted average during the year (RR18).

Breakdown of shareholders by stock exchange	2004	2003	2002
Copenhagen	15,514	13,728	12,987
Oslo	1,612	1,831	1,949
Stockholm	5,144	5,230	4,875
Total	**22,270**	**20,789**	**19,811**

Trading codes - the share (ISIN code SE0000805574)	Reuters	Bloomberg
SAS AB, Copenhagen	SAS.CO	SAS DC
SAS AB, Oslo	SASNOK.OL	SAS NO
SAS AB, Stockholm	SAS.ST	SAS SS

Distribution of shares				
Dec. 31, 2004	Number of shareholders	Number of votes	% of share capital	% of all shareholders
1-500	15,391	2,982,545	1.8%	69.1%
501-1,000	3,633	2,802,176	1.7%	16.3%
1,001-10,000	2,871	7,375,978	4.5%	12.9%
10,001-50,000	252	5,570,582	3.4%	1.1%
50,001-100,000	46	3,502,916	2.1%	0.2%
100,001-	77	138,995,800	84.5%	0.3%
Unknown owners *		3,270,003	2.0%	
Total	**22,270**	**164,500,000**	**100.0%**	**100.0%**

** Shareholders in Denmark not listed by name.*

The 15 largest shareholders in the SAS Group *		
Dec. 31, 2004	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%
Norwegian National Insurance Scheme Fund	6,718,637	4.1%
Odin fondene	6,016,504	3.7%
Första AP-fonden	2,398,047	1.5%
National Bank of Denmark	2,289,294	1.4%
Handelsbanken funds	2,195,349	1.3%
Andra AP-fonden	1,694,531	1.0%
Jyske Bank	1,665,311	1.0%
Livförsäkringsaktiebolaget	1,377,000	0.8%
SEB fonder	1,339,500	0.8%
Vital Forsikring	1,053,775	0.6%
Didner & Gerge Aktiefond	600,000	0.4%
Other shareholders	41,746,072	25.4%
Total	**164,500,000**	**100%**

** Under Danish law, disclosure is permitted only when the stake exceeds 5%.*

Change in share capital *	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.*

Ten-year financial overview

	SAS Group [1]									SAS Group [2]
Statements of income, MSEK	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Operating revenue	58,073	57,754	64,944	51,433	47,540	43,746	40,946	38,928	35,189	35,403
Operating income before depreciation	1,694	826	3,547	743	3,710	2,731	4,101	4,102	3,668	4,761
Depreciation	–2,853	–3,046	–2,953	–2,443	–2,192	–2,087	–2,125	–1,880	–1,851	–1,840
Share of income in affiliated companies	137	39	–409	–70	–1	77	–20	88	5	97
Income from sale of shares in subsidiaries and affil. companies	5	651	817	–24	1,033	283	1	1	–	6
Income from the sale of aircraft and buildings	113	649	–320	1,165	490	726	1,014	83	100	83
Income after financial items	–1,945	–1,470	–450	–1,140	2,829	1,885	2,921	2,314	2,031	2,659
Income before capital gains and nonrecurring items	–1,813	–2,221	–736	–2,282	1,291	459	1,905	2,215	1,931	2,566
Balance sheets, MSEK										
Fixed assets	38,269	42,768	46,845	42,407	33,422	28,587	26,491	23,003	20,787	19,345
Current assets, excluding liquid assets	10,748	9,441	9,244	8,693	7,024	7,133	5,958	4,833	4,161	3,477
Liquid assets	8,595	9,066	10,721	11,662	8,979	8,495	8,024	9,828	11,074	10,078
Shareholders' equity	11,159	13,134	15,188	15,544	17,520	16,011	15,340	13,719	12,424	10,588
Long-term liabilities and provisions [3]	25,383	25,855	27,262	24,832	15,026	12,552	11,207	13,471	14,314	11,750
Current liabilities	21,070	22,286	24,360	22,386	16,879	15,652	13,926	10,474	9,284	10,562
Total assets	57,612	61,275	66,810	62,762	49,425	44,215	40,473	37,664	36,022	32,900
Cash flow statements, MSEK										
Cash flow from the year's operations	–1,536	–1,167	2,138	–350	3,949	1,483	3,665	3,739	3,564	4,881
Investment	–3,769	–4,488	–9,919	–11,676	–9,886	–5,845	–6,112	–3,256	–2,651	–1,399
Sale of fixed assets etc.	6,853	5,535	6,055	8,382	5,559	6,601	2,360	252	1,066	619
Cash flow before financing operations	1,548	–120	–1,726	–3,644	–378	2,239	–87	735	1,979	4,101
New issue	–	–	197	–	–	–	–	–	644	–
Dividends [4]	–	–	–	–754	–666	–637	–678	–493	–2,204	–591
External financing, net	–2,016	–1,480	588	7,081	1,528	–1,131	–1,039	–1,488	–562	–4,157
Cash flow for the year	–468	–1,600	–941	2,683	484	471	–1,804	–1,246	–143	–647
Key figures										
Gross profit margin, %	2.9	1.4	5.5	1.4	7.8	6.2	10.0	10.5	10.4	13.5
Return on capital employed (ROCE), %	–1.3	0.5	3.7	0.0	10.9	8.7	13.4	11.6	10.7	15.6
Return on book equity after tax, %	–15.6	–10.3	–0.9	–6.3	13.6	9.4	15.5	13.7	13.9	18.5
Equity/assets ratio, %	19	22	23	25	36	37	38	36	35	32
Income and capital concepts included in CFROI, MSEK										
Income										
Income before depreciation, EBITDA	1,694	826	3,547	743	3,710	2,731	4,101	4,102	3,666	4,761
+ Operating lease costs, aircraft	2,689	2,935	3,747	2,425	1,898	1,346	1,027	859	872	834
EBITDAR	4,383	3,761	7,294	3,168	5,608	4,077	5,128	4,961	4,538	5,595
– Operating lease revenue, aircraft	–163	–145	–85	–16	–15	–66	–161	–179	–238	–382
Adjusted EBITDAR	4,220	3,616	7,209	3,152	5,593	4,011	4,967	4,782	4,300	5,213
Adjusted average capital employed [5]										
+ Shareholders' equity	11,990	13,742	14,890	16,887	16,238	15,348	14,530	13,072	12,424	10,588
+ Minority interests	43	119	71	218	131	45	19	19	18	18
+ Surplus value, aircraft	–674	167	1,318	4,638	5,420	4,911	4,073	3,277	1,930	1,184
+ Capitalized leasing costs, net (x7)	18,130	22,844	21,766	14,818	10,840	7,670	5,383	4,686	3,889	3,021
– Equity in affiliated companies	–666	–519	–803	–1,087	–895	–1,126	–1,102	–705	–653	–586
+ Financial net debt	18,592	19,031	16,905	8,661	4,465	3,720	1,026	255	164	2,544
Adjusted capital employed	47,415	55,384	54,147	44,135	36,199	30,568	23,929	20,604	17,772	16,769
Cash Flow Return On Investments CFROI, %	8.9	6.5	13.3	7.1	15.5	13.1	20.8	23.2	24.2	31.1
Other financial data, MSEK										
Financial income	357	1,096	1,150	618	518	868	634	674	745	1,011
Financial expenses	–1,399	–1,684	–2,282	–1,129	–729	–713	–684	–754	–634	–1,459
Interest-bearing liabilities	27,280	28,866	29,782	26,124	14,563	11,802	10,277	10,589	11,810	12,935
Operating leasing capital	17,682	19,530	25,634	16,863	13,181	6,960	6,062	4,760	4,438	3,164
Net debt	9,956	11,466	11,574	7,652	794	–107	484	–185	164	2,544
Financial net debt	17,377	18,122	17,872	12,824	4,372	2,336	1,707	345	164	2,544
Debt/equity ratio [6]	1.55	1.37	1.16	0.81	0.25	0.14	0.11	0.03	0.02	0.2
Adjusted financial net debt (NPV)/equity	2.50	2.13	1.99	1.37	0.45	0.35	0.25	0.13	0.18	0.35
Adjusted financial net debt (x7)/equity	3.24	2.92	2.87	1.89	1.00	0.73	0.58	0.46	0.50	0.79
Interest expenses/average gross debt, %	4.3	6.5	6.9	4.4	5.2	5.4	6.1	6.3	5.7	8.3
Interest coverage ratio	–0.4	0.1	0.8	0.0	5.0	3.6	5.3	4.0	4.2	2.8

[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] 1995 pertains to funds paid to parent companies.
[5] Average capital, 1997-2004. [6] Calculated on financial net debt. Definitions and concepts, see page 118.

Comments on the overview

The 10-year overview reports key figures for the SAS Group for 1996-2004, of which the years 1996-2000 are pro forma including the parent companies. 1995 presents the old SAS Group where the former three parent companies were not consolidated.

Traffic and earnings performance

Airlines and the SAS Group have historically been affected by international crises and conflicts. The Gulf War in 1990-91 and the recession in the early 1990s precipitated fewer passengers and lower cargo volumes, which hit the SAS Group hard. The downturn occurred during a period when the company was carrying out large investments. Due to pressure on prices in combination with the recession and the weakening of the Swedish krona, the Board decided in 1993 to consolidate operations. Several holdings in subsidiaries were disposed of, negatively impacting operating revenue in 1994 and 1995. Operating income improved considerably in 1994 through a combination of cost-cutting measures and growth in the market buoyed by the upturn in the economy.

1995 was the SAS Group's best year ever in terms of operating income and return on invested capital. The SAS Group's own return requirement, CFROI, amounted to 31.1%. Earnings declined in 1996, mainly because of higher costs. 1997 was a good year but in 1998 earnings were down due to higher costs, which led to the introduction of a program of measures. The downturn in earnings continued in 1999.

In 2000 times were good in the Scandinavian markets and the world economy, which led to increased demand for air travel. The high price of jet fuel negatively impacted earnings. Thanks to declining fuel prices at the end of 2000 and the continued healthy economy, 2001 opened on a positive note. A slump occurred during the summer and the terrorist attacks on September 11, 2001 sent the airline industry into its worst crisis since the Gulf War. Income before capital gains and nonrecurring items in 2001 amounted to MSEK –2,282 and the action program Turnaround 2005 was initiated. Income before capital gains and nonrecurring items improved in 2002 to MSEK –736 but was still marked by the continued slump and price pressure due to increasing competition in the European airline market and changing passenger mix.

2003 was very weak in the wake of the war in Iraq and the respiratory disease SARS, which caused the first quarter to be the worst in airline industry. Income before capital gains and nonrecurring items amounted to MSEK –2,221.

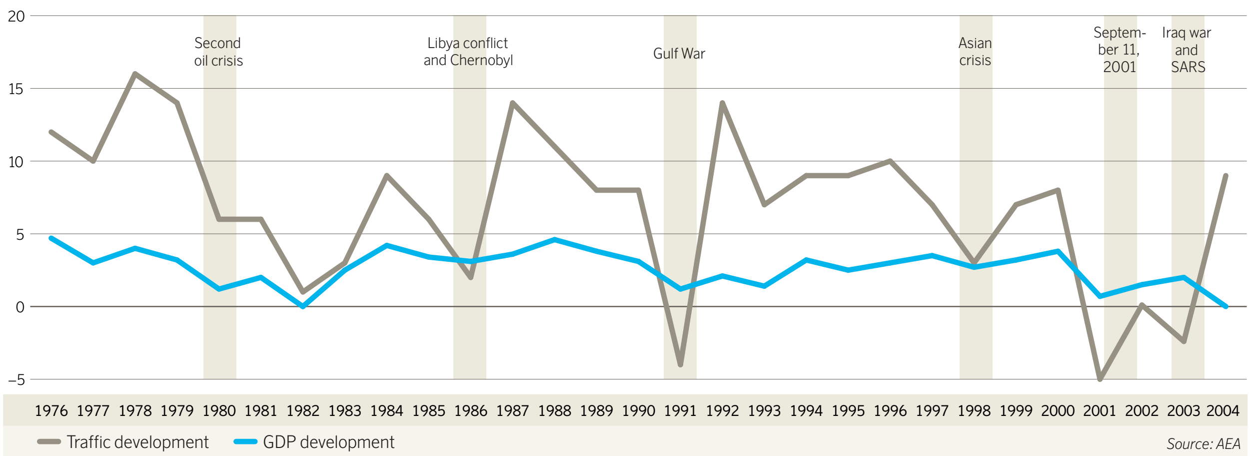
2004 saw traffic improve considerably, particularly on the intercontinental routes. The SAS Group's earnings improved despite very strong pressure on yields during the first half of the year and record-high jet fuel prices during the second half of 2004. Income after financial items and before nonrecurring items amounted to MSEK –1,813 for the full year 2004. The return target, CFROI, amounted to 9%.

Direction of the airline industry

A large number of extraordinary and completely unforseeable events have put the airline industry through a difficult period these past four years. Most airlines have accordingly embarked on and carried out very extensive efficiency measures. Since 2001, IATA airlines (more than 270 airlines representing more than 95% of the world's total air transports) have nevertheless lost all together approximately USD 34 billion despite the improvement in 2004. The efficiency initiatives caused the airlines to shed tens of thousands of employees.

The losses have arisen despite the fact that the airlines simultaneously improved their utilization of capacity and posted growth gains in 2002 and 2004. The dramatic events of 2001 and 2003 caused traffic in 2001-2004 to sink by approximately 0.5%. Since 2002, the unit costs of the large network airlines in Europe have been cut by more than 3% per year despite the sharp increase in the cost of security, jet fuel and government user fees during the same period. During the same period the SAS Group has cut its unit cost by 26%, adjusted for currency and higher fuel costs.

Traffic and GDP development in the world 1976-2004, %



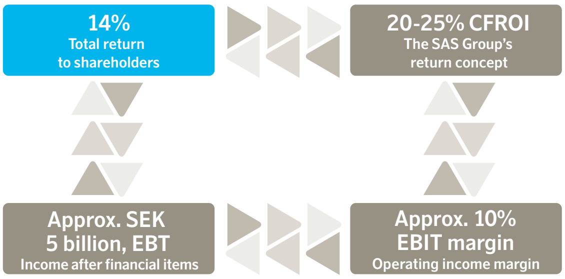
Based on the rate of the last 30 years, traffic growth is deemed to have a multiplier of approximately 2.5 times GDP. Since 2001 this connection has been very weak and the correlation has been reversed in the aftermath of events such as September 11, the war in Iraq and SARS.

Return & earnings requirements

It is a goal of the SAS Group to give its shareholders a competitive return, i.e. the combination of the annual share price growth and dividend yield. The goal is to give owners an annual return of 14% calculated as an average over a business cycle. The target is based on the capital asset pricing model (CAPM). *Definitions and concepts, see page 118.*

CFROI

CFROI is the SAS Group's primary return term for airlines as this key ratio is the best way of showing the return the company generates in relation to actual capital input. The return target is market based and is in line with the view of the capital market. It reflects the EV/EBITDAR multiple, which is the most important international financial key figure for airlines and is used by the majority of analysts in the airline industry.



20% CFROI corresponds to an EBIT margin of approximately 10%, income after financial items of SEK 5 billion and should produce a total shareholder return of 14%.

The capital concept has been adjusted to include the hidden value of the aircraft fleet and capitalized present value (x7) of operating lease costs for aircraft. The SAS Group's goal is to achieve a market value that at the very least is on a par with the industry average and has a target average CFROI of at least 20% over a business cycle.

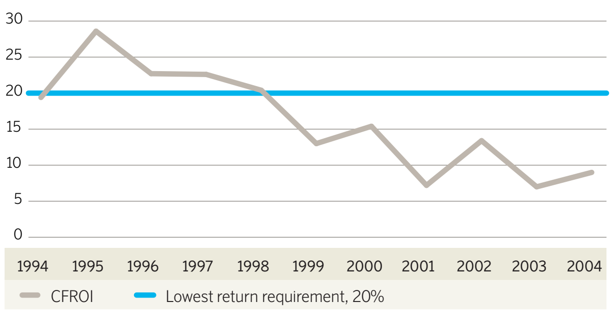
Calculation of CFROI 2004

$$\frac{\text{Adjusted EBITDAR}}{\text{Adjusted capital employed}} = \frac{\text{MSEK 4,220}}{\text{MSEK 47,415}} = 9\%$$

Income and capital concepts included in CFROI, MSEK	2004	2003
Income		
Income before depreciation, EBITDA	1,694	826
+ Operating lease costs, aircraft	2,689	2,935
EBITDAR	**4,383**	**3,761**
– Operating lease revenue, aircraft	–163	–145
Adjusted EBITDAR	**4,220**	**3,616**
Adjusted average capital employed	**2004**	**2003**
+ Shareholders' equity	11,990	13,742
+ Minority interests	43	119
+ Surplus value, aircraft	–674	167
+ Capitalized leasing costs, net (x7) *	18,130	22,844
– Equity in affiliated companies	–666	–519
+ Financial net debt	18,592	19,031
Adjusted average capital employed	**47,415**	**55,384**

* *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. The SAS Group takes leasing revenue into account in this item. NPV (Net Present Value) amounted at the end of December 2004 to MSEK 10,587 (10,028). Average NPV for the 12-month period amounted to MSEK 11,546 (11,130).*

CFROI 1994-2004, %

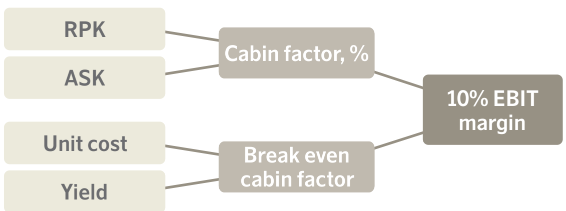


The Group's overarching financial target is an average minimum CFROI of 20% over a business cycle. In 2004 the CFROI was 9% (7%). CFROI includes the effect of external environment-related costs, *see page 112.*

Airline-related and hotel operations shall have a return requirement corresponding to relevant targets for those industries.

Key components for calculating earnings requirement

The SAS Group has earnings requirements according to the return term, CFROI, on all routes in airline operations. The key terms for calculating the Group's EBIT margin are illustrated below:



Simulated calculation of requirement to achieve 10% EBIT margin

The example is based on a cost level corresponding to that of "an efficient airline" and shows that the average price, excluding certain charges, per passenger on a flown distance of 400 km must be SEK 750 to give shareholders a return on their invested capital.

RPK 84 passengers x 400 km	=	33,600 RPK
ASK 120 seats x 400 km	=	48,000 ASK
Cabin factor, occupancy rate $\frac{\text{RPK}}{\text{ASK}} = \frac{33{,}600}{48{,}000}$	=	70.0%
Yield, unit revenue $\frac{\text{Passenger revenue}}{\text{RPK}} = \frac{\text{SEK 63,000}}{33{,}600}$	=	SEK 1.87
Unit cost $\frac{\text{Cost}}{\text{ASK}} = \frac{57{,}273}{48{,}000}$	=	1.19
Break-even cabin factor $\frac{\text{Unit cost}}{\text{Yield}} = \frac{1.19}{1.87}$	=	63.6%
EBIT margin with 70% cabin factor	=	10%

For earnings requirement at the unit level, see each company.

Risks & sensitivity

The SAS Group endeavors to have broad access to capital from various forms of financing. Financial transactions, risks and financing are handled centrally and are coordinated by SAS Group Finance & Asset Management. Operating risks are handled by the respective units in the Group. *(For information on financial risk management see Note 30 on page 84.)*

Due to its high proportion of fixed costs the airline industry is highly sensitive to extreme changes, seasonal variations and shifts in demand. In 2004, economic gains measured in GDP and passenger traffic showed healthy growth. Airlines were negatively impacted by overcapacity in the market as well as jet fuel prices, which reached record levels. The economy has continued to grow despite high oil prices and the outlook for 2005 is good in many of the SAS Group's markets. The chart below shows GDP growth in the SAS Group's key markets in 2004 as well as the share of total ticket sales in 2004 that these markets represent.

GDP growth in the SAS Group's key markets 2004

	GDP growth *	Group's share of sales
Norway	3.2%	29%
Sweden	3.3%	21%
Denmark	2.4%	10%
Spain	2.6%	12%
U.S.	4.4%	6%
Finland	3.1%	3%
Other Europe	1.8%	15%
Other world	3.6%	4%

** OECD Economic Outlook No. 76, November 30, 2004.*

The SAS Group's sensitivity analysis

Approximate relationships between the main operational key figures for Scandinavian Airlines Businesses and the SAS Group's financial and environmental result.

MSEK	Scandinavian Airlines Businesses	Group total
Passenger traffic		
1% change in RPK	240	290
Cabin factor		
1 percentage point change in cabin factor	350	470
Unit revenue (Yield)		
1% change in passenger revenue per passenger km.	290	370
Unit cost		
1% change in airline operations' unit cost	280	340
Jet fuel		
1% change in the price of jet fuel, MSEK	45	60
1% change in consumption of jet fuel corresponding to tonnes of CO_2, 000	43	60
Exchange rate sensitivity (revenues and expenses)		
1% weakening of SEK against USD		–80
1% weakening of SEK against NOK		45
1% weakening of SEK against DKK		–30
1% weakening of SEK against EUR		35
1% increase of the net debt		0-15

These effects on earnings cannot be totaled but reflect the earnings sensitivity (excluding hedging of currency and fuel) for Scandinavian Airlines Businesses and the Group, respectively, in the current situation.

Airline industry cycles

The airline industry is a sector that normally sees annual growth. However, growth has been disrupted by external shocks such as war, epidemics and oil crises. Profitability has been volatile and the industry is highly exposed to external events.

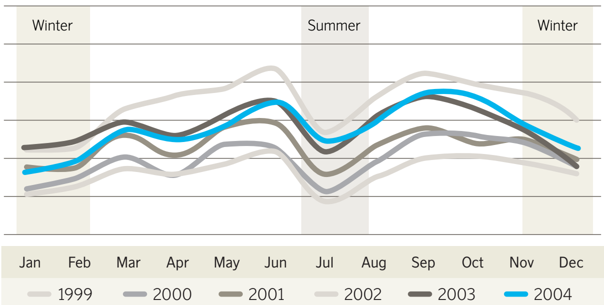
An expansion of private consumption coupled with lower fares resulting from efficiency gains by airlines have stimulated traffic (RPK), which climbed an average of 5% per year. Higher economic activity, GDP, generates increased travel.

The SAS Group's seasonal variations

The SAS Group's profitability fluctuates sharply during the year due to the fact that travel follows a definite seasonal pattern. A calendar year opens with very low traffic levels and business travel, making January and February weak months. Volumes increase sharply from March to June. Profitability during the spring is negatively affected by Easter and the quarter when Easter takes place is impacted by a negative earnings effect of approximately MSEK 200-300.

In 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. Once business picks up again, revenues climb successively from the end of August until October before receding in November-December.

SAS Group – seasonal variations in operating income distribution 1999-2004



Operating risks

Operating risks are handled by the SAS Group's various units. By continually taking booking information into account the Group's airlines try to reduce operating risks and optimize production.

Currency exposure

Because of its international operations, the SAS Group is exposed to the fluctuations of several currencies. Transaction risk arises during exchange rate changes that affect the amount of commercial revenues and costs, thereby impacting the SAS Group's operating profit. Currency exposure is managed by hedging on an ongoing basis 60-90% of the Group's surplus and deficit currencies based on a 12-month rolling liquidity forecast. The SAS Group has on balance a majority of surplus currencies, with deficits mainly in USD and DKK.

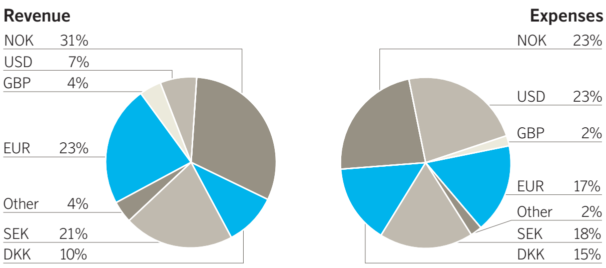
In 2004 the value of the USD plunged against the Group's largest surplus currencies: SEK, NOK and EUR. The deterioration of the dollar has been very favorable for the SAS Group, which during the year hedged the currency at the lower end of the 60-90% range. Approximately half of the dollar hedging was done

Estimated net currency breakdown of operating income (EBITDA), 2004

Surplus currencies		Deficit currencies	
NOK	4,600	USD	8,000
SEK	2,300	DKK	2,900
EUR	3,500		
Other	2,200		

EBITDA amounted to approximately MSEK 1,700.

Currency breakdown for SAS Group 2004



with capped options. Because a considerable portion of the asset base is made up of aircraft, the SAS Group shall maintain indebtedness in USD since aircraft are financed and valued in USD.

In 2004, hedging of the shareholders' equity of foreign subsidiaries was introduced through borrowing in respective currencies.

Financing

Financing is mainly accomplished through syndicated bank loans, bond issues, direct borrowing, debenture loans, and finance and operating leasing. In December 2003 the SAS Group contracted a syndicated loan facility of MEUR 400, which in May 2004 replaced the MUSD 700 facility. The new facility matures in May 2007 and by the end of 2004, MEUR 300 of the facility had been utilized.

In 2002 a syndicated loan facility totaling MUSD 400 was arranged with 15 banks to finance aircraft investment. In 2004 this facility was renegotiated to MUSD 240, which was available for drawing loans with terms of up to nine years. During the year the remaining MUSD 240 was utilized to finance the Boeing 737 fleet.

In December 2001 a general agreement providing just over MUSD 1,000 for financing Airbus deliveries was arranged with four banks and the three export financing institutions in the U.K., France and Germany. During 2004 the SAS Group utilized the remainder of this loan facility, approximately MUSD 100, to finance an Airbus A330.

In addition to the above-mentioned loan facilities, three bank facilities totaling all together approximately MSEK 2,300, which matured in 2004, were extended until 2005. During 2004 two new loan facilities, each for MSEK 500 with a term of one year, were contracted.

Creditworthiness

To continually ensure 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. In support of this goal, the Group has established financial targets for equity/assets and debt/equity ratios. The equity/ assets ratio weakened somewhat in 2004 and amounted at year-end to 19%. Financial net debt amounted to MSEK 17,377.

In evaluating the creditworthiness of airlines it is important to take off-balance sheet financing such as operating leasing into account. At the end of 2004 the SAS Group's lease-adjusted financial net debt (7 x leasing costs) relative to shareholders' equity was 324%.

Moody's downgraded SAS's creditworthiness in May from Ba3 to B1 for the company's senior implied rating and changed the outlook in August from "stable" to "negative". In January 2005 Moody's announced that it will be reviewing the SAS Group's creditworthiness. In 2004 the Japanese rating institute Rating and Investment Information Inc. lowered the Group's creditworthiness from BBB to BB+.

Price risk relating to jet fuel

The SAS Group is exposed to price risk regarding changes in the world market price of jet fuel. The SAS Group coordinates price hedging of jet fuel for Group airlines. Of the SAS Group's total costs including depreciation in 2004, approximately 10.6% (8.3%) was fuel costs. Jet fuel prices climbed to record highs in 2004, causing the SAS Group's fuel costs to increase by MSEK 1,509 to MSEK 6,252.

The SAS Group's policy is to hedge normally 40-60% of the forecast consumption in the coming 12-month period. This practice may be departed from when extreme price hikes are estimated due to war, oil crisis, etc. In 2004 the SAS Group hedged an average of 16% of its fuel purchases. Of its anticipated consumption in 2005, the SAS Group has hedged an average of 50% with capped options, a level equivalent to approximately USD 450/MT.

The SAS Group's insurance policies

The SAS Group insures all assets and personnel to reduce the risk of unforeseen events. 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 the aircraft fleet, spare parts and other technical equipment as well as liability exposure associated with airline operation. Insurance costs fell in 2004 by approximately 20% compared with 2003.

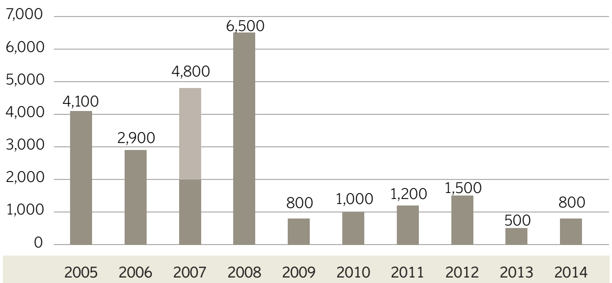
Existing committed credit facilities for the SAS Group at December 31, 2004

	Corresponding value in MSEK			
Facility	Total facility	Utilized facility	Unutilized facility	Expiration of validity period
Revolving credit facility MEUR 400	3,600	2,700	900	May 2007
Bilateral bank facilities	2,000	0	2,000	2005
Other	1,040	580	460	2005
Total	**6,640**	**3,280**	**3,360**	

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

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

Amortization of interest-bearing liabilities at December 31, 2004, MSEK



The diagram shows planned amortization of the SAS Group's interest-bearing liabilities. The light gray part of the column shows a revolving credit facility equivalent to MSEK 2,700.

Investment & capital employed

The airline business is capital intensive due to large investments in, above all, aircraft. The SAS Group has carried out an extensive investment program that has now come to an end, and therefore has limited need for new investment over the next few years.

The SAS Group's aircraft fleet consists of 297 aircraft, of which 101 are owned and 196 leased via operating leases. From 1998 to 2004 Scandinavian Airlines Businesses carried out an extensive fleet renewal program. At the end of 2004, the SAS Group had firm aircraft orders valued at approximately MUSD 233 (around MSEK 1,542). No aircraft will be delivered in 2005, but prepayments of approximately MSEK 60 will be disbursed.

The aircraft fleet is the largest single item tying up the capital of the SAS Group. At December 31, 2004, the market value of the SAS Group's aircraft fleet amounted to approximately SEK 36.1 billion. Optimal capital employment and a high utilization rate of the aircraft fleet are therefore important. Thanks to the different markets and seasonal variations within the SAS Group's airlines, the SAS Group can allocate its aircraft fleet among the airlines. This means for instance that Spanair regularly leases aircraft from Scandinavian Airlines Businesses. In 2004, Spanair leased two aircraft from Scandinavian Airlines Businesses in order to increase the overall degree of utilization in the Group.

Investment need

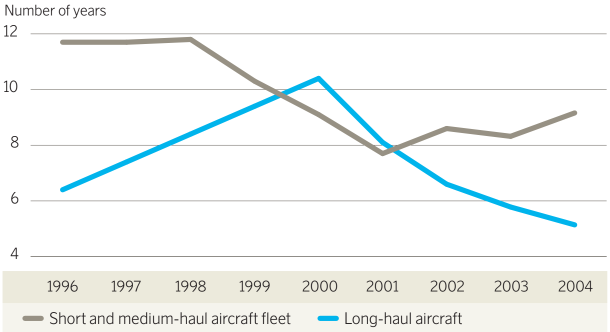
The SAS Group's next major investment is expected to begin in 2010-2012 and cover the replacement of the MD-80 series. The investment will coincide with the end of the aircraft's economic lifetime. The SAS Group is currently evaluating the modifications that may be needed to ensure cost-effective production.

Besides investment in new aircraft the Group invests approximately MSEK 1,300 per year in spare parts and other operational investments.

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 and sudden changes in demand. Reduced residual value risks are another positive effect of operating leases. In calculating lease commitments the SAS Group previously used the present

Average age of the aircraft fleet, 1996-2004



Since renewing its fleet from 1998 onwards, the average age of SAS Group aircraft is relatively low.

SAS Group's total aircraft fleet

	Average-age	Owned Dec 04	Leased in*	Total Dec 04	Leased out	Order
Airbus A340/A330	2.6	5	6	11		
Airbus A321-200	2.8	8	5	13		4
Airbus A320	2.1		14	14		
Boeing 767-300	14.3		3	3	3	
Boeing 737-series	6.5	28	52	80	5	2
Boeing 717	4.2		4	4		
Douglas MD-80-series	15.4	28	60	88	3	
Douglas MD-90-30	7.9	8		8		
Avro RJ-85/100	3.2		9	9		
Fokker F50	14.8	7	1	8	2	
deHavilland Q-series	7.1	17	37	54		
SAAB 2000	7.6		5	5		
Total	**9.0**	**101**	**196**	**297**	**13**	**6**

** Refers to aircraft under operating leases.*
Average age of the owned fleet was 8.9 years as of December 31, 2004.

Breakdown of the fleet by airline

	Average-age	Owned Dec 04	Leased in*	Total Dec 04	Leased out	Order
Scandinavian Airlines Businesses	8.9	85	115	200	13	6
Spanair	10.0		53	53		
Widerøe	8.5	16	14	30		
Blue1	4.8		14	14		

** Refers to aircraft under operating leases.*
For technical information on the SAS Group's aricraft fleet, see page 119.

Aircraft on firm order (CAPEX) in 2005-2007

SAS Group	Total	2005	2006	2007
CAPEX (MUSD)	233	9	93	131
Number of aircraft	6	0	2	4

At the close of 2004 neither Spanair, Widerøe nor Blue1 had any aircraft on order.

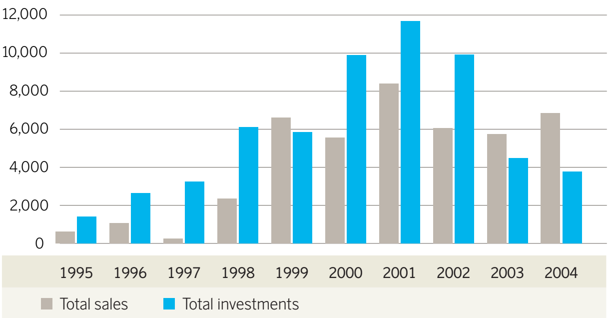
Contracted * operating aircraft leasing 2005-2008

Present value (NPV) at 5.5% for 2004-2013	MUSD	MSEK
Scandinavian Airlines Businesses	972	6,424
Spanair	542	3,587
Widerøe & Blue1	87	576
SAS Group	**1,601**	**10,587**

Capitalized leasing-costs (x7), MSEK	2005	2006	2007	2008
SAS Group	18,095	17,137	15,876	13,034

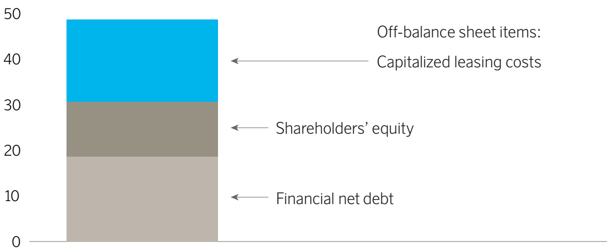
** Only existing contracted aircraft leasing contracts at December 31, 2004.*

The SAS Group's total investments and sales, 1995-2005, MSEK



Investments in the SAS Group's aircraft fleet peaked in 2001-2002. The SAS Group's total investments for 1995-2004 amounted to MSEK 59,000.

The SAS Group's capital employed 2004, 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.

value of operating lease commitments for aircraft. Because the stock market largely uses a multiple of 7 (7x the annual leasing cost) in calculations of relevant key figures, 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 leasing commitments. At the end of 2004 the capitalized leasing cost (x7) was MSEK 18,823 and the present value of the leasing contracts for the SAS Group was MSEK 10,587, equivalent to MUSD 1,601.

Surplus of aircraft

The need for aircraft varies depending mainly on short and long-term production plans, seasonal variations and business environment factors. The drawdown that has taken place since 2001 for approximately 30 aircraft has been handled on a current basis through sales and leases, as well as leasing contracts that have come due. In the fall of 2004 the decision was made to take a further 10 aircraft out of production for Scandinavian Airlines Businesses due to the overcapacity in the market and the opportunity to utilize the remaining aircraft fleet more efficiently. The aircraft that will be taken out of production are MD-80/90s, which according to plan will be leased out in 2005.

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. Approximately MSEK 16,600 worth of sale and leaseback transactions for 81 aircraft were executed in 1999-2003. Furthermore, approximately MSEK 5,100 worth of property transactions were closed in 2001-2004. The SAS Group's program to release capital continued in 2004. During the year the SAS Group sold four Boeing 737-800s, two Fokker F28s and three Douglas MD-80s. As part of the capital optimization program, the Group also closed sale and leaseback deals for four deHavilland Q400s, three Airbus A340s, two Boeing 737-800s, two Airbus A320s and three Boeing 767-300s. The sales value of these transactions amounted to MSEK 6,394.

The Group also expects to release capital in 2005, mainly via sale and leaseback transactions for aircraft, spare parts and properties.

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.

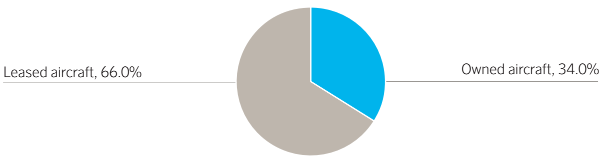
Reporting of pension plans in the SAS Group

Since 1996 the SAS Group has followed International Accounting Standards, IAS 19, for reporting the Group's defined benefit pension plans. The reporting of the size of the pension commitments is based on long-term assumptions regarding interest, inflation, salary increases etc. Any over and underfunding of the commitments is amortized according to the remaining earning period in the pension plans. The SAS Group has operated since 2003 with an amortization period of 15 years on over or underfunding.

Overfunding exists in several of the SAS Group's pension plans, which means that as of December 31, 2004 the SAS Group had a positive difference of MSEK 2,000 between funded assets and commitments. On January 1, 2005, International Financial Reporting Standards, IFRS, were introduced for listed companies in Sweden. Since the SAS Group already follows these rules regarding the reporting of defined benefit pension plans it will have no effect on the Group's accounts. *(For detailed information see page 63 and Note 19 on page 82.)*

Breakdown of the SAS Group's owned and leased aircraft

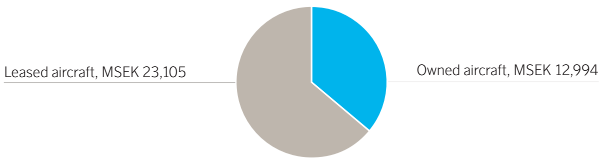
At December 31, 2004



Out of the SAS Group's total aircraft fleet at the end of 2004, 196 aircraft (66%) were leased.

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

At December 31, 2004



Total market value of the Group's aircraft fleet amounted to SEK 36.1 billion.

Business area

Scandinavian Airlines Businesses

■ Scandinavian Airlines Danmark ■ SAS Braathens ■ Scandinavian Airlines Sverige
■ Scandinavian Airlines International

Jørgen Lindegaard CEO and responsible for the business area Scandinavian Airlines Businesses until February 15, 2005.

John S. Dueholm. Executive Vice President, will be responsible for the business area as of February 15, 2005.

Description of area: Scandinavian Airlines Businesses, corresponding to the previous business area Scandinavian Airlines plus Braathens, offers competitive connections by air within, to, from and via Scandinavia. In 2004 the Board of the SAS Group's decided to incorporate Scandinavian Airlines, establishing three independent companies in Denmark, Norway and Sweden, plus Scandinavian Airlines International. Scandinavian Airlines International is run as a separate business unit in the Consortium and is responsible for intercontinental airline operations and for sales outside of Scandinavia and Finland.

Statement of income, MSEK	2004 [1]	2003	2003 [2]
Passenger revenue	29,480	26,175	31,481
Other traffic revenue [3]	3,399	2,812	3,470
Other revenue	2,794	2,677	2,875
Operating revenue	**35,673**	**31,664**	**37,826**
Payroll expenses	–8,106	–7,816	–9,467
Selling costs	–882	–852	–976
Jet fuel	–4,508	–2,894	–3,511
Government user fees	–4,383	–3,170	–4,198
Catering costs	–1,019	–1,188	–1,464
Handling costs	–5,519	–4,679	–5,259
Technical aircraft maintenance	–4,170	–4,287	–4,618
Computer and telecommunications costs	–1,757	–1,860	–2,084
Other operating expenses	–3,302	–3,417	–4,011
Operating expenses	**–33,646**	**–30,163**	**–35,588**
Income before depreciation and leasing costs, EBITDAR	**2,027**	**1,501**	**2,238**
Leasing costs, aircraft	–1,557	–1,328	–1,795
Income before depreciation, EBITDA	**470**	**173**	**443**
Depreciation	–1,448	–1,427	–1,619
Share of income in affiliated companies	62	65	65
Capital gains	162	113	123
Operating income, EBIT	**–754**	**–1,076**	**–988**
Income from other shares and participations	0	5	5
Net financial items	–701	–672	–702
Income after financial items	**–1,455**	**–1,743**	**–1,685**

[1] *Including Braathens excluding Braathens Technical Services (BTS).*
[2] *Pro forma including Braathens and Braathens Technical Services. Figures can be compared with 2004.*
[3] *Including ECA with MSEK –134 (–244) MSEK. See page 21.*

Key figures	2004 [1]	2003	2002 [2]
EBITDAR-margin	5.7%	4.7%	9.2%
CFROI	6%	5%	9% [3]
Number of destinations	100	85	86
Number of passengers, scheduled, mill.	23.8	19.3	21.9
Average flight distance, scheduled, km	795	851	779
Number of aircraft	200	181	199
Number of daily departures (average)	913	700	810
Average number of employees	9,254	9,147	10,046
Carbon dioxide (CO_2), 000 tonnes	3,747 [4]	3,529	3,765
Nitrogen oxides (NOx), 000 tonnes	14.1 [4]	14.1	13.7
Environmental index (2004 target: 76)	76 [4]	78	78

[1] *Including Braathens and excluding BTS.*
[2] *Pro forma including SAS World Sales.*
[3] *Excluding SAS World Sales.*
[4] *Excluding Braathens.*

Earnings performance: 2004 began feebly with low volumes of business travelers and heavy pressure on yield. The market gradually improved in February/March and volumes rose. The substantial overcapacity primarily in Scandinavia caused a further worsening of the yield, resulting in a weaker than expected recovery in the spring. Since June the yield has stabilized. According to independent measurements, after the drop in fares, fares within and to and from Scandinavia have become the lowest in Europe. Volume growth weakened in autumn 2004, failing to match the capacity increase.

The business area's operating revenue fell pro forma by 5.7% to MSEK 35,673. Operating expenses fell by 5.5% to MSEK 35,646. Income after financial items excluding capital gains and nonrecurring items amounted to MSEK –1,439 (–1,763).

Scandinavian Airlines Businesses

Background

The airline SAS was formed in 1946 through the merger of three national carriers in Denmark, Norway and Sweden. Northern Europe's largest, the airline carries approximately 24 million passengers within Scandinavia and to and from Europe, North America and Asia. Scandinavian Airlines is a member of Star Alliance and also cooperates with several European partners. All together, Scandinavian Airlines Businesses operates 200 aircraft and serves 100 destinations. The business area is the SAS Group's largest and accounted for 52% of the Group's total operating revenue in 2004 before Group eliminations.

To improve the chances for profitable growth, complexity was reduced and responsibility for earnings clarified when the units within Scandinavian Airlines were incorporated in 2004, and Scandinavian Airlines Danmark, SAS Braathens and Scandinavian Airlines Sverige became independent corporations. Scandinavian Airlines International, which runs the intercontinental operations, is a separate business unit that is formally part of the SAS Consortium.

Customers

The Customer Satisfaction Index, CSI, reflects how well Scandinavian Airlines and SAS Braathens meet customer expectations. For 2004, the CSI was 68 (67), reversing a negative trend and better than for 2003. The change shows that customer perception of SAS's image and competitiveness on fares improved compared with 2003. It also shows that the changes in service to the European business travel product contributed to a great improvement. The SAS EuroBonus loyalty program also contributed positively to the outcome.

Quality

Scandinavian Airlines Businesses' goal is to be Europe's most punctual airline. In 2004 punctuality was 87.1% (90.2%), making Scandinavian Airlines Europe's fifth most punctual airline for departures and third most punctual airline for arrivals.

The target for regularity, the percentage of non-canceled flights, is a minimum of 99% in the summer months and 98% in the winter months. In 2004 average regularity of 98.3% (98.8%) was attained.

Environment

Scandinavian Airlines Businesses intends to be one of the leading players in the airline industry regarding environmental adaptation of its operations and integrating environmental aspects into its business management process.

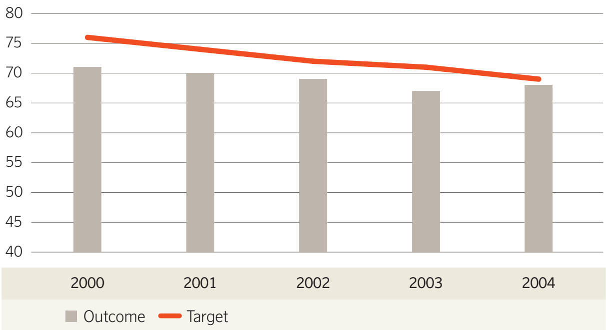
Scandinavian Airlines measures its ecoefficiency using an environmental index, and the most important environmental target was to improve the index by three points each year - a total of 24 points - from 1996 to 2005. This target was achieved, as the index for 2004 was 76. Among other things, this shows that Scandinavian Airlines

Operational key figures	
Market share of the home market (Baltic Sea region)	approximately 20%
Block hours, aircraft	8.1 hours/day
Block hours, pilots	550 hours/year
Block hours, cabin crew	570 hours/year
Total unit cost	SEK 0.76/ASK

Paramount targets	Target 2004	2004	2003
Customer Satisfaction Index, CSI	69	68	67
Environmental index	76	76	78

Regularity and punctuality	Target Winter (Oct-Mar)	Target Summer (Apr-Sep)	2004	2003
Regularity	98%	99%	98.3%	98.8%
Punctuality (within 2 minutes)	65%	70%	62.1%	67.4%
Punctuality (within 15 minutes)	88%	92%	87.1%	90.2%

Scandinavian Airlines - Customer Satisfaction Index (CSI), 2000-2004



In 2004 the Customer Satisfaction Index was 68 and the target was 69.

had fuel consumption of 0.049 kg/RPK, the lowest ever. Nitrogen oxide and noise emissions are also the lowest ever.

Loyalty program

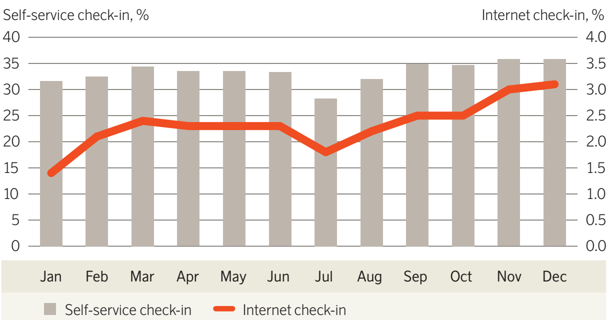
In 2004 the number of members of Scandinavian Airlines Businesses' loyalty program EuroBonus increased by 7% to 3.0 million. Big changes were implemented during the year, which made it possible to buy a ticket right up until departure and let customers decide who gets to use the points. The relationship between points earned and ticket price was also strengthened.

In 2004, EuroBonus signed an agreement with the Best Western hotel chain, enabling EuroBonus customers to earn points at a further 4,100 hotels worldwide starting in February 2005.

Key figures for EuroBonus	2004	2003	Change
Total number of members	3,026,030	2,824,249	7.1%
- in Denmark	508,193	458,265	10.9%
- in Norway	964,010	933,014	3.3%
- in Sweden	725,791	675,799	7.4%
- international	828,036	757,171	9.4%
Proportion of Gold members	2.0%	2.6%	–0.6 pts.[1]
Proportion of Silver members	5.4%	8.0%	–2.6 pts.[1]

[1] *Change in percentage points (pts.).*

Self-service and Internet check-in, Scandinavian Airlines' passengers, 2004



Increased automation is key to Turnaround 2005. Beginning in 2002, Internet check-in has been available. The target is to increase the volume of self-service and Internet check-in to 60% by 2005.

Traffic, production and yield	2004	2003[1]	Change
Total passenger traffic			
Number of passengers, 000[2]	23,780	23,429	1.5%
Revenue passenger kilometers, RPK, mill.	26,443	24,934	6.1%
Available seat kilometers, ASK, mill.	40,574	38,519	5.3%
Cabin factor	65.2%	64.7%	+0.4 pts.[3]
Yield, currency adjusted, SEK	1.10	1.21	–9.1%
Scandinavian Airlines Danmark			
Number of passengers, 000	7,983	7,829	2.0%
Revenue passenger kilometers, RPK, mill.	5,850	5,703	2.5%
Available seat kilometers, ASK, mill.	10,288	9,523	8.0%
Cabin factor	56.9%	59.9%	–3.0 pts.[3]
SAS Braathens			
Number of passengers, 000	8,772	8,463	3.6%
Revenue passenger kilometers, RPK, mill.	5,788	5,306	9.1%
Available seat kilometers, ASK, mill.	9,588	9,239	3.8%
Cabin factor	60.4%	57.4%	+2.9 pts.[3]
Scandinavian Airlines Sverige			
Number of passengers, 000	5,548	5,734	–3.2%
Revenue passenger kilometers, RPK, mill.	4,410	4,217	4.6%
Available seat kilometers, ASK, mill.	7,758	7,123	8.9%
Cabin factor	56.9%	59.2%	–2.3 pts.[3]
Intercontinental traffic			
Number of passengers, 000	1,477	1,403	5.3%
Revenue passenger kilometers, RPK, mill.	10,393	9,708	7.1%
Available seat kilometers, ASK, mill.	12,941	12,634	2.4%
Cabin factor	80.3%	76.8%	+3.5 pts.[3]
Yield, currency adjusted			3.1%

Geographical traffic breakdown	2004	2003[1]	Change
European traffic			
Number of passengers, 000	8,075	7,831	3.1%
Revenue passenger kilometers, RPK, mill.	9,319	8,532	9.2%
Available seat kilometers, ASK, mill.	16,018	14,070	13.8%
Cabin factor	58.2%	60.6%	–2.5 pts[3]
Yield, currency adjusted			–12.3%
Intra-Scandinavian traffic			
Number of passengers, 000	3,114	2,998	3.8%
Revenue passenger kilometers, RPK, mill.	1,505	1,447	4.1%
Available seat kilometers, ASK, mill.	2,687	2,636	1.9%
Cabin factor	56.0%	54.9%	+1.2 pts.[3]
Yield, currency adjusted			–18.3%
Danish domestic traffic			
Number of passengers, 000	787	707	11.3%
Revenue passenger kilometers, RPK, mill.	163	147	10.3%
Available seat kilometers, ASK, mill.	269	282	–4.6%
Cabin factor	60.4%	52.2%	+8.2 pts.[3]
Yield, currency adjusted			–1.2%
Norwegian domestic traffic			
Number of passengers, 000	6,688	6,577	1.7%
Revenue passenger kilometers, RPK, mill.	3,278	3,195	2.6%
Available seat kilometers, ASK, mill.	5,579	5,732	–2.7%
Cabin factor	58,8%	55.7%	+3.0 pts.[3]
Yield, currency adjusted			–7.2%
Swedish domestic traffic			
Number of passengers, 000	3,639	3,913	–7.0%
Revenue passenger kilometers, RPK, mill.	1,784	1,904	–6.3%
Available seat kilometers, ASK, mill.	3,080	3,164	–2.6%
Cabin factor	57.9%	60.2%	–2.2 pts.[3]
Yield, currency adjusted			–11.4%

[1] *Including Braathens.* [2] *See page 40 for total production including charter and ad hoc flights.* [3] *Change in percentage points (pts.).*

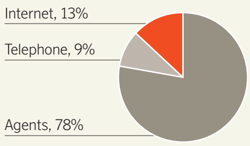
Scandinavian Airlines Danmark

CEO: Susanne Larsen ■ Founded in 2004 ■ www.sas.dk

Key figures[1]	2004
SAS Group's holding	100%
Operating revenue, SEK billion	10.6
Market share of the Danish domestic/international market	55%
Block hours, aircraft, hours/day	8.1
Number of destinations	61
Average flight distance, scheduled, km	662
Number of passengers, scheduled, million	8.0
Number of flights, scheduled	119,981
Punctuality (% within 15 minutes)	88%
Number of aircraft	64
Carbon dioxide (CO_2), 000 tonnes	1,153
Nitrogen oxides (NOx), 000 tonnes	4.3
Environmental index	100

[1] *Figures are pro forma, since the unit was established on October 1, 2004.*

Percentage of bookings, 2004



In 2004 Scandinavian Airlines Danmark carried 8.0 million passengers (in all, 9.1 million passengers, including charter and bonus travel) to 61 destinations. The airline has a fleet consisting of 64 aircraft of the types MD-80, Airbus A321 and deHavilland Q400.

Financial target
The financial target is a CFROI of at least 20% over a business cycle.

Strategies
Scandinavian Airlines Danmark aims to be the customer's first choice for travel to, from or via Copenhagen. Since the needs and wants of customers are the reason for its operations, its offerings to the market are based on extensive customer analyses. Scandinavian Airlines Danmark offers three products: Business, Economy Flex and Economy, and on this basis will create value by:

- developing Copenhagen as a main hub for European and intercontinental traffic
- furnishing the biggest network in Northern Europe
- offering attractive products for all customer segments.

Operating revenue and traffic performance
In 2004, Scandinavian Airlines Danmark saw stiff competition in all markets and in all customer segments. New airlines were established at Copenhagen Airport, and at other Nordic airports, new carriers and new routes were added. In 2004 overcapacity grew, despite the disappearance of some players toward the end of 2004.

In 2004 Scandinavian Airlines Danmark opened new routes by increasing the utilization of the existing aircraft fleet and through cooperation with Cimber Air.

After several years of negative performance, Danish domestic traffic trended positive in 2004, rising 11.3% measured in the number of passengers.

Total traffic, RPK, grew by 2.5%, which is somewhat less than general growth. Operating revenue in 2004 amounted to SEK 10.6 billion.

Market outlook
Scandinavian Airlines Danmark expects the market to perform above the average economic growth rate in Europe. Growth is anticipated to be highest on European routes, particularly those to Eastern Europe. Capacity is expected to remain unchanged in the Danish domestic and the Scandinavian markets, while the sharp rise in production in the European market is expected to continue in 2005. Overcapacity on the European routes will mean continued heavy pressure on fares.

By taking four aircraft out of service and closing down unprofitable routes, Scandinavian Airlines Danmark will cut its available capacity by approximately 10%. The full impact of these measures is expected in April 2005.

Important events in 2004
- Scandinavian Airlines Danmark was formed, and Susanne Larsen assumed the post of CEO.
- SAS Commuter's Danish operations were integrated into Scandinavian Airlines Danmark in September.
- Scandinavian Airlines Danmark was chosen best European airline by users and industry people in Denmark.
- Cooperation agreement signed with Cimber Air for a wet lease of regional jets, enabling eight new routes to open.
- Launch of new services in Europe, including Economy Flex and snowflake fares to most European destinations.

Background
Scandinavian Airlines Danmark was created as a separate corporation on October 1, 2004, and has 1,935 employees.

Scandinavian Airlines Danmark is responsible for the SAS Group's traffic to, from and via Denmark and for developing Copenhagen as the SAS Group's main hub. The airport has approximately 50% transfer traffic. The company also has sales responsibility for the Group's airlines and partners in the Danish market.

SAS Braathens

CEO: Petter Jansen ■ Founded in 2004 ■ www.sasbraathens.no

Key figures	2004
SAS Group's holding	100%
EBITDAR margin	10.4%
CFROI	13%
Number of destinations	40
Average flight distance, scheduled, km	591
Number of passengers, scheduled, million	8.8
Number of flights, scheduled	128,481
Punctuality (% within 15 minutes)	86%
Number of aircraft	59
Average number of employees (Dec. 31, 2004) [1]	2,965
Carbon dioxide (CO_2), 000 tonnes [2]	588
Nitrogen oxides (NOx), 000 tonnes [2]	1.7
Environmental index [2]	82

[1] *Of which women 61% and men 39%.*
[2] *The figures refer exclusively to Braathens for 12 months.*

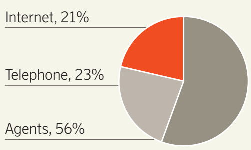
Pro forma statement of income, MSEK	2004
Passenger revenue	9,012
Other revenue	2,406
Operating revenue	11,418
EBITDAR	1,187
EBITDA	54
Operating income, EBIT	–123 [1]
Income after financial items	–162 [2]

[1] *Income before capital gains and nonrecurring items amounted to MSEK 43.*
[2] *Income before capital gains and nonrecurring items amounted to MSEK 4.*

Operational key figures	
Market share of Norwegian domestic and international market	approx. 45-50%
Block hours, aircraft	7.9 hours/day
Block hours, pilots	564 hours/year
Block hours, cabin crew	535 hours/year
Unit cost	SEK 0.91 (NOK 0.84)/ASK

SAS Braathens

Percentage of bookings, 2004



Important events in 2004

- SAS Braathens was formed, and Petter Jansen assumed the post of CEO.
- A new business model, with a more flexible and transparent fare structure, and a new website were launched on May 12.
- On June 22-23 the Norwegian Competition Authority conducted a dawn raid of SAS Braathens' offices as part of an investigation of the fare structure in the Norwegian market.
- SAS Braathens was founded as a legal entity on September 20.
- New routes from Oslo opened to Berlin, Lisbon, Manchester, Milan and Prague and from Torp and Ålesund to Alicante.
- SAS Braathens and the unions at Scandinavian Airlines and Braathens agreed to a new contract transferring pilots and cabin crew to SAS Braathens as of December 31.

Background

SAS Braathens is the result of the merger of Braathens and the Norwegian portion of Scandinavian Airlines. Founded in 1946, Braathens has served Norwegian domestic routes since 1952. It became a wholly owned subsidiary of the SAS Group in December 2001 and was Norway's largest domestic airline in 2003. The purchase of Braathens strengthened the Group's position in this market, making possible synergies from coordinating traffic systems. SAS Braathens provides the Group's jet service to, from and within Norway.

The establishment of SAS Braathens has improved resource utilization and made possible further synergies. Serving 40 destinations with its single-aircraft fleet of 53 Boeing 737s, the airline had 68% of the Norwegian domestic market in 2004, carrying nearly 8.8 million passengers. By year-end 2004, Internet sales had grown to approx. 35%, as opposed to 16% in March 2004.

Financial target

The financial target is a CFROI of at least 20% over a business cycle.

Strategies

SAS Braathens' operations are to be based on an LCC+ (Low Cost Carrier+) concept, i.e. "an airline offering more than just low fares." Low fares, simplicity and flexibility are the core of what customers are offered. SAS Braathens also offers value-enhancing products and additional services wherever profitable.

Traffic and earnings performance

In 2004 SAS Braathens' total traffic (RPK) rose by 9.1%. Domestic traffic grew by 2.6%, and market share fell from 71% to 68%. European traffic rose 17.3% in the number of passengers carried.

SAS Braathens' operating revenue in 2004 was MSEK 11,418, and EBIT before nonrecurring items amounted to MSEK 43. Turnaround 2005 streamlined operations as planned. The remaining measures and synergies from the integration of Braathens and Scandinavian Airlines in Norway will take effect in 2005. Income after financial items and before nonrecurring items came to MSEK 4.

Market outlook

Having made a good start, SAS Braathens is now establishing itself in the Norwegian market as an LCC+ player, with an extensive network and uncomplicated product at competitive fares.

In 2004 the domestic market grew 6%, owing to increased purchasing power, products better adapted to the customer, more flexible fares and higher capacity. The international routes to and from Norway grew 16% in 2004. In 2005, continued growth is expected in SAS Braathens' market.

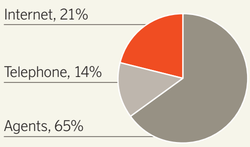
Scandinavian Airlines Sverige

CEO: Anders Ehrling ■ Founded in 2004 ■ www.sas.se

Key figures[1]	2004
SAS Group's holding	100%
Operating revenue, SEK billion	7.8
Market share of Swedish domestic market	60%
Market share of Swedish international market	40-45%
Block hours, aircraft, hours/day	7.9
Number of destinations	44
Average flight distance, scheduled, km	771
Number of passengers, scheduled, million	5.5
Number of flights, scheduled	78,989
Punctuality (% within 15 minutes)	86%
Number of aircraft	47
Carbon dioxide (CO_2), 000 tonnes	852
Nitrogen oxides (NOx), 000 tonnes	2.6
Environmental index	100

[1] *Figures are pro forma, since the unit was founded on October 1, 2004.*

Percentage of bookings, 2004



Important events in 2004

- Scandinavian Airlines Sweden was formed, and Anders Ehrling assumed the post of CEO.
- SAS Commuter's Swedish operations were integrated into Scandinavian Airlines Sverige.
- 12 new direct connections opened from Arlanda during the year.
- Scandinavian Airlines Sverige's direct sales were concentrated in Örnsköldsvik, Östersund and Luleå following a new agreement. The change cut handling costs in half.
- Scandinavian Airlines Sverige strengthened its position in the charter market. STS Solresor chose Scandinavian Airlines as its main supplier. Other major contracts from NTT, Apollo, My Travel, Fritidsresor and Langley Travel.
- New services were launched in Europe, including Economy Flex and snowflake fares to most European destinations.

Background

Scandinavian Airlines Sverige was formed as a wholly owned subsidiary on October 1, 2004, with responsibility for the operations of Scandinavian Airlines Businesses in and to and from Sweden.

Scandinavian Airlines Sverige is Sweden's leading airline, has just over 2,000 employees, carried 5.5 million passengers in 2004 and flies to 44 destinations. The company also has sales responsibility for the Group's airlines and partners in the Swedish market. In 2004 the aircraft fleet comprised 47 aircraft of the types MD-80, Boeing 737 and deHavilland Q400.

Financial target

The financial target is a CFROI of at least 20% over a business cycle.

Strategies

Scandinavian Airlines Sverige's strategy is based on this promise to customers: to be able to fly with Scandinavian Airlines Sverige on their own terms. Products and services are based on the needs of customers who travel often. Frequent fliers want a choice, and their needs depend on why they travel.

This strategy rests on a low-cost platform upon which the products and services are built that customers demand and that give them value for money, enabling Scandinavian Airlines Sverige to secure its position in Sweden as "the people's airline."

Operating revenue and traffic performance

Demand for air travel has risen in step with the economic upturn. Traffic during the year rose by 4.6%. Growing overcapacity and too many entrants in the Swedish domestic market have put severe pressure on fares. Traffic on Swedish domestic routes shrank, falling during the year by 6.3%. On European routes, helped primarily by the low-fare venture snowflake, traffic rose 13%, and the cabin factor was 56.1%.

In 2004 eleven new nonstop routes opened from Arlanda to European destinations. Shuttle service between Gothenburg and Copenhagen was introduced on October 31 as part of the winter program. The Arlanda-Karlstad route closed down during the year, and a new route between Arlanda and Skellefteå opened.

More efficient fleet utilization increased capacity by 7.9%. Operating revenue amounted to SEK 7.8 billion.

In 2004 Scandinavian Airlines Sverige streamlined its operations, and the number of employees fell by approximately 570.

Market outlook

Scandinavian Airlines Sverige is now anticipating market expansion in step with Swedish GDP growth, forecast to be stronger than in the rest of the EU in 2005. The overcapacity currently in the domestic market is expected to fall somewhat in 2005, while the severe pressure on fares remains.

Scandinavian Airlines Sverige's ambition in the years ahead is to strengthen its position in the Swedish market, achieving this by enhancing its offerings in domestic services and to European destinations and by growing in the charter market.

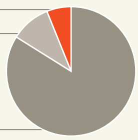
Scandinavian Airlines International

CEO: Lars Lindgren ■ Founded in 2004 ■ www.scandinavian.net

Key figures [1]	2004
SAS Group's holding	100%
Operating revenue, SEK billion	7.6
Market share from Scandinavia to the U.S.	35-40%
Market share from Scandinavia to Asia	15-20%
Block hours, aircraft, hours/day	16.1
Number of destinations	9
Average flight distance, scheduled, km	6,761
Number of passengers, scheduled, million	1.5
Number of flights, scheduled	6,806
Punctuality (% within 15 minutes)	73%
Number of aircraft	11
Carbon dioxide (CO_2), 000 tonnes	1,263
Nitrogen oxides (NOx), 000 tonnes	5.9
Environmental index (Year 2000=100)	94

[1] *Figures are pro forma, since the unit was established on October 1, 2004.*

Percentage of bookings, 2004



Important events in 2004

- Scandinavian Airlines International was formed, and Lars Lindgren assumed the post of CEO.
- A new route, Copenhagen-Shanghai, opened in March.
- Installation of the Internet on board began in December and will be ready on all Airbus 330/340s in March 2005.
- On October 31, Economy Flex was introduced on all intercontinental routes.

Background

A business unit in the SAS Consortium, Scandinavian Airlines International comprises two main operations:

- intercontinental routes to the U.S. and Asia.
- sales offices in Europe (outside of Scandinavia), Asia, the Far East and North America.

In 2004 1.5 million passengers were carried, a record for the SAS Group's intercontinental routes.

The aircraft fleet consists of seven Airbus A340-300s and four Airbus A330-300s. In 2004 there were nine destinations: New York, Chicago, Washington and Seattle in the U.S. and Bangkok, Singapore, Beijing, Shanghai and Tokyo in Asia.

Sales operations are divided into three sales regions: Asia/Pacific, America and Europe. They are responsible in their respective markets for the Group's airlines and partners. Within the three regions there are a total of 45 sales districts.

Financial target

The financial target is a CFROI of at least 20% over a business cycle.

Strategies

Scandinavian Airlines International will be the customer's first choice for air travel between Northern Europe and the U.S./Asia. Business customers are a must for intercontinental flights. The product concepts Business, Economy Flex and Economy therefore target this segment. Scandinavian Airlines International will:

- offer a full-service concept in Business, Economy Flex and Economy equal to the best in the business in Europe
- focus on cost-effective distribution solutions
- operate cost-effective and flexible production focusing on aircraft utilization and high productivity
- have cargo transport as an important portion of revenues
- have cost-effective sales operations outside of Scandinavia and Finland.

Operating revenue and traffic performance

Compared with 2003, Scandinavian Airlines International's traffic increased by 7.1% in 2004. During the first half of 2004, traffic to Asia grew sharply, while routes over the North Atlantic performed better during the second half. The Copenhagen-Shanghai route opened in March. The cabin factor on the Asia routes was 77.9% and on the U.S. routes, 81.8%. In all, during the year the cabin factor improved on the intercontinental routes by 3.5 percentage points to 80.3%.

Operating revenue in 2004 amounted to SEK 7.6 billion.

Internet on board

In 2004, Scandinavian Airlines International began to install the Internet on board its intercontinental aircraft fleet. This work is to be completed in March 2005. Scandinavian Airlines International will thus be the world's first airline to offer the Internet on board its entire long-haul fleet.

Market outlook

The market for intercontinental traffic is growing. Increased demand for direct routes and stable economic growth will provide a good basis for expanding operations, while competition is expected to increase. The Baltic Sea region, with Copenhagen's and Stockholm's geographical locations, will enable Scandinavian Airlines International to successfully operate intercontinental service between Northern Europe and Asia/North America.

Operational key figures

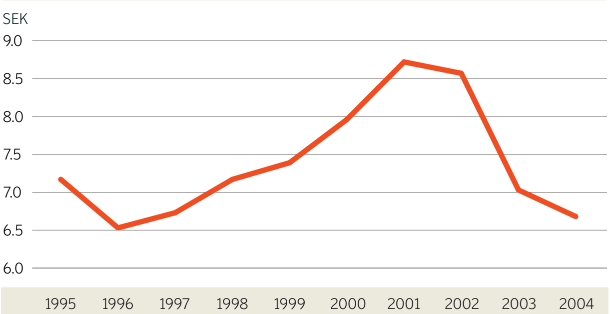
Ten-year overview for Scandinavian Airlines Businesses and SAS Cargo Group.

Until June 1, 2001, the operations of the SAS Cargo Group were integrated in Scandinavian Airlines. To make the operational key figures comparable over the 10-year period, they are presented consolidated.

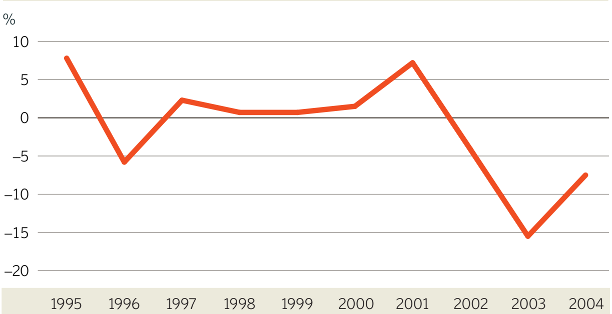
Traffic/Production	2004[1]	2003	2002	2001	2000	1999	1998	1997	1996	1995
Number of cities served[2]	100	85	86	94	92	97	101	102	104	98
Number of flights, scheduled	335,959	255,334	295,813	334,039	343,482	343,611	328,327	320,410	309,636	295,028
Kilometers flown, scheduled (mill.)	268.6	215.8	232.2	265.1	263.4	261.1	251.9	244.3	235.7	218.5
Total airborne hours, scheduled, 000	409.1	326.5	358.7	412.1	417.4	417.2	403.6	390.4	375.5	352.6
Number of passengers carried, total, 000[3]	24,806	19,500	22,087	23,243	23,395	22,225	21,699	20,797	19,828	18,835
Available tonne kilometers, ATK, total (mill.)	5,655.9	4,741.3	4,702.2	4,846.3	4,621.5	4,621.3	4,501.1	4,346.0	4,130.8	3,586.2
Available tonne kilometers, scheduled	5,391.8	4,676.3	4,641.5	4,798.3	4,584.3	4,560.9	4,459.0	4,290.6	4,092.6	3,546.2
Available tonne kilometers, other	264.1	65.1	60.7	48.0	37.2	60.4	42.1	55.4	38.7	40.0
Revenue tonne km, RTK, scheduled (mill.)	3,468.7	3,004.2	3,230.8	3,034.0	3,016.7	2,834.5	2.680.0	2,571.5	2,392.2	2,172.7
Passengers and excess baggage	2,636.9	2,162.3	2,401.9	2,263.9	2,204.2	2,041.9	1,877.1	1,827.7	1,754.6	1,670.4
Freight	776.3	796.8	784.7	717.6	758.4	741.4	755.7	693.7	590.4	452.8
Mail	55.5	45.1	44.2	52.5	54.1	51.2	47.2	50.1	48.2	49.5
Total load factor, scheduled (%)	64.0	64.2	69.6	63.2	65.8	62.1	60.1	59.9	58.5	61.3
Available seat kilometers, ASK, scheduled (mill.)[3]	43,077	33,916	34,626	35,981	34,189	33,910	31,766	31,333	30,646	28,447
Revenue passenger kilometers, RPK, scheduled (mill.)[3]	28,576	22,354	23,621	23,296	22,923	21,707	20,883	20,339	19,487	18,506
Cabin factor, scheduled (%)[3]	66.4	65.9	68.2	64.7	67.0	64.0	65.7	64.9	63.6	65.1
Business, share of revenue passenger km (%)	–[4]	–[4]	–[4]	27.4	29.0	29.1	31.0	31.7	31.5	32.0
Average passenger distance, scheduled (km)	1,118	1,137	1,062	1,010	974	966	971	986	990	989
Traffic revenue/revenue tonne kilometers (SEK)	9.45	9.65	11.00	11.96	11.63	11.42	11.90	11.94	11.77	12.91
Passenger revenue/revenue passenger kilometers, scheduled, yield (SEK)	1.10	1.20	1.42	1.48	1.38	1.36	1.35	1.34	1.31	1.39
Passenger revenue/available seat kilometers, scheduled (SEK)	0.73	0.79	0.97	0.96	0.93	0.86	0.89	0.87	0.83	0.90
Airline operating expense/available tonne kilometers, scheduled (SEK)	6.68	7.03	8.57	8.72	7.96	7.39	7.17	6.73	6.53	7.17
Revenue tonne km/employee, scheduled, 000	168.0	145.9	147.7	135.2	126.9	121.4	127.6	129.4	119.6	119.1
Revenue passenger km/employee, scheduled, 000	1,280.3	1,064.0	1,060.9	1,022.9	952.6	906.4	994.1	1,023.6	1,025.9	1,014.0
Jet fuel price (USD/MT)	434	314	268	295	311	199	218	248	258	222
CO_2, gram/revenue passenger kilometers[5]	154	158	159	176	179	192	196	194	193	184
Environmental index[5]	76	78	78	87	88	88	96	97	100	–
Punctuality (% within 15 minutes)	87.1	90.2	88.2	85.1	88.0	83.5	82.7	88.0	87.8	87.6
Regularity (%)	98.3	98.8	98.5	97.5	98.3	97.8	98.1	99.0	98.7	97.5
Total loss, %	0	0	0	1	0	0	0	0	0	0
Delayed baggage, %	1.1	1.0	0.7	0.6	0.6	0.8	–	–	–	–
Damaged baggage, %	0.16	0.17	0.16	0.09	0.07	0.10	–	–	–	–
Number of customers who have to wait so long for a reply from telephone reservations that the call is lost, %	11.4	13.9	15.6	13.0	30	22	23	10	–	–

[1] Including Braathens, excluding BTS. [2] Destinations served by Scandinavian Airlines. [3] Total production, which includes scheduled traffic, charter, ad hoc flights and so-called bonus trips, etc. This means that the figures deviate from the traffic statistics of the respective airlines. [4] No longer relevant after switch to single service class in Scandinavia starting July 1, 2002. [5] Excluding Braathens. *Definitions and concepts, see page 118.*

Airline operating expense/available tonne kilometers, scheduled



Yield



Business area

Subsidiary & Affiliated Airlines

■ Spanair ■ Widerøe ■ Blue1 ■ airBaltic ■ Estonian Air

Gunnar Reitan
Deputy CEO
Responsible for the business areas Subsidiary & Affiliated Airlines and Hotels.

Description of area: Subsidiary & Affiliated Airlines consists of Spanair, Widerøe and Blue1 airlines. The business area includes the strategic holdings in affiliated companies Estonian Air and airBaltic. Air Greenland, Skyways and British Midland are also included as affiliated companies. In October 2004 Braathens was integrated into the business area Scandinavian Airlines Businesses.

Statement of income, MSEK	2004[1]	2003	2003[2]
Passenger revenue (scheduled)	7,450	12,404	7,098
Charter revenue	2,736	3,033	2,639
Freight revenue	118	95	95
Other traffic revenue	280	520	244
Other revenue	1,254	1,463	1,025
Operating revenue	**11,838**	**17,515**	**11,101**
Payroll expenses	–2,485	–4,045	–2,394
Selling costs	–350	–597	–473
Jet fuel	–1,746	–1,851	–1,234
Government user fees	–1,696	–2,577	–1,549
Catering costs	–721	–997	–721
Handling costs	–786	–1,340	–760
Technical aircraft maintenance	–818	–1,277	–946
Computer and telecommunications costs	–258	–653	–429
Other operating expenses	–1,512	–1,890	–1,191
Operating expenses	**–10,372**	**–15,227**	**–9,697**
Income before depreciation and leasing costs, EBITDAR	**1,466**	**2,288**	**1,404**
Leasing costs, aircraft	–1,132	–1,754	–1,140
Income before depreciation, EBITDA	**334**	**534**	**264**
Depreciation	–410	–560	–368
Share of income in affiliated companies	50	–5	–5
Capital gains	53	117	107
Operating income, EBIT	**27**	**86**	**–2**
Income from other shares and participations	0	–30	–30
Net financial items	–110	–123	–93
Income after financial items	**–83**	**–67**	**–125**

[1] *Excluding Braathens*
[2] *Pro forma excluding Braathens. Figures comparable with 2004.*

Key figures[1]	2004	2003[2]	2002[2]
EBITDAR margin	12.4%	13.1%	19.3%
Number of aircraft	97	121	115
Number of passengers, scheduled, mill.	8.6	11.7	11.4
Number of destinations	73	82	78
Number of daily departures	532	677	661
Average number of employees	5,145[3]	7,032[3]	6,392
Carbon dioxide (CO_2), 000 tonnes[2]	2,190	2,052	1,971
Nitrogen oxides (NOx), 000 tonnes[2]	7.5	7.2	6.2
Environmental index*			

[1] *Spanair, Widerøe and Blue1.* [2] *Including Braathens.*
[3] *Also includes Newco, Aerolineas de Baleares and Fuerza de Ventas.*
* *See each unit.*

Earnings performance: In 2004 the business area accounted for 17% of the SAS Group's operating revenue before groupwide eliminations. The majority-owned airlines in the business area carried 8.6 million passengers in 2004 and had a fleet of 97 aircraft at December 31, 2004. The business area's operating revenue for the full year 2004 amounted to MSEK 11,838 (17,515). For the full year the business area reported income after financial items of MSEK –83 (–67), a decline of MSEK 16.

Goodwill amortization for Spanair was charged against the business area's earnings in the amount of MSEK 82 (52). Spanair's income after financial items amounted to MSEK –41 (–45) and was negatively impacted by approximately MSEK 150 due to the pilot strike in November.

Widerøe's income after financial items was the best ever and amounted to MSEK 84 (77). Blue1's income after financial items amounted to MSEK –111 (–80).

The business area's income after financial items before non-recurring items amounted to MSEK –136 (–202).

Subsidiary & Affiliated Airlines

Background

The business area was formed in 2002 through the acquisition of Braathens and majority stake in Spanair. Braathens was subsequently integrated in 2004 into the business area Scandinavian Airlines Businesses.

Spanair offers scheduled and charter flights in and outside Spain. Widerøe operates regional air services in Norway along with minor international routes. Blue1 offers airline services within and to and from Finland and is Finland's fastest-growing airline. Both Spanair and Blue1 are members of Star Alliance. The affiliated company airBaltic has hubs in Riga and Vilnius.

The business area also includes the affiliated company Estonian Air, which is actively managed from its main base in Tallinn. airBaltic and Estonian Air are not consolidated in the business area.

In 2004 the business area accounted for 17% of the Group's total operating revenue. During the year the airline carried 8.6 million passengers, an increase of 13.2%.

All together, the business area operated 97 aircraft to 73 destinations and had an average of 532 daily departures in 2004.

Quality

Each unit works on the basis of its own objectives and system for measuring regularity, punctuality and customer satisfaction. A satisfactory level was achieved in most areas in 2004. In February 2004, Spanair was for example Europe's most punctual airline. On the other hand, Widerøe's regularity in 2004 was somewhat below the normal standard and steps have therefore been taken to improve regularity.

Environment

Subsidiary & Affiliated Airlines work continually on their goal of improving environmental performance. In 2004, all of the business area's airlines posted improved environmental efficiency, which can be seen in the respective company's environmental index.

Loyalty program

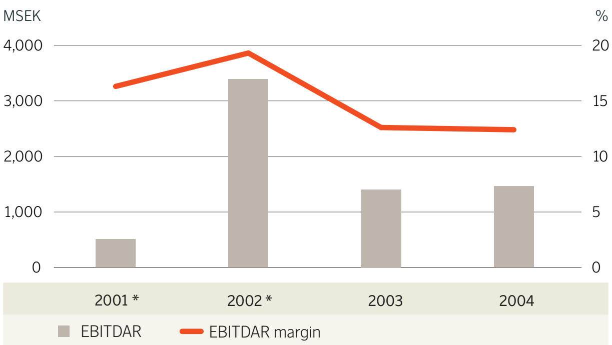
Spanair has its own loyalty program, Spanair Plus. Blue1, Widerøe, airBaltic and Estonian Air are linked to the SAS Group's loyalty program, EuroBonus.

Traffic growth

During the year the business area's traffic rose by 16.9% compared with 2003, thanks to new routes and more passengers on existing routes. All units are exhibiting rapid traffic growth and are increasing their market share.

During the year Blue1 opened new routes in the Finnish domestic market and had a total cabin factor of 50.4%. Overall, the business area's cabin factor was unchanged after a capacity increase of 17.0%.

EBITDAR for Subsidiary & Affiliated Airlines 2001-2004



* Including Braathens

Key figures, traffic and capacity [1]	2004	Change
Number of passengers, million	8,574	13.2%
Revenue passenger kilometers (RPK), million	6,395	16.9%
Available seat kilometers (ASK), million	10,958	17.0%
Cabin factor	58.4%	0.0 pts.[2]

Traffic development 2004	Spanair	Widerøe	Blue1
Passengers	6.7%	8.0%	81.5%
RPK	12.2%	10.3%	77.9%
ASK	13.0%	9.3%	58.2%
Cabin factor	60.3%	53.4%	50.4%
Cabin factor, change	–0.4 pts.[2]	+0.5 pts.[2]	+5.6 pts.[2]

[1] *Spanair, Widerøe and Blue1, scheduled.* [2] *Change in percentage points (pts.).*

Spanair

CEO: Enrique Meliá ■ Founded in 1986 ■ www.spanair.com

Statement of income, MSEK	2004	2003	2002
Passenger revenue (scheduled)	4,706	4,552	4,441
Charter revenue	2,733	2,637	2,298
Other traffic revenue	252	220	268
Other revenue	258	219	344
Operating revenue	**7,949**	**7,628**	**7,351**
Payroll expenses	–1,147	–1,086	–1,109
Selling costs	–215	–348	–505
Jet fuel	–1,397	–984	–1,085
Government user fees	–1,175	–1,107	–965
Catering costs	–602	–612	–338
Handling costs	–726	–695	–671
Technical aircraft maintenance	–530	–676	–641
Computer and telecommunications costs	–204	–340	–267
Other operating expenses	–801	–675	–823
Operating expenses	**–6,797**	**–6,523**	**–6,404**
Operating income before depreciation and leasing costs, EBITDAR	**1,152**	**1,105**	**947**
Leasing costs, aircraft	–1,048	–1,093	–1,147
Operating income before depreciation EBITDA	**104**	**12**	**–200**
Depreciation	–126	–103	–67
Capital gain	47	107	83
Operating income, EBIT	**25**	**16**	**–184**
Financial items	–66	–61	–206
Income after financial items	**–41**	**–45**	**–390**

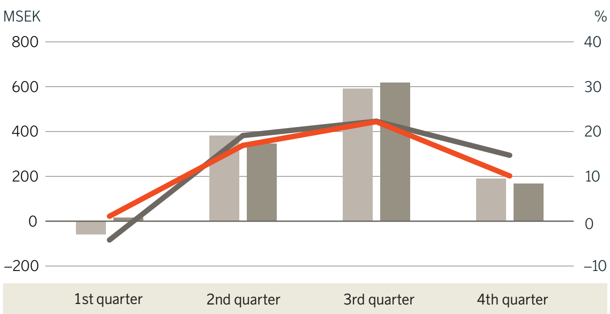
Important events in 2004

- The SAS Group increased its holding in Spanair from 74% to 95%.
- In spring 2004, Spanair launched new pricing and a new product concept for Spanish domestic service and routes to Scandinavia.
- Spanair's cost-cutting efforts as part of Turnaround 2005 continued in 2004, with unit cost falling by 10.4%.
- In November a conflict with pilots belonging to the pilots' union Sepla canceled flights for six days.

Background

Spanair was formed in 1986 by the SAS Group and the Spanish company Teinver and began flight operations in 1988. Today, its scheduled passenger service represents approximately 75% of Spanair's flights. Spanair has scheduled flights to 25 destinations in seven countries and serves over 100 charter destinations, primarily in Scandinavia, the U.K., Ireland and Italy. With 180 daily scheduled flights and approximately 20% of the landing rights at Madrid's Barajas airport, Spanair is Spain's second-largest airline. Although its cost level is comparable to the leading European low-cost carriers, Spanair offers a full-service network concept. Spanair has been a member of Star Alliance since 2003.

EBITDAR for Spanair, 2003-2004, quarterly data



Financial target

The financial target is a CFROI of at least 25% over a business cycle.

Strategies

- *Growth.* Spanair will grow more than the total market. Spanair's network will be developed so that its domestic market share can grow from the current approximately 19% to 25-30% in a three-year period.
- *Competitiveness.* Through strong cost control, revamped networks and product and service strategies, Spanair developed in 2004 a new flexible business model that addresses customer needs as well as cost processes.
- *Flexibility.* Spanair will develop new, flexible and commercial products tailored to the markets of the future. Spanair aims to strike an optimal balance between charter and scheduled service, to make the most of seasonal variations.
- To further strengthen its competitiveness in 2005, Spanair will focus on the business travel segment and communicate its advantages by repositioning the brand.

Traffic and earnings performance

Despite the adverse effects of high fuel prices and a conflict with pilots, Spanair improved its earnings in 2004. Its share of the Spanish domestic market in 2004 was 15-20%.

In April 2004 Spanair launched a new domestic concept and adjusted fare model. All competitors in the Spanish domestic market have now largely followed suit.

Spanair's traffic rose by 12.2% in 2004. The biggest capacity increase was implemented on Spanair's routes to the Canary Islands and on the mainland. During the first quarter the Madrid-Stockholm and Barcelona-Seville routes opened. During the summer there were several extra flights to Scandinavia.

Owing to increased volumes, operating revenue rose in 2004 by 4.2%, to MSEK 7,949 (7,628). EBITDAR improved by MSEK 47. Income after financial items before nonrecurring items improved by MSEK 74 to MSEK –88 (–162). Earnings were negatively impacted by the conflict with the pilots in the amount of approximately MSEK 150. Spanair's earnings were also negatively impacted by the terror attack on March 11, 2004, and by the impact of jet fuel costs on fixed-price charter contracts in the amount of just over MSEK 250.

Turnaround 2005
Turnaround 2005 resulted in substantially lower costs in 2004, and unit costs fell by 10.4%. All supplier agreements were reviewed and renegotiated. The optimization and integration of Network & Revenue management continued. Three Airbus A320-200s were integrated into the fleet, which now totals 19 aircraft (fourteen A320s and five A321s). Spanair renegotiated its lease agreements, which reduced capital employed by 3%.

Quality and safety
Flight safety has top priority in Spanair's quality system. In 2002 the Spanish civil aviation authorities introduced the operational part of the European Joint Aviation Regulations (JAR-OPS.1), and Spanair was one of the first Spanish domestic airlines to implement all the regulations.

Quality management system
The first part of Spanair's comprehensive quality management system was introduced and certified by Det Norske Veritas in 2002. Spanair was the first Spanish airline to receive ISO 9001:2000 certification for "Planning, Development and Control of the Operation."

Customer Relations
Based on the philosophy "Complaints - an opportunity for improvement," Spanair's program for good customer relations was introduced in 2002.

Punctuality guarantee
Spanair is the first airline to offer a punctuality guarantee. It was introduced in 2001 on the Madrid-Barcelona route, with more routes added later. In January 2004 it was extended to all domestic routes. All passengers are compensated with a free airline ticket if they arrive more than 15 minutes late due to the fault of Spanair. Spanair was Spain's most punctual airline and the fourth most punctual in Europe with regard to arrivals.

Market outlook
The air travel market in Spain is large and growing faster than in the rest of Europe. Spanair's flexibility between charter and scheduled traffic enables it to adapt to changes.

Airport capacity in Madrid (and Barcelona) will increase in 2005/2006, providing opportunities for expansion and the development of connections to Star Alliance's network via European hubs. The Madrid-Barcelona route will feel the impact of the introduction of high-speed trains. Spanair believes that the outlook for growth in 2005-2006 is favorable and will open new domestic routes and destinations in the first half of 2005.

Other business units
Club de Vacaciones - www.clubvacaciones.es
A tour operator in the Spanish market. Wholly owned by Spanair. Its operations are consolidated in Spanair.

Fuerza de Ventas
Spanair's sales unit, founded in 2000. Spanair owns 80% of the business and the SAS Group 20%. Consolidated in Spanair.

Newco Airport Services - www.newcoas.es
Newco started operations in 2000 and provides passenger handling and ramp service at Spanish airports. Spanair owns 10% of the company, the SAS Group 45% and Teinver 45%. Newco does ground handling for the SAS Group's airlines at Spanish airports. Its operations are consolidated in the business area.

Aerolíneas de Baleares - www.aebal.es
Aerolíneas de Baleares is a production company for Spanair Link, which flies to and from the Balearic Islands. Spanair sold its entire former holding (17%) to the SAS Group in 2003. Its operations are consolidated in the business area.

Key figures	2004	2003	2002
SAS Group's holding	95%	74%	74%
EBITDAR margin	14.5%	14.5%	12.9%
CFROI	12%	12%	10%
Number of destinations	25	25	25
Number of passengers, scheduled, mill.	5.6	5.3	5.2
Number of flights, scheduled	64,879	61,415	61,952
Average flight distance, scheduled, km	873	834	785
Punctuality (% within 15 minutes)	84%	84%	87%
Number of aircraft	53	51	49
Average number of employees	2,631[1]	2,535	2,496
Carbon dioxide (CO_2), 000 tonnes	1,275	1,241	1,226
Nitrogen oxides (NOx), 000 tonnes	4.98	4.98	4.12
Environmental index	96	100	101

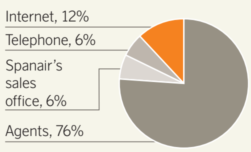
[1] *Of which women 36% and men 64%.*

Operational key figures	
Market share of home market	approximately 15-20%
Block hours, aircraft	8.6 hours/day
Block hours, pilots	720 hours/year
Block hours, cabin crew	880 hours/year
Total unit cost (scheduled)	SEK 0.56 (EUR 0.061)/ASK

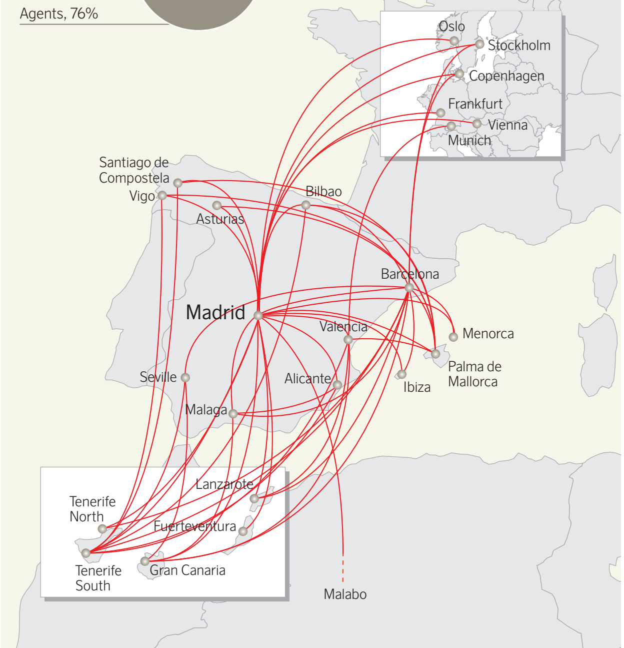
Traffic and capacity	2004	2003	Change
Scheduled traffic, total			
Number of passengers, 000	5,644	5,289	6.7%
Revenue passenger kilometers, RPK, mill.	5,106	4,551	12.2%
Available seat kilometers, ASK, million	8,461	7,489	13.0%
Cabin factor	60.3%	60.8%	–0.4 pts.[1]
Yield, local currency			–7.6%
Unit cost, total, local currency			–10.4%
Charter traffic			
Number of passengers, 000	2,465	2,490	–1.0%

[1] *Change in percentage points, (pts.).*

Percentage of bookings, 2004



Spanair



Widerøe

CEO: Per Arne Watle ■ Founded 1934 ■ www.wideroe.no

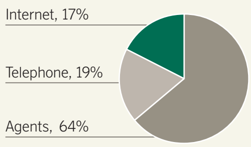
Key figures	2004	2003	2002
SAS Group's holding	100%	99.6%	99.4%
EBITDAR margin	13.9%	13.8%	17.4%
CFROI	21%	17%	20%
Number of destinations	42	41	40
Average flight distance, scheduled, km	225	225	208
Number of passengers, scheduled, mill.	1.8	1.7	1.5
Number of flights, scheduled	99,099	91,859	90,636
Punctuality (% within 15 minutes)	85.3%	88.7%	89.7%
Number of aircraft	30	29	29
Average number of employees	1,277[1]	1,291	1,207
Carbon dioxide (CO_2), 000 tonnes	128	121	102
Nitrogen oxides (NOx), 000 tonnes	0.33	0.32	0.26
Environmental index	93	95	98

[1] *Of which women 37% and men 63%.*

Statement of income, MSEK	2004	2003	2002
Passenger revenue	1,532	1,633	1,807
Other revenue	970	844	796
Operating revenue	2,502	2,477	2,603
EBITDAR	349	343	453
EBITDA	255	254	306
Operating income, EBIT	115	96	164
Income after financial items	84	77	82

Operational key figures	
Market share of Norwegian home market	approx. 15%
Block hours, aircraft	6.7 hours/day
Block hours, pilots	530 hours/year
Block hours, cabin crew	490 hours/year
Total unit cost, incl. charter	SEK 2.09 (NOK 1.92)/ASK

Percentage of bookings, 2004



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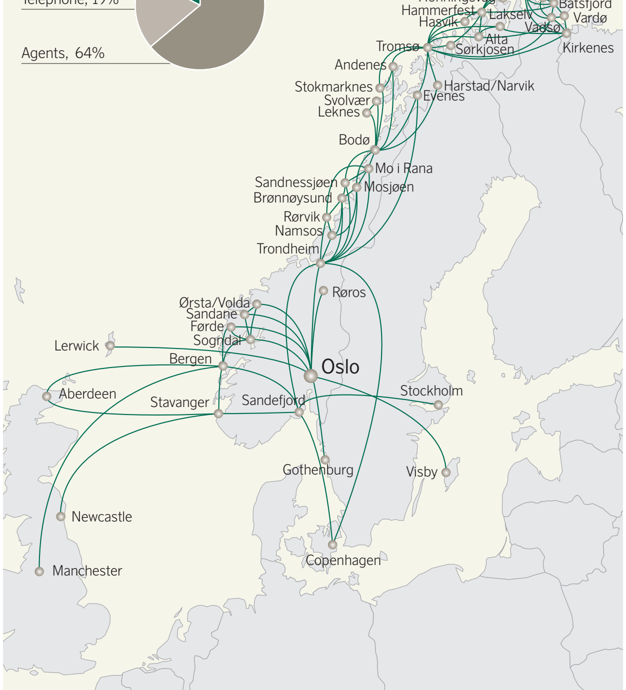


Important events in 2004

- On June 18 Widerøe celebrated its 70th anniversary.
- *The Economist* named Widerøe as one of the world's 10 best Internet travel agencies.

Widerøe's Flyveselskap is Norway's oldest airline and turned 70 in 2004. Widerøe is a regional airline, with a single-aircraft fleet of 30 turboprop aircraft with 39 to 76 seats. Widerøe flies to 42 destinations in all, of which seven are international.

The airline has 1,277 employees and is a wholly owned subsidiary of the SAS Group. Widerøe's main office is in Bodø. The airline also operates local bases in Hammerfest, Bodø, Bergen, Stavanger, Torp and Gardermoen. Widerøe's market share of Norwegian domestic traffic amounted to 14.5% in 2004.

Widerøe's operations are divided into two parts:

- *Commercial flights in Norway and to and from abroad:* The bulk of its business (69% of RPK) consists of regular commercial flights and is growing.
- *Flights in the Norwegian short runway network:* Contract service has been Widerøe's main activity for more than 30 years. Widerøe currently has a market share in the short runway network of approximately 87%.

Financial target

The financial target is a CFROI of at least 25% over a business cycle.

Strategies

- Continue to develop its role as the SAS Group's turboprop operator in and to and from Norway.
- Be a network airline with a low-cost profile.
- Concentrate operations on point-to-point traffic outside the major hubs and maintain its strong position in the Norwegian short runway network.

Traffic and earnings performance

Compared with 2003, Widerøe's traffic, RPK, increased by 10.3% in 2004. The number of passengers carried rose by 8.0%. In May, one-way fares were introduced in most of the network. Through Turnaround 2005, costs were cut by approximately MSEK 300 and the unit cost fell by 3.6% in 2004. Earnings for 2004 amounted to MSEK 84, the highest ever recorded.

Market outlook

Widerøe will be developing direct routes between smaller cities in Northern Europe and feeder traffic to the SAS Group's hub airports in Oslo, Copenhagen and Stockholm. In 2005 Widerøe will prepare air service bids for 2006-2009 with the ambition of continuing as the leading player in the Norwegian short runway network. The market is relatively stable and Widerøe expects to grow over the next three years.

Blue1

CEO: Sveneric Persson ■ Founded in 1988 ■ www.blue1.com

Important events in 2004

- Launch of online sales at www.blue1.com in April.
- New domestic routes: Helsinki-Oulu and Helsinki-Kuopio.
- Blue1 was the first Finnish airline to be IOSA certified by the IATA.
- Merger of SAS Finland's sales organization with Blue1 in October.
- Code-share and loyalty program with Lufthansa introduced.
- Blue1 became a regional member of Star Alliance on October 31.

Background

A Finnish wholly owned subsidiary of the SAS Group since 1998, Blue1 flies to 14 destinations. The airline is responsible for the SAS Group's traffic to and from Finland in cooperation with Scandinavian Airlines. Blue1 cooperates with Scandinavian Airlines on all its routes, and their products and services are coordinated. The fleet numbers 14 aircraft, nine of which are jets.

Financial target

The financial target is a CFROI of at least 25% over a business cycle.

Strategies

Blue1 aims to

- offer an easily accessible product with the highest possible customer value,
- strengthen the SAS Group's route network by offering feeder service to Copenhagen and Stockholm,
- offer a competitive alternative for point-to-point travel,
- strengthen the SAS Group's market position in Finland by offering profitable and competitive routes within Finland,
- have products available in markets and via the channels that customers want and are prepared to pay for, and
- achieve cost-efficiency by increasing aircraft utilization.

Traffic and earnings performance

Over the previous year, Blue1 increased its traffic, RPK, by 78%. The number of passengers rose by 82% to over 1.1 million. The increase in capacity, ASK, was 58% over the previous year. Passenger revenue amounted to MSEK 1,213, which is 33% higher than 2003. The yield fell by 22% over the previous year due to increased competition. Income after financial items amounted to MSEK –111 (–80). The fall in earnings is primarily due to lower yield and higher fuel costs. Despite higher fuel costs, unit costs shrank by 10% over the previous year. In 2004 Blue1 has been profitable since September.

Market outlook

Blue1 anticipates positive market growth in excess of economic growth and expects to strengthen its position in Finland. In 2004, four airlines have stopped flying to and within Finland and a more stable yield performance is expected in 2005.

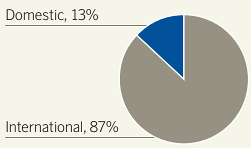
Key figures	2004	2003	2002
SAS Group's holding	100%	100%	100%
EBITDAR margin	4.4%	8.3%	23.9%
CFROI	6%	8%	24%
Number of destinations	14	12	10
Average flight distance, scheduled, km	632	627	580
Number of passengers, scheduled, mill.	1.1	0.6	0.5
Number of flights, scheduled	30,694	22,081	17,956
Punctuality (% within 15 minutes)	90%	95%	94%
Number of aircraft	14	14	10
Average number of employees	366*	290	291
Carbon dioxide (CO_2), 000 tonnes	199	125	98
Nitrogen oxides (NOx), 000 tonnes	0.50	0.26	0.22
Environmental index	73	75	77

** Of which women 53% and men 47%.*

Statement of income, MSEK	2004	2003	2002
Passenger revenue	1,213	913	1,022
Other revenue	93	35	3
Operating revenue	1,306	948	1 025
EBITDAR	58	79	245
EBITDA	–81	–59	94
Operating income, EBIT	–92	–70	83
Income after financial items	–111	–80	83

Operational key figures	
Market share of the Finnish home market (April-December 2004)	approx. 10%
Block hours, aircraft	7.8 hours/day
Block hours, pilots	690 hours/year
Block hours, cabin crew	750 hours/year
Total unit cost, incl. charter	SEK 0.90 (EUR 0.099)/ASK

Passenger breakdown, 2004



airBaltic

CEO: Bertolt Flick ■ Founded in 1995 ■ www.airbaltic.lv

Key figures	2004	2003	2002
SAS Group's holding	47.2%	47.2%	47.2%
EBITDAR margin	13.1%	22.8%	18.2%
CFROI	19%[1]	29%	14%
Number of destinations	26	16	12
Average flight distance, scheduled, km	791	617	603
Number of passengers, scheduled, mill.	0.6	0.3	0.3
Number of flights, scheduled	16,205	10,316	9,074
Punctuality (% within 15 minutes)	93.5%	95.7%	96.2%
Number of aircraft	14	9	6
Average number of employees	413[2]	291	289
Carbon dioxide (CO_2), 000 tonnes	120	50	n.a.
Nitrogen oxides (NOx), 000 tonnes	0.32	0.15	n.a.
Environmental index	82	100	n.a.

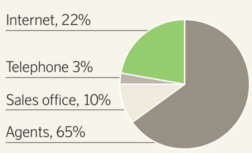
[1] *Excluding nonrecurring effects of MSEK 28.* [2] *Of which women 52% and men 48%.*

Statement of income, MSEK	2004	2003	2002
Passenger revenue	605	428	402
Other revenue	103	42	49
Operating revenue	708	470	451
EBITDAR	93	107	80
EBITDA	23	60	19
Operating income, EBIT	18	48	8
Income after financial items	–11[3]	16	6

[3] *Includes nonrecurring effects of MSEK 28 from the phasing in of new aircraft and pilot and cabin crew training.*

Operational key figures	
Market share of Riga Airport	approximately 50%
Block hours, aircraft	7.3 hours/day
Block hours, pilots	740 hours/year
Block hours, cabin crew	780 hours/year
Unit cost	SEK 0.58 (LVL 0.042)/ASK

Percentage of bookings, 2004



airBaltic

Important events in 2004

- Latvia became a member of the EU in May.
- Nine new routes opened from Riga to Dublin, London, Manchester, Milan, Oslo, Cologne, Stuttgart, St. Petersburg and Geneva.
- In June a base was opened in Vilnius with eleven destinations.
- A new corporate identity was launched in October.

Background

airBaltic is owned by the Latvian state (52.6%), the SAS Group (47.2%) and Transaero (0.2%). The SAS Group can though a convertible loan increase its holding in airBaltic to a majority stake. airBaltic operates nonstop flights from Riga to 22 destinations in Scandinavia, the Baltic states and Eastern and Central Europe. airBaltic participates in SAS's EuroBonus program.

In December 2004 the airline's fleet comprised five Boeing 737-500s, six Fokker 50s and three Avro RJ70s. At the beginning of 2005 the Avro RJ70s were phased out of the fleet and replaced by two 737-500s.

Financial target

The financial target is a CFROI of at least 25% over a business cycle.

Strategies

airBaltic's business model is based on both point-to-point service and transfer traffic. Its transfer products are coordinated with Scandinavian Airlines Businesses' products via Copenhagen and Stockholm.

Point-to-point service is to be made over slightly from a high-margin product to higher volumes. airBaltic aims to give priority to:

- strengthening its ties with Scandinavian Airlines Businesses' traffic system in Copenhagen and Stockholm
- offering nonstop connections from Riga and Vilnius wherever profitable.

Traffic and earnings performance

In 2004 airBaltic carried 589,300 passengers, an increase of 75% over 2003, due to new routes and the establishment of a base in Vilnius. In 2004, operating revenue rose by 51% to MSEK 708. The phasing in of Boeing 737s, retraining of pilots and establishment of Vilnius as a base had a negative impact on earnings. The earnings for operations in Riga improved compared with 2003 when earnings were MSEK 16. EBITDAR margin fell to 13.1% and income after financial items amounted to MSEK –11 (16).

Market outlook

With Latvia's accession to the EU, network and point-to-point airlines in the EU increased their flights to the Baltic states, which is expected to continue. The yield to and from the Baltics is calculated to continue to fall in most markets due to a greater focus on fares. The rapid market growth in the Baltics is expected to continue.

Estonian Air

Acting CEO: Børge Thornbech ■ Founded in 1991 ■ www.estonian-air.ee

Important events in 2004

- Estonia became a member of the EU in May.
- New routes opened to Munich, Gothenburg, Brussels and Dublin.
- The deregulation of the airline market in Estonia has resulted in increased competition from new network and point-to-point airlines.
- Estonian Air replaced its IT system to improve revenue management and increase Internet sales. At year-end almost a third of all tickets were sold via the Internet.

Background

Estonian Air is owned by the SAS Group (49%), the Estonian state (34%) and AS Cresco (17%). The SAS Group has an option to buy additional shares. Estonian Air's fleet comprises five Boeing 737-500s that fly both scheduled and charter flights. Based in Tallinn, Estonian Air serves 17 destinations.

Estonian Air has two subsidiaries: Amadeus Estonia and Estonian Aviation Fuelling Services.

Financial target

The financial target is a CFROI of at least 25% over a business cycle.

Strategies

Estonian Air aims to offer Estonia and Northern Europe competitive service with an optimum relationship between price and quality. Estonian Air will focus on:

- strengthening its position in the Estonian market,
- continuing to be the leading supplier of passenger transportation to and from Estonia by offering good connections via Scandinavian Airlines Businesses' hubs.

Traffic and earnings performance

Estonian Air's traffic performed well in 2004, and the number of passengers rose by 31% compared with 2003. Including charter, the airline carried 547,000 passengers. The increase is attributed to new capacity, new routes, lower fares and healthy growth in the Estonian economy and in tourism.

With the increased traffic, operating revenue rose by 7% to MSEK 552 (516). Owing to the high oil prices, investment in new capacity and routes as well as stiff competition, income after financial items fell by MSEK 30 to MSEK 17 (47).

Market outlook

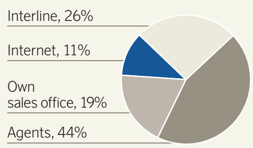
Estonia's accession to the EU has resulted in increased competition for Estonian Air, which is expected to stiffen further in 2005. Estonian Air is focusing on expanded cooperation with the SAS Group as well as on increasing its efficiency and resource utilization to retain its position as the leading airline in Estonia with the market's best fares. The good economic growth is expected to continue in Estonia in 2005, and Estonian Air anticipates rapid traffic growth.

Key figures	2004	2003	2002
SAS Group's holding	49%	49%	0%
EBITDAR margin	16.0%	22.8%	18.9%
CFROI	15%	26%	26%
Number of destinations	17	13	8
Average flight distance, scheduled, km	1,015	1,181	849
Number of passengers, scheduled, mill.	0.5	0.4	0.3
Number of flights, scheduled	7,820	7,143	6,610
Punctuality (% within 15 minutes)	89.2%	82.9%	91.4%
Number of aircraft	5	4	4
Average number of employees	347	309	315
Carbon dioxide (CO_2), 000 tonnes	105	78	n.a.
Nitrogen oxides (NOx), 000 tonnes	0.29	0.25	n.a.
Environmental index	86	100	n.a.

Statement of income, MSEK	2004	2003	2002
Passenger revenue	522	431	427
Other revenue	30	86	73
Operating revenue	552	516	500
EBITDAR	88	118	95
EBITDA	26	51	60
Operating income, EBIT	10	33	23
Income after financial items	17	47	23

Operational key figures	
Market share at Tallinn airport	approximately 55%
Block hours, aircraft	9.1 hours/day
Block hours, pilots	680 hours/year
Block hours, cabin crew	740 hours/year
Unit cost	SEK 0.51 (EEK 0.88)/ASK

Percentage of bookings, 2004



ESTONIAN AIR

Business area

Airline Support Businesses

■ SAS Ground Services ■ SAS Technical Services ■ SAS Cargo Group

John S. Dueholm
Executive Vice President
Responsible for Airline Support Businesses & Airline Related Businesses until February 15, 2005.

Description of area: Airline Support Businesses consists of SAS Ground Services, SAS Technical Services, and SAS Cargo Group. SAS Ground Services (SGS) is a full-service supplier in airline ground handling and airport-related services. SAS Technical Services (STS) provides technical maintenance of aircraft, engines and other components to airlines in and outside the SAS Group. SAS Cargo Group offers goods transport services to, from and within Scandinavia. On October 4, 2004, SGS and STS were incorporated. Braathens Technical Services (BTS) and SAS Commuter Maintenance were transferred to STS at the same time.

Key figures	Operating revenue			Operating income, EBIT			% of operating revenue outside the SAS Group		
MSEK	2004	2003	2002	2004	2003	2002	2004	2003	2002
SAS Ground Services	6,212	5,588	6,083	273	–162	–87	16.9	14.6	13.1
SAS Technical Services	5,302	5,445	5,874	300	153	91	18.8	12.6	13.0
SAS Cargo Group	2,833	2,954	2,844	32	77	1	96.0	95.6	95.5

Total Airline Support Businesses	2004	2003	2002
Average number of employees	11,893	11,691	11,844
Unsorted waste, tonnes *	344	550	786
Energy consumption, GWh *	183	200	205
Ground environmental index *	87	82	92

** The environmental numbers are total figures that include Airline Related Businesses, Airline Support Businesses and all units owned or managed by SAS Facility Management (buildings and land).*

Statement of income, MSEK	2004	2003	2002[1]
Operating revenue	**14,213**	**13,850**	**14,409**
Payroll expenses	–6,204	–6,108	–6,112
Handling costs	–1,158	–1,057	–1,194
Technical aircraft maintenance	–1,695	–1,752	–1,944
Computer and telecommunications costs	–603	–724	–775
Other operating expenses	–3,476	–3,601	–3,768
Operating expenses	**–13,136**	**–13,242**	**–13,793**
Income before depreciation, EBITDA	**1,077**	**608**	**616**
Depreciation	–495	–451	–445
Share of income in affiliated companies	5	–	–9
Operating income, EBIT	**587**	**157**	**162**
Net financial items	–84	–90	5
Income after financial items	**503**	**67**	**259**

[1] *Pro forma excluding SAS World Sales, comparable with 2003-2004.*

Earnings performance: In 2004 the business area accounted for 21% of the SAS Group's operating revenue before groupwide eliminations.

In recent years the units in the business area have adapted to the structural changes in the industry. Under Turnaround 2005, extensive structural changes designed to reduce costs have led to major efficiency gains. A large portion of these cost reductions has provided and will continue to provide lower prices for the Group's airlines.

Operating revenue rose in January-December by 2.6%, to MSEK 14,213 (13,850). Despite higher volumes, operating expenses decreased during the same period by 0.8% due to efficiency enhancements carried out under Turnaround 2005.

Income after financial items compared with the previous year improved by MSEK 436 to MSEK 503 (67).

SAS Ground Services

CEO: Hans-Otto Halvorsen ■ Founded as a separate business unit in 2001 ■ The enterprise was incorporated in 2004

Key figures [1]	2004	2003	2002
Operating revenue, MSEK	6,212	5,588	6,083
Of which external operating revenue	16.9%	14.6%	13.1%
Operating income before depreciation, EBITDA, MSEK	420	–17	48
EBITDA margin	6.8%	–0.3%	0.8%
Operating income, EBIT, MSEK	273	–162	–87
Income after financial items, MSEK	279	–156	–
SAS Group's holding	100%	100%	100%
Average number of employees	6,962[2]	6,820	6,891
Number of customers	70	70	70
Number of stations with own personnel	61	57	57
Number of flights handled	512,299	485,997	459,248
Number of passengers handled (million departures and arrivals)	72.1	68.3	65.2
Delivered punctuality (% within 15 min.)	98.2	98.9	98.6
Baggage quality (number of reports per 10,000 bags)	80	77	74

[1] *Unsorted waste, energy consumption and ground environmental index - see page 49.*
[2] *Of which women 36% and men 64%.*

Important events in 2004

- SAS Ground Services was incorporated on October 1 and consisted at year-end of a holding company and eight subsidiaries.
- On July 1, SAS Ground Equipment was transferred from SAS Technical Services to SAS Ground Services.
- SAS Ground Services established its own ramp handling service in Helsinki on August 25.

Background

SAS Ground Services (SGS) is a full-service supplier in ground handling for airlines and other airport-related services. SGS is Scandinavia's largest player in ground handling. In recent years SGS has expanded outside of its home market, and today it has its own operations in Finland, France, Lithuania, Poland, the U.K., Thailand and the U.S. In all, SGS is represented at around 150 airports in 37 countries.

SGS offers a complete selection of ground handling services including everything from handling passengers, baggage and aircraft at the ramp, to efficient solutions such as automated check-in and boarding and centralized departure control. SGS annually handles around 36 million travelers, 512,000 departures and 370,000 tonnes of freight and mail.

SGS has approximately 70 contracted customers and serviced a total of just over 120 airlines during the year. SGS also includes SAS Ground Equipment, which owns, finances and maintains ramp as well as radio communication equipment.

Objectives

The financial target is to achieve an EBITDA margin of at least 8% over a business cycle.

In ground handling, SGS's objective is to operate a competitive business, give the owners a market return and actively help the airlines to fulfill their customers' needs.

Quality targets

SGS focuses on quality and follows up safety, punctuality and service. SGS's quality targets for these parameters are:

- *Safety* - No incidents.
- *Punctuality* - A max. of 6% of delays of up to 2 minutes are to be due to ground handling.
- *Service* - Waiting time for check-in: no more than 5 minutes for at least 90% of passengers in Business and Economy Flex and no more than 15 minutes for at least 90% of the passengers in Economy. Waiting time for baggage: no more than 10 minutes for at least 90% of passengers.

Environmental targets

SGS's target in the environmental area is to stay well within the margin of government requirements, laws and rules that apply to the airports where SGS operates.

With regard to the working environment, SGS has set targets that are measured and followed up in regard to sick leave, work-related injuries, how the management is viewed by employees and job satisfaction.

Strategies

As an independent full-service supplier, SGS is to lay the groundwork for a competitive business by:

- offering cost-effective services to both point-to-point operators and network airlines based on an efficient production platform. SGS shall also offer additional services based on customer needs.
- taking full responsibility for ground handling and related activities by offering in-house produced services, sometimes in combination with services from subcontractors.

Earnings performance

Despite pressure on revenues for ground handling companies, SGS's operating revenue increased by 11.1% from MSEK 5,588 to MSEK 6,212. This is primarily because of its expanded product portfolio from taking over tasks previously performed by SAS Technical Services. The increase also reflects additional sales to new and existing customers.

During the year SGS continued to work on cutting its costs. Corrected for the new product portfolio the unit cost has fallen by 2%.

Income after financial items before nonrecurring items improved by MSEK 435 to MSEK 279 (–156).

Market outlook

The activity level in the airline industry is crucial for growth in the ground handling market and ticket prices continued to drop during 2004. The price pressure on ground handling is therefore expected to increase and may in the long term lead to greater consolidation in the market.

SAS Technical Services

CEO: Ørnulf Myrvoll ■ Founded as a separate business unit in 2002 ■ The enterprise was incorporated in 2004

Key figures[1]	2004	2003	2002
Operating revenue, MSEK	5,302[2]	5,445	5,874
Of which external operating revenue	18.8%	12.6%	13.0%
Operating income before depreciation, EBITDA, MSEK	599	416	365
EBITDA margin	12.2%	7.6%	6.2%
Operating income, EBIT, MSEK	300	153	91
Income after financial items, MSEK	230	75	–
SAS Group's holding	100%	100%	100%
ROIC	7.0%	5.5%	–
Average number of employees	3,594[3]	3,586	3,808
Number of customers	160	120	120

[1] *Unsorted waste, energy consumption and ground environmental index - see page 49.*
[2] *Including BTS (Braathens Technical Services).* [3] *Of which women 7% and men 93%.*

Market share in Europe	
Europe, MD-80 full-service	30%
Europe, Boeing 737 full-service	15%

Important events in 2004

- SAS Technical Services was incorporated on October 1.
- Several new full-service agreements worth a total of MSEK 800 were signed.
- Braathens Technical Services, STS Commuter Maintenance and Air Maintenance Estonia were integrated into SAS Technical Services.

Background

SAS Technical Services (STS) provides technical maintenance of aircraft to airlines in and outside the SAS Group. The company is one of the world's 15 biggest providers of technical aircraft maintenance and the tenth biggest provider in Europe. STS has full-service contracts for nearly 250 aircraft. STS products cover Line, Base and Heavy Maintenance, Component Maintenance, Engineering Services, Engine Management and Maintenance Training. It is headquartered at Arlanda outside Stockholm.

Production bases are located in Copenhagen, Oslo, Stavanger, Bergen, Gothenburg and Tallinn. Operations are primarily focused on MD-80/90s, Boeing 737s and to an increasing extent also on Airbus aircraft. STS has an agreement with several large engine maintenance subcontractors. In component maintenance it works actively with Sogerma.

In 2004 STS signed new full-service agreements with Hello AG, JetX, Euro Atlantic, Holland Exel and Viking Airlines, among others.

Objectives

- The financial target is an ROIC of at least 12% over a business cycle.
- STS shall provide its owners with a market return on invested capital and create added value for the future.
- STS's goal is to be competitive and on a level with the best in the business regarding profitability, quality and safety.

Quality objective

The company's utmost goal is to achieve the highest possible level of safety. In the market the company shall be known for high delivery reliability, top-flight competence and short turnaround times.

Environmental objective

STS actively participates in the SAS Sustainability Network and has a common structure for the company's environmental work. During the year, it initiated an energy savings campaign, and work on improving waste handling and sorting is ongoing.

Strategies

SAS Technical Services shall:

- be the obvious supplier of technical maintenance in the SAS Group
- grow in the external market with full-service agreements for selected types of aircraft
- continue to streamline operations to ensure future competitiveness
- establish partnerships to strengthen its market presence and achieve critical mass in the aircraft types where SAS Technical Services does not have sufficient volumes.

Earnings performance

Revenues from Scandinavian Airlines have fallen in the wake of measures carried out under Turnaround 2005 coupled with a lower volume of engine maintenance.

Even so, new maintenance contracts with external customers along with integration of the new operations produced revenues nearly equal to the 2003 level. External revenues increased in 2004 by over MSEK 300 compared with the previous year, accounting for nearly 18.8% of SAS Technical Services' operating revenue.

Measures in the Turnaround program made a big difference in 2004 by greatly cutting costs. Thanks to Turnaround 2005, operating income before depreciation improved by MSEK 183 compared with 2003, despite a somewhat lower revenue level. Income after financial items improved by MSEK 155 to MSEK 230 (75).

Market outlook

The technical aircraft maintenance market is subject to stiff competition, which means there is considerable overcapacity and price pressure in the market. New opportunities are opening up as many airlines are buying technical maintenance instead of doing it on their own. SAS Technical Services has evolved from an integrated part of airline operations to a profitable company in the SAS Group. Turnaround 2005 measures have bolstered its competitiveness and created a platform for continued growth.

During 2005, SAS Technical Services will take the next step in its development and begin laying plans for growing the external market, independently or through partnerships. Offering a full-service product will be a key part of this strategy.

SAS Cargo Group

CEO: Kenneth Marx ■ Founded in 2001 ■ www.sascargo.com

Key figures[1]	2004	2003	2002
Operating revenue, MSEK	2,833	2,954	2,844
Of which traffic revenue, MSEK	1,928	2,187	2,269
Share external operating revenue	96.0%	95.6%	95.5%
Operating income before depreciation, EBITDA, MSEK	76	119	47
EBITDA margin	2.7%	4.0%	1.7%
Operating income, EBIT, MSEK	32	77	1
Income after financial items, MSEK	11	51	–4
SAS Group's holding	100%	100%	100%
CFROI	16%	16%	13%
Flown tonnes	278,298	288,860	271,103
Tonne km, 000	986,306	1,011,702	928,307
Cargo yield, SEK/tonne km	2.03	2.15	2.27
Average number of employees	1,266[2]	1,255	1,146

[1] *Unsorted waste, energy consumption and ground environmental index - see page 49.*
[2] *Of which women 18% and men 82%.*

Freight & mail, total, tonne km, 000	2004	2003	Change
Intercontinental	618,761	610,690	1.3%
Europe	27,256	30,207	–9.8%
Intra-Scandinavian	5,699	5,487	3.9%
Total international	651,716	646,384	0.8%
Denmark	37	42	–11.9%
Norway	18,797	19,430	–3.3%
Sweden	383	461	–16.9%
Total domestic	19,217	19,933	–3.6%
All Cargo	315,373	345,427	–8.7%
Total	**986,306**	**1,011,702**	**–2.5%**

Important events in 2004

- SAS Cargo implemented a new IT system in February, entailing new work routines for 1,400 employees.
- New security routines were implemented on all North Atlantic shipments. Large investments in higher security at the freight terminals were also made.
- SAS Cargo signed an "all cargo" agreement with Korean Air for the Copenhagen-New York and Oslo-Chicago routes.
- Kenneth Marx took over as new CEO of SAS Cargo on May 1.
- SAS Cargo signed a "one stop shopping" agreement with Norway Post and Post Danmark, making SAS Cargo an important strategic partner for the respective postal services.
- Spirit Air Cargo Handling was founded on October 1 to handle airfreight in Stockholm and Gothenburg.

Background

SAS Cargo Group became a separate corporation on June 1, 2001.

SAS Cargo is a market leader in freight handling in Scandinavia and offers prompt and reliable transport solutions to, from and within Scandinavia and the Baltic states. Customers are mainly freight forwarders, postal services and other airlines. SAS Cargo has access to capacity equivalent to 192 aircraft within the SAS Group and operates independently or in partnership 13 terminals in Scandinavia, the Baltic states and U.S. The Group is a member of the WOW cargo alliance together with Singapore Airlines Cargo, Lufthansa Cargo and Japan Airlines Cargo. WOW is the world's largest air cargo alliance.

Security

The focus on security in the cargo industry has intensified since the events of September 11, 2001, in the U.S. In 2004 the U.S. Department of Homeland Security and U.S. Immigration and Customs Enforcement agency stepped up security requirements. During the year SAS Cargo expanded and modernized its scanning and surveillance equipment, tightened access to terminals and modernized strategic IT systems.

Objectives

The financial target is a CFROI of at least 20% over a business cycle.

SAS Cargo's paramount goal is to retain its strong position in the market by continuing to profitably expand its network, capacity and products. Efforts to this end are to be coordinated with the company's safety, financial and quality objectives and shall ensure SAS Cargo's position as an attractive and long-term partner.

Strategies

SAS Cargo's main strategy is to offer attractive transport solutions primarily to, from and within Scandinavia and the Baltic states. The transport solutions shall be based on:

- the SAS Group's own network
- cargo flights to and from strategically important destinations in Asia, the Baltic states and the U.S.
- the WOW alliance, which ensures SAS Cargo access to an extensive global network.

Earnings performance

SAS Cargo's operating revenue decreased in 2004 by 4.1%, to MSEK 2,833 (2,954). The yield fell by 5.6%, mainly because of exchange rate fluctuations and greater competition. Growth in the industry has been good, but the markets in Norway and Sweden in particular have been weak. 2004 earnings were negatively impacted by a change in method pertaining to an MSEK 100 adjustment of traffic revenue. Income after financial items decreased by MSEK 40 to MSEK 11 (51).

Market outlook

SAS Cargo is exploring alternative business models and partnerships with other operators in Scandinavia with the aim of increasing efficiency. The introduction of a new IT system will streamline business processes. In 2004 SAS Cargo entered into an agreement with Korean Air on increased cargo capacity from the U.S. and with Emirates on capacity to Hong Kong. In 2005 SAS Cargo will continue to expand the belly capacity of SAS Group airlines and increase the use of transport solutions based on pure cargo aircraft in selected markets.

Business area

Airline Related Businesses

■ SAS Flight Academy ■ Jetpak Group ■ European Aeronautical Group ■ SAS Media
■ SAS Business Opportunities ■ SAS Trading

John S. Dueholm
Executive Vice President. Responsible for the business areas Airline Support Businesses and Airline Related Businesses until February 15, 2005.

Description of area: Airline Related Businesses includes SAS Flight Academy, Jetpak Group, European Aeronautical Group, SAS Media, SAS Business Opportunities and SAS Trading. SAS Flight Academy is a leading training center for pilots, cabin crew, aircraft technicians and ship's officers. Jetpak offers door-to-door express deliveries. Also included are European Aeronautical Group, which provides flight navigation data, and the media house SAS Media. In March 2004 Travellink was sold to Amadeus. In December 2004 SAS Trading's concession in Oslo was terminated. SAS Business Opportunities was formed in 2004 to bolster the growth of and revenue from non-seat businesses.

Key figures	Operating revenue			Operating income, EBIT			% of operating revenue outside the SAS Group		
MSEK	2004	2003	2002	2004	2003	2002	2004	2003	2002
SAS Flight Academy	515	496	568	46	21	44	41.2	35.9	30.6
SAS Trading	1,634	1,543	1,964	–50	–79	–24	96.7	95.5	97.0
Jetpak	459	448	385	18	24	–2	99.6	99.6	99.5

Total Airline Related Businesses	2004	2003	2002
Average number of employees	862	2,107	3,042
Unsorted waste, tonnes *	344	550	786
Energy consumption, GWh *	183	200	205
Ground environmental index *	85	82	92

* *The environmental numbers are total figures that include Airline Related Businesses, Airline Support Businesses and all units owned or managed by SAS Facility Management (buildings and land).*

Statement of income, MSEK	2004	2003	2002
Operating revenue	**2,913**	**4,776**	**6,052**
Payroll expenses	–447	–1,342	–1,828
Handling costs	–194	–230	–257
Costs of goods sold incl. concession charges	–1,431	–1,327	–1,562
Computer and telecommunications costs	–55	–647	–828
Other operating expenses	–589	–902	–1 106
Operating expenses	**–2,716**	**–4,448**	**–5,581**
Income before depreciation, EBITDA	**197**	**328**	**471**
Depreciation	–147	–259	–312
Share of income in affiliated companies	0	–17	–19
Capital gains	1	0	–6
Operating income, EBIT	**51**	**52**	**134**
Income from other shares and participations		0	–27
Net financial items	–13	–19	–23
Income after financial items	**38**	**33**	**84**

Earnings performance: In 2004 the business area Airline Related Businesses accounted for 4% of the SAS Group's operating revenue.

In 2004 the business area's operating revenue fell by 39%, to MSEK 2,913 (4,776). The decrease is due to the sale of Scandinavian IT Group to CSC (Computer Sciences Corporation) in December 2003.

In 2004 SAS Trading lost its concession in Norway, which accounted for a large part of the company's operating revenue.

The business area's operating expenses fell by 39% in 2004, amounting to MSEK 2,716 (4,448). The EBIT margin in 2004 amounted to 1.8%, an improvement of 0.7 percentage point compared with 2003.

Due to lower operating revenues, income after financial items before nonrecurring items decreased by MSEK 22 to MSEK 40 (62).

SAS Flight Academy

CEO: Olof Bärve ■ The company was founded in 1990 ■ www.sasflightacademy.com

Key figures[1]	2004	2003	2002
Operating revenue, MSEK	515	496	568
Of which external operating revenue	41.2%	35.9%	30.6%
Operating income before depreciation, EBITDA, MSEK	133	114	141
EBITDA margin	25.8%	23.0%	24.8%
Operating income, EBIT, MSEK	46	21	44
Income after financial items, MSEK	46	16	38
SAS Group's holding	100%	100%	100%
ROIC	8%	4%	7%
Average number of employees	156[2]	166	174
Number of simulator hours	66,407	54,829	57,458

[1] *Unsorted waste, energy consumption and ground environmental index - see page 53.*
[2] *Of which women 36% and men 64%.*

Important events in 2004

- A training center with three flight simulators: B737NG, B737 Classic and deHavilland Q100/300 was opened on October 7 at Gardermoen.
- The decision was made to establish a training center in Riga.
- An in-house developed instructor's aid, TSM, was introduced.
- SAS Flight Academy signed new agreements with 24 customers and renewed contracts with 56 customers.

Background

SAS Flight Academy is a wholly owned subsidiary in the SAS Group and one of the world's leading training centers for pilots and cabin crew. The business was started in 1946 as a division of Scandinavian Airlines. SAS Flight Academy is ISO 9001 certified and is a Type Rating Training Organization (TRTO), approved by the civil aviation authorities for type training of pilots. SAS Flight Academy's customer base includes about 150 different airlines and military organizations.

The market is made up firstly of aircraft and helicopter operators and owners and manufacturers of aircraft/helicopters throughout the world. The business is also marketed to private individuals, companies and institutions in need of basic and type training and/or skills development.

SAS Flight Academy trains pilots for the SAS Group as well as for other airlines all over the world. SAS Flight Academy consequently contributes to the transfer of technology and skills to countries in Asia and Eastern Europe. An important element in pilot training is know-how about optimizing flight procedures to utilize the aircraft in an environmentally efficient manner.

Headquartered at Arlanda airport, the Academy also operates through subsidiaries at Copenhagen and Oslo airports.

Objectives

The financial target is an ROIC of at least 11% over a business cycle.

More than 50% of its revenues are to come from customers outside the SAS Group.

Quality objective

SAS Flight Academy's quality system, which conforms with JAA FCL and JAA STD as well as ISO 9001:2000 standards, offers opportunities to control operations and handle disruptions that arise. A process-oriented organization focused on quality work and internal quality audits yields synergies in the form of operations security, customer-related improvement measures and conformance with government requirements.

Environmental objectives

SAS Flight Academy shall work continually on developing human resources and the working environment. This shall be achieved by:

- skills development
- management development
- workplace studies with associated action plans aimed at improving the work climate
- active work on the environment.

Strategies

SAS Flight Academy shall:

- be the main supplier of training to airlines in the SAS Group,
- expand and develop training activities outside the SAS Group on a profitable basis, thereby contributing to value creation in the SAS Group.

Earnings performance

SAS Flight Academy's operating revenue for 2004 amounted to MSEK 515, up MSEK 19 from 2003. Revenues from customers outside the SAS Group increased by 19% compared with the previous year. Despite increased operating revenue and volume, operating expenses were on the same level as the previous year, due to efficiency enhancements. Income after financial items improved by MSEK 30 to MSEK 46 (16).

Market outlook

The market is still marked by great uncertainty, primarily due to the earnings performance of airlines, which leads to irregular demand.

The trend is toward more and smaller training centers closer to the customer and Web-based and alternative training methods.

A factor in SAS Flight Academy's favor is the number of newly started airlines, which means that demand for training has increased and is expected to continue to increase.

Jetpak Group

CEO: Erik Lautmann ■ Founded in 1979 ■ www.jetpak.com

Key figures [1]	2004	2003	2002
Operating revenue, MSEK	459	448	385
Of which external operating revenue	99.6%	99.6%	99.5%
Operating income before depreciation, EBITDA, MSEK	38	33	4
EBITDA margin	8.3%	7.4%	1.0%
Operating income, EBIT, MSEK	18	24	–2
Income after financial items, MSEK	18 [2]	22	–3
Average number of employees	177 [3]	180	153

[1] *Unsorted waste, energy consumption and ground environmental index - see page 53.*
[2] *Negatively affected by restructuring costs of MSEK 3.* [3] *Of which women 38% and men 62%.*

Important events in 2004

- After refocusing SAS Cargo and Jetpak on separate segments, the responsibility for LOGI (car parts delivery in Norway) was transferred in October to Jetpak. An agreement was signed with SAAB/GM, and about 10 other LOGI customers were taken over.
- Jetpak has refined a new business system (Jena) which accounted for continued growth in JetLogistik.
- Launching of Jetpak in Finland through agreement with EXEL.
- Following the reprofiling of a franchise chain, Jetpak is now available in more than 60 locations.

Background

A wholly owned subsidiary in the SAS Group, Jetpak Group offers express door-to-door deliveries in 0 to 12 hours, with a focus on shipments in and to and from the Nordic countries. Services include local ground transportation and integrated air services. The bulk of the business is operated by franchise holders or agents. Jetpak is found at more than 150 locations in the Nordic countries and has around 700 ground transportation vehicles.

Financial target

The financial target is an EBITDA margin of at least 15% over a business cycle.

Strategies

Jetpak is building a standardized, harmonized business platform for growth in systemized logistics businesses and the ad hoc market. Crucial for realizing these strategies are greater streamlining of production and greater efficiency in the franchise and agency chain.

Earnings performance

Jetpak's operating revenue grew during the year as a whole by 2.5% to MSEK 459. Operating income before depreciation, EBITDA, improved to MSEK 38 (33). Income after financial items was MSEK 18 (22). Jetpak's earnings were negatively impacted by restructuring costs totaling MSEK 3.

Market outlook

The trend towards time-specific distribution solutions continues. The structure of the transport market is evolving in two directions: large units and niche players. Jetpak enjoys a good position in the area of express deliveries in the Nordic countries, both on its own and in partnership. Jetpak's new business system is a crucial competitive factor.

SAS Trading

CEO: Patric Dahlqvist-Sjöberg ■ Founded in 1988

Key figures [1]	2004	2003	2002
Operating revenue, MSEK	1,634	1,543	1,964
Of which external operating revenue	96.7%	95.5%	97.0%
Operating income before depreciation, EBITDA, MSEK	–34	–61	13
EBITDA margin	–2.1%	–4.0%	0.7%
Operating income, EBIT, MSEK	–50	–79	–24
Income after financial items, MSEK	–57	–87	–34
Average number of employees	326 [2]	341	471

[1] *Unsorted waste, energy consumption and ground environmental index - see page 53.*
[2] *Of which women 77% and men 23%.*

Important events in 2004

- SAS Trading lost its bid to continue operating the Duty Free shops at airports in Norway operated by Avinor and Oslo Airport (OSL).

SAS Trading lost its most important concession in Norway, thereby reducing its total business by approximately 65%. In consequence of this, an industry solution is under consideration for operations in Eastern Europe and Scandinavia. A first step has been taken by the sale of shops and concessions in Eastern Europe in February 2005. SAS Business Opportunities is taking over the remaining Euroshop stores to ensure synergies and grow the business. At the same time this move also opens up the possibility of selling the units with the greatest development potential outside the SAS Group.

Background

Until its incorporation on October 1, 2004, SAS Trading had been an independent business unit in the SAS Group since 1988. SAS Trading's mission is to offer goods and services with good quality and customer-perceived price advantage in travel retail. The operating framework is set by the airport owners, who sign concession agreements with operators to run the shops, and by the general development of airline traffic. The concessions are put out for competitive bidding in which all major operators participate.

The concession accounted for a large part of SAS Trading's activities, thereby impacting SAS Trading's future business focus. During 2004, SAS Trading focused on renegotiating and extending existing contracts. In 2004 SAS Trading won the concession for exclusive operation of Duty Free shops in Tallinn. The contract runs from 2004 to 2009. During the year SAS Trading refined its training of managers and other staff to strengthen the focus on retailing.

Earnings performance

SAS Trading posted sales of MSEK 1,634 during the year. Operating revenue increased by 5.9% compared with the previous year, partly because of the increased number of passengers and partly by the increased focus on retail activities and campaigns to promote sales.

Income after financial items was MSEK –57 (–87). The result shows a clear improvement compared with the previous year, but was burdened by higher-than-expected distribution costs. Added to that were year-specific costs connected with the closure of activities relating to the Avinor/OSL concession.

European Aeronautical Group

CEO: Björn Alegren ■ Founded in 1995 ■ www.euronautical.com

Key figures	2004	2003	2002
Operating revenue, MSEK	194	197	112
Of which external operating revenue	64.7%	63.2%	31.3%
Income after financial items, MSEK	16	–10	4
Average number of employees	157*	154	87

** Of which women 30% and men 70%.*

Important events in 2004

- Successful turnaround implemented.
- All printing plant services transferred to the U.K.
- Contracts signed with 45 new customers.

European Aeronautical Group is a wholly owned subsidiary of the SAS Group, with operations in Sweden and the U.K. The Group produces advanced aeronautical documentation and systems for the aviation industry. Its product line includes different versions of aeronautical and flight navigation documentation and flight and route planning for various systems. European Aeronautical Group's strategy is to become the most profitable global provider of such services.

In a weak market that did not grow as expected, European Aeronautical Group increased its market share in 2004. The Group expanded its global network by signing several new cooperation and agency agreements. These activities will continue in the coming years, to further strengthen the Group's presence in markets outside Europe. With its cutting-edge expertise, new technology and changes in subcontractor agreements, European Aeronautical Group will continue to move its production process forward.

SAS Business Opportunities

CEO: Sophia Nybell ■ Founded in 2004

Key figures	2004
Operating revenue, MSEK	149
Of which external operating revenue	100%
Income after financial items, MSEK	26
Average number of employees	24*

** Of which women 83% and men 17%.*

Important events in 2004

- Became a subsidiary on October 1.

SAS Business Opportunities is a wholly owned subsidiary of the SAS Group and comprises five business areas formerly part of Scandinavian Airlines: SAS Flightshop (onboard sales of goods), Fly&Stay (package tours), Marketing Partnerships (media sales on board), Travel Related Partnerships (booking of hotel rooms & car rental on Scandinavian Airlines' website) and Licensing (licensing the SAS brand). By gathering these businesses under SAS Business Opportunities, the SAS Group will attain synergies, growth and revenue from the entire travel value chain.

SAS Business Opportunities will contribute to increased profitability for the SAS Group as a whole and for airline operations by creating revenue from "non-seat business." SAS Business Opportunities will exploit the potential in market channels, on board sales and the SAS brand. SAS Business Opportunities pays a concession to the airlines for selling goods and media on board and using the Internet and the SAS brand.

Income for 2004 totaled MSEK 26. In 2005, SAS Business Opportunities will further develop new and existing business areas in order to take advantage of potential new revenues.

SAS Media

CEO: Lennart Löf Jennische ■ Founded in 1972 ■ www.sasmedia.se

Key figures	2004	2003	2002
Operating revenue, MSEK	79	54	49
Of which external operating revenue	42.5%	74.9%	92.7%
Income after financial items, MSEK	3	–1	–10
Average number of employees	42*	39	44

** Of which women 58% and men 42%.*

Important events in 2004

- Strengthened position as the SAS Group's media house.
- Developed publication of information on travel destinations.

SAS Media is a wholly owned subsidiary of the SAS Group, with activities in publishing, media sales, advertisement production and design. The company publishes inflight magazines for Scandinavian Airlines, SAS Braathens and Widerøe, financed almost exclusively by advertising sales. In 2004, the media market remained weak, performing negatively but stabilizing somewhat toward the end of the year.

Publishing information on travel destinations in various media channels, such as newspapers, books and the Internet is specialist expertise that has been well received.

Advertisement production and design have performed positively, seeing expanded collaboration with customers and several new contracts. SAS Media has a strengthened position as the complete media house for the units of the SAS Group. Operating revenue grew by MSEK 25, and the business again showed a profit after financial items of MSEK 3 (–1). Good opportunities for growth exist in all areas of operations.

Business area

Hotels

www.rezidorsas.com

■ Radisson SAS ■ Park Inn ■ Regent ■ Country Inn ■ Cerruti

Rezidor SAS

Gunnar Reitan
Deputy CEO
Responsible for the business areas Subsidiary & Affiliated Airlines and Hotels.

Description of area: The Group's hotel business is operated under five brands: Radisson SAS, Park Inn, Regent, Country Inn and Cerruti.

Earnings performance: Revenue for the full year amounted to MSEK 4,552 (3,558). The increase is attributable to a combination of revenues from new hotels, 30.1%, opened since the previous year and an increase in revenues for comparable units.

Revenue per available room (RevPAR) for comparable units in Europe increased by 4.4%. The trend became more evident towards the end of the year and in December 2004 RevPAR was 5.6% higher for comparable units compared with December 2003. The U.K., Ireland and Eastern Europe saw the biggest jump in RevPAR. Scandinavia, Germany and France started to show sharp growth in the final months of the year.

EBITDA, income before depreciation including share of income in affiliated companies, amounted to MSEK 165 for the full year, an improvement of MSEK 271. Income before capital gains and nonrecurring items came to MSEK 1 (–245). The positive change compared with 2003 can be attributed to the increased RevPAR of comparable units along with the improved EBITDA resulting from the lower cost levels achieved through Turnaround 2005. Turnaround 2005 and the new hotels have produced improved earnings and the gross profit margin went up to 33.9%. Income after financial items amounted to MSEK 38 (–253) for the full year.

Statement of income, MSEK	2004	2003	2002
Rooms revenue	2,431	1,768	1,695
Food and beverage revenue	1,430	1,169	1,160
Other revenue	691	621	715
Operating revenue	4,552	3,558	3,570
Operating expenses	–1,494 [1]	–1,271	–1,151
Payroll expenses	–1,664	–1,468	–1,373
Leasing costs, property insurance and property tax	–1,257	–944	–860
Operating income before depreciation	**137**	**–125**	**186**
Depreciation	–165	–138	–124
Share of income in affiliated companies	28	19	34
Capital gains	53	4	6
Operating income, EBIT	53	–240	102
Income from other shares and particip.	0	15	0
Financial items	–15	–28	–17
Income after financial items	**38 [2]**	**–253**	**85**

[1] *Includes restructuring costs of MSEK –16 (–27).*
[2] *Income before capital gains and nonrecurring items amounted to MSEK 1 (–245).*
[3] *Operating income before depreciation and including share of income in affiliated companies.*
[4] *Of which women 54% and men 46%.*
[5] *Hotels operated as owned, leased or on management contracts.*
[6] *Hotels operated as owned, leased, or on management and franchise contracts and hotels under development.*

Key figures	2004	2003	2002
EBITDA [3], MSEK	165	–106	220
EBITDA margin	3.6%	–3.0%	6.2%
EBITDA growth	256%	–148%	29%
Investment, MSEK	521	576	265
Capital employed, MSEK	1,727	1,512	1,509
SAS Group's holding	100%	100%	100%
Average number of employees	4,436 [4]	3,474	3,117

Operational key figures	2004	2003	2002
Operating income incl. franchise, MSEK	11,381	10,283	10,158
Gross profit margin [5]	33.9%	30.0%	33.0%
Total no. of hotels in operation	190	162	133
Countries of operation [6]	47	42	40
RevPAR, SEK [5]	557	538	632
Occupancy level [5]	65%	62%	65%
No. of rooms available/night, 000	39	33	29
No. of rooms sold, 000 [5]	5,964	5,121	4,646
Unsorted waste, tonnes	10,505	10,002	10,746
Energy consumption, per m^2, kWh	281	276	289
Water consumption per guest night, liter	454	473	423
Customer satisfaction (index)	90.0	91.0	87.1
Job satisfaction	81.1	81.4	80.5

Thanks to the success of Turnaround 2005, Rezidor SAS returned to profitability in 2004.

CEO: Kurt Ritter ■ Founded in 1960 ■ www.rezidorsas.com

Important events in 2004

- Rezidor SAS signed 50 new hotels.
- The hotel portfolio increased by seven new hotels in France.

Background

Rezidor SAS is a wholly owned subsidiary of the SAS Group. The company has grown rapidly in recent years and had 190 (162) hotels in operation and 57 (38) hotels under development in 47 countries at the end of 2004. Radisson SAS enjoys a strong position in the Nordic countries, Germany, Poland, the Baltic states, the U.K. and Ireland. Park Inn has a strong position in Sweden and France with 18 and 6 hotels, respectively. By utilizing Rezidor SAS's strong brand and the expanding product portfolio, the company's goal is to operate 700 hotels by no later than 2012.

The travel market slowly recovered during 2004. The European hotel market has stabilized even though RevPAR growth is still slow and dependent on local demand. The market situation has improved compared with 2003, with higher room occupancy numbers to show for it. The market trend is more robust in the U.K., Ireland, the Baltic states, Russia and Eastern Europe than in Western Europe, and by year-end Norway, too, was showing signs of improvement. In the Middle East and China, RevPAR improved significantly compared with the previous year.

Demand for the services of budget operators has continued to increase. This indicates future strong growth for hotels in the mid-market segment, such as Park Inn.

Vision

Rezidor SAS's vision is to become one of Europe's leading hospitality management companies, with a focused collection of high-performing, profitable brands in various market segments.

Goals and targets

- The financial target is to achieve an EBITDA margin of at least 10% and EBITDA growth of at least 15% over a business cycle.
- The company's goal is to achieve good and profitable growth with the aim of operating 700 hotels by the year 2012.
- Rezidor SAS aims to offer customers several different hotel products providing value for money in their respective categories. Guests are to experience a safe and comfortable stay based on their individual needs and desires.

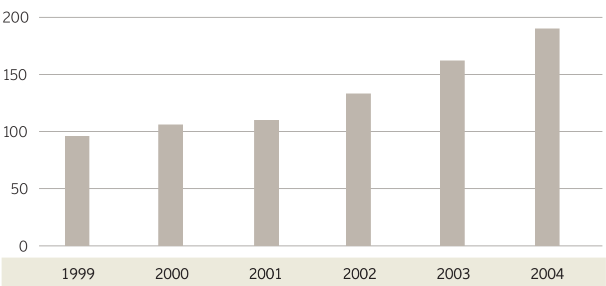
Quality targets

Customer and employee satisfaction is measured each year. The aim is to show a year-on-year improvement in both key figures for the entire chain. In 2004 customer satisfaction (overall satisfaction index) was 90.0 (91.0). Each hotel has more detailed targets for its specific customer markets. The index for employee satisfaction with duties and working environment was 81.1 (81.4), an unchanged high level.

Strategies

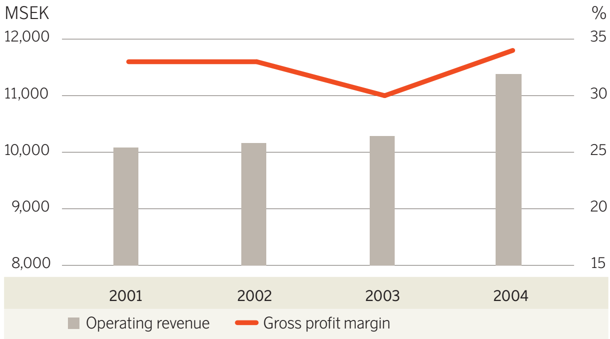
- Rezidor SAS's main strategy is to develop and operate a portfolio of brands to offer the best possible solution for property owners, while being sensitive to the needs of the individual hotels and owners.

Hotel growth, 1999-2004



At year-end one hotel property was owned at Stansted airport. The hotel in Oslo was sold in 2004. At the end of 2004 the total number of hotels in operation was 190.

Total operating revenue [1] and gross profit margin [2] 2001-2004



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

- Guests should be able to choose from among several strong brands providing good service and high customer satisfaction, which in turn create return customers.
- Employees are to be offered good advancement and career opportunities, and owners healthy growth and sustainable profits.

Expansion strategy
To achieve critical mass with regard to brand awareness, geographical coverage and economies of scale, continued growth is of great strategic importance for each hotel brand under the Rezidor SAS banner. A positive contribution is expected once the brands are established. Over the next few years growth will mainly take place in the Radisson SAS, Park Inn and Cerruti brands.

The strategy is to work with a mix of contracts, where hotels in capitals and strategic locations will be offered agreements with a focus on a higher share of leases rather than management contracts. Outside capital cities the expansion will primarily take place through franchise contracts and in the Park Inn brand. Park Inn's expansion will largely follow the geographic development of Radisson SAS, with establishments starting in the Scandinavian home market followed by expansions in Germany and the rest of Western Europe. Rapid growth is also expected in Russia for Park Inn.

Brands and partners
By entering into an expanded agreement with the American company Carlson Hotels Worldwide in 2002, and with the Italian fashion house Cerruti in the spring of 2003, Rezidor SAS consolidated its position in hospitality management through several brands. Today the company operates five clearly defined hotel brands ranging from mid-market to the luxury segment. The hotels have different profiles:
- Radisson SAS - first-class hotels for business and leisure travelers in city centers, at airports and in vacation destinations
- Park Inn - efficient, fresh, innovative mid-market hotels
- Regent - world-class luxury hotels in Europe and the Middle East
- Country Inn - charming, cozy and welcoming hotels with a local flavor in the mid-market segment
- Cerruti - lifestyle hotels for design and style-conscious travelers.

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.

Still healthy growth with 29 newly opened hotels
In 2004 more contracts were signed and more hotels were opened than ever before. At the end of the year the total number of hotels in operation under Rezidor SAS was 190. Fifty hotel contracts were signed in 2004, with 29 hotels opening the same year.

A goal for 2004 was to increase the number of conversions, and in this respect the company succeeded since 58% of all new contracts were in this category. With conversions, an existing hotel switches brand, which often translates into minimal interruption of operations and faster revenues than new hotels.

A total of 12 new Radisson SAS hotels were opened in 2004 in Ankara, Athlone, Belfast, Berlin, Buk, Liverpool, Rome, Sligo, Spa and Stansted Airport. In June, seven hotels were also taken over in France, of which two became Radisson SAS hotels, in Lyon and Aix les Bains.

The Park Inn chain continued to grow in 2004, with a total of 18 newly opened hotels, and 26 signed hotel contracts. A significant addition was made when Park Inn Heathrow opened in May with 867 rooms. In addition, five hotels were added in France through the takeover of the Partouche hotels in Arcachon, Lyon, Macon, Nancy, and Orange. Park Inn added two hotels in Denmark (Maribo Söpark and Vejle), three in Norway (Geilo, Haugesund and Rauland), and three in Sweden (Boden, Borlänge and Åre). Four Country Inn hotels were also converted to Park Inns in February 2004. Russia will be an important market in the future. The aim is to contract sixty-some hotels over the next 10 years. The first contracted hotel is located in Yekaterinburg.

Three hotels that will continue operating under existing brands were also contracted in Iran, France and Egypt.

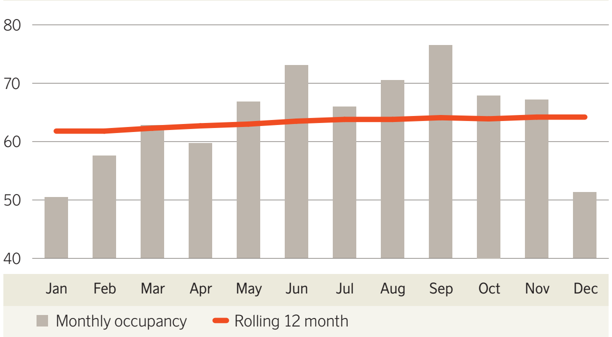
During the year Regent also expanded, first with the opening of the Regent in Zagreb in May, followed by the Regent in Berlin in September 2004. Cerruti has signed contracts in Brussels and Düsseldorf, where the first of its lifestyle hotels will open in Düsseldorf in mid-2005.

Efficiency improvements
Income before tax improved in 2004, primarily thanks to the successful implementation of Turnaround 2005. At comparable hotels cost-saving measures have compensated for up to 50% of revenue losses, which is in line with the target of the cost-savings program. The program is introduced at hotels where a decline in revenues has been noted. Revenues of comparable units were also higher than in 2003, although the costs for newly opened hotels, albeit lower than in previous years, were still high. This was mainly due to fact that many newly opened hotels (primarily Park Inn) were conversions rather than actual new openings.

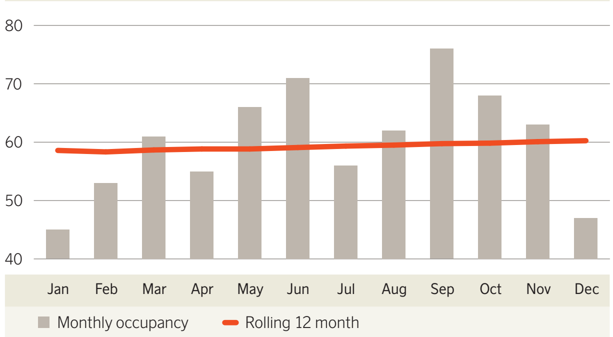
The goal for 2004 was to cut fixed operating costs by 15%. The result for 2004 was a decline of 14%.

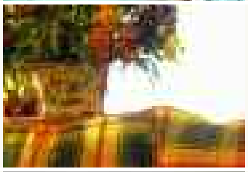
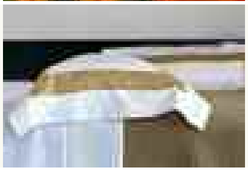
Over a longer perspective the unit costs per available room have dropped by 16% since Turnaround 2005 was introduced in 2003. This was accomplished by outsourcing Food & Beverage operations, reducing administration costs, increasing staff flexibility and renegotiating contracts with the biggest suppliers. The total cost savings for 2004 was MSEK 185.

Occupancy per room 2004, %



RevPAR 2004, EUR



Radisson SAS Hotels & Resorts		Radisson SAS offers full-service hospitality. It aims to be the strongest hotel in the category and the leading player in the markets it serves. Our main priority is to provide personal, professional service and genuine hospitality every time we meet our guests. The key differentiator, however, is the "100% Guest Satisfaction" program: if a service delivery problem can't be made right, the customer doesn't have to pay.	First class 138 hotels
park inn		Park Inn represents an unconventional option within the international mid-market hospitality segment: a contemporary, value-for-money accommodation experience for the frequent traveler, whether on business or leisure trips. Park Inn offers an uncomplicated and affordable hospitality product with a focus on a clean, safe environment offering consistently executed services with a warm and a friendly approach.	Mid-market 40 hotels
Regent		Regent is a hospitality legend, virtually synonymous with luxury hotels. With its roots in the Far East, Regent has set the standard for luxury services, far exceeding the ordinary full-service concept. Regent has continuously reinvented the luxury experience for its guests and will continue to do so. With Regent, nothing is ordinary.	Luxury 3 hotels
Country Inn		Country Inn is a mid-market alternative for business and pleasure travelers who want a high level of comfort and excellent value for money. The unique Country Culture, with its cozy atmosphere and friendly staff, is crucial to the concept.	Mid-market 6 hotels
CERRUTI		A joint initiative with the major international fashion house of the same name, Cerruti sets out to capture the fast growing, style-conscious mid-market with architecturally interesting and centrally located hotels featuring individually designed contemporary rooms, restaurants and bars reflecting an Italian influence. Cerruti hotels are to be considered worth the price and offer selected services.	Lifestyle* 0 hotels

*At the end of the year three hotels were operated under their own brands. *A hotel will open in 2005.*

Responsible Business

In 2004 Rezidor SAS continued to implement its Responsible Business program. Radisson SAS has successfully completed the program, achieving a long list of environmental and social improvements. Most of the hotels have become more efficient in their use of resources and have introduced energy savings campaigns. In 2004 Country Inn, Regent and Park Inn joined the program and began preparing individual action plans.

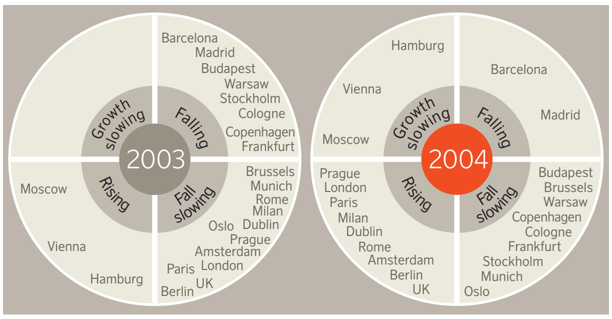
In September, 106 hotels took part in the global Hotels Environment Action Month carried out by the Prince of Wales Business Leaders Forum. Typical activities included clean-up campaigns, art competitions with an eco-theme for children, blood donation drives and various fund-raising campaigns for local causes. In November, Rezidor SAS won the Worldwide Hospitality Award for outstanding environmental performance. Over 10 hotels have external environmental certifications in Denmark, Norway and Scotland.

Market outlook

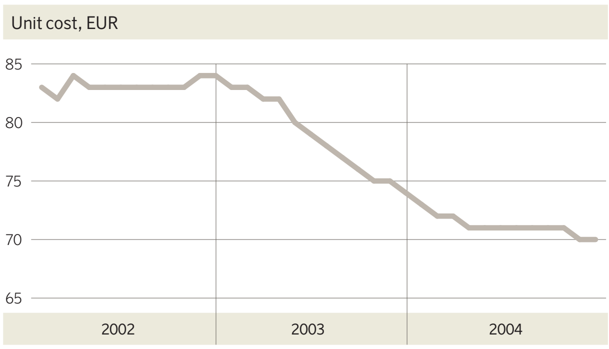
Market analysts believe that the bottom of the hotel market was reached in 2003. The market slowly recovered in 2004. The positive trend is expected to continue in 2005, with higher RevPAR and occupancy for the business area. In 2004 earnings improved thanks to a strong focus on costs. In 2005 earnings are expected to improve through higher revenues.

While occupancy is expected to increase, it will take longer for RevPAR to reach earlier levels because the customer mix has changed to include more leisure travelers. A return to the RevPAR levels of 2000 is not expected. EU enlargement provides great opportunities for continued growth in Eastern Europe, the Baltic states and Russia.

Development of the European hotel market, 2003 and 2004



The graph above shows that compared with 2003, several of the cities where Rezidor SAS operates hotels are located in markets with increasing demand. This bodes well for 2005. Through its presence in various geographic markets, Rezidor SAS can minimize the effects of any local weakness in demand. The company's strong position in its home market is another stabilizing factor. Rezidor SAS's home markets are the Nordic countries, Germany, the U.K. and Ireland, Poland, Eastern Europe, the Baltic states and Russia.



The unit cost for hotel operations is measured as an operating expense divided by the number of available rooms. The unit cost has fallen following the implementation of Turnaround 2005 measures.

Financial report

During the year the SAS Group's airlines dealt with four crucial challenges: getting the fall in the yield, that is, average unit revenue, under control, while tackling the overcapacity in the market, compensating for the impact of record high jet fuel prices, and implementing Turnaround 2005.

Gunilla Berg,
Executive Vice President and CFO

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 the 2004 financial year.

Market performance
After a weak beginning, air traffic gradually grew during the first half of 2004. Intercontinental traffic performed well compared with the previous year, above all on routes to Asia. The first six months saw good growth, though heavy price pressure in the market made airfares in Scandinavia among the lowest in Europe.

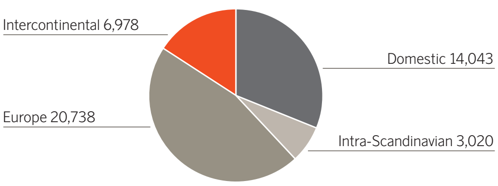
Introducing a fuel surcharge and active control of revenues stabilized the yield during the second half of 2004. Overcapacity in the market continued, leading to a deterioration in the cabin factor, especially on Swedish domestic and certain European routes.

In all, in 2004, traffic measured in revenue passenger kilometers (RPK) rose for the SAS Group by 8.0%. The world economy is expanding, with growth especially strong in Asia. The majority of markets, primarily in Europe, are still seeing weakness. However, forecasts indicate that the demand for air travel will grow, both on longer routes and within Europe.

Group structure
As of October 1, 2004, the SAS Consortium's airline operations in Denmark and Sweden were incorporated as Scandinavian Airlines Danmark A/S and Scandinavian Airlines Sverige AB as subsidiaries of the SAS Consortium. The SAS Consortium's operations in Norway were integrated with Braathens AS in the newly formed company SAS Braathens AS, also as a subsidiary of the SAS Consortium. SAS Ground Services, SAS Technical Services and SAS Trading were incorporated as subsidiaries of SAS AB.

As of January 1, 2005, the Group's Shared Services were incorporated as a subsidiary of SAS AB.

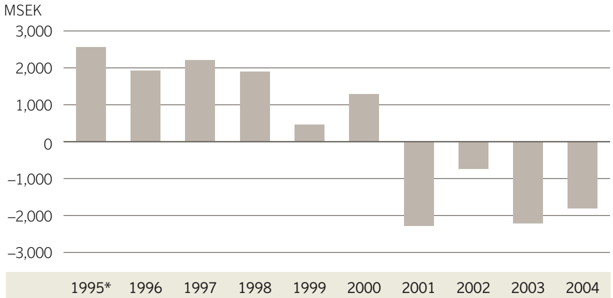
The SAS Group's total traffic revenue, 2004



Acquisitions and sales
In January 2004 a further 41% of the shares in Spanair Holding SA were acquired, increasing the SAS Group's holding in Spanair SA and Aerolineas de Baleares to 94.9%. The total purchase price was MEUR 73.5, and goodwill from the acquisition in both airlines amounted to MEUR 64.7.

In December 2004 a compulsory purchase was undertaken of the remaining 0.4% of the shares of Widerøe's Flyveselskap AS, in the amount of MSEK 1.4. During the year, the Group's participations in Flygtaxi Sverige AB and Polygon Group Ltd were sold. The total sale price was MSEK 5, with a capital gain of MSEK 5.

The SAS Group's income before capital gains and nonrecurring items



* *Refers to the former SAS Group, i.e. the SAS Consortium and subsidiaries, but excluding SAS's three parent companies (SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB).*

European Cooperation Agreement (ECA)
The European Cooperation Agreement is a collaboration between Scandinavian Airlines, Lufthansa and British Midland International, which began in January 2000. Scandinavian Airlines' share of any losses is 45%. The agreement was approved by the European 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.

Although an uptick was noted during the year, due to continued pressure on the yield and competition from low-fare carriers, ECA negatively impacted the SAS Group's earnings in 2004 as well in the amount of MSEK –134 (–244).

Financial risk management
The SAS Group is exposed to various types of financial risk. All risk management is handled centrally and in accordance with the finance policy set by the Board. The SAS Group uses derivative instruments as part of its risk management to limit its currency and interest rate exposure. *See Note 30.*

Work of the Board of Directors
The Board of Directors of SAS AB consists of nine members, of whom six are elected by the Annual General Meeting. The three other members plus six deputies are elected by the employee organizations in Denmark, Norway and Sweden.

The Board's work is governed by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board each year, which regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. This process is evaluated every year. The Board appoints from among its own members the members of the two Board committees. The Board's work follows a yearly agenda with regular business items as well as special topics.

At the Annual General Meeting held on April 22, 2004, the sitting Board was reelected. The composition of the Board of Directors in 2004 appears on page 95.

At the statutory meeting of the Board, 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 high quality information about the Group's finances and performance and that the Board evaluates its work and that of the President each year.

During the year the Board held eleven meetings, ten of which were ordinary and one extraordinary. At these meetings the Board discussed the regular business 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 flight safety work, internal control, the work of the Board, the year-end report, interim reports, strategy and the business plan and the budget.

Special topics discussed by the Board during the year include the SAS Group's earnings improvement program (Turnaround 2005), the establishment of a new legal structure for the SAS Group by incorporating the airline operations of Scandinavian Airlines and the establishment of SAS Braathens, the incorporation of the operations of SAS Ground Services and SAS Technical Services, the Group's environmental responsibilities, including modifying the MD-80 fleet, revenue-enhancement activities, the launch of new products and service concepts, releasing capital and other financial issues and corporate governance issues, including a decision on a new internal audit.

On three occasions during the year, the company's auditor met with the Board, presenting the program for auditing work, reporting observations from the audit of the annual report, the examination of the interim accounts as of September 30 and an evaluation of internal control.

The main duty of the Board's two committees is to prepare business for the Board's decision. Each committee meeting is reported on at the Board meeting immediately following. The committees comprise three members elected by the General Meeting. The composition of these committees in 2004 appears on pages 92-93.

In 2004 the audit committee had three recorded meetings, and examined the scope and execution of audit work, financial reporting and internal control, reviewed the new accounting rules, discussed the internal audit function, evaluated the external audit and made preparations for the election of an external auditor at the 2005 Annual General Meeting.

During the year the Board's compensation committee discussed and drafted a Board resolution on the President's target contract, his fulfillment of this contract and discussed general matters involving guidelines and policies for compensation and incentive programs for employees. Proposals regarding salaries, pension and other compensation for the President and Group Management were also discussed. In 2004 the committee held three recorded meetings in addition to a number of informal contacts.

According to the Articles of Association of SAS AB, the election of a nomination committee shall take place at the Annual General Meeting. The task of the nomination committee is to nominate candidates for election to the Board and prepare a proposal for Board remuneration for the General Meeting's approval. The current members of the nomination committee, who were elected at the Annual General Meeting on April 22, 2004, appear in the report on page 92.

For a more detailed description of the work of the Board and its committees, see pages 92-93.

Safety work
In 2004, Scandinavian Airlines and Blue1 were certified by the IATA following an IATA Operational Safety Audit (IOSA). This audit resulted in Scandinavian Airlines' being approved and listed by the IATA. In 2004, Blue1 was the first Finnish airline to receive this certification.

In 2004, the air safety situation for the SAS Group continued to be stable. After a rise in the number of incidents involving air traffic control in the Scandinavian countries, the civil aviation authorities were requested to report the actions to be taken.

Maintenance for the SAS Group's airlines is primarily performed by SAS Technical Services. Maintenance is performed according to strict rules and a stringent control system that ensures the delivery of airworthy aircraft. In autumn 2004, a potential protocol routine violation was pointed out at Gardermoen. A report by the Scandinavian governments and an internal SAS Group report both concluded that no aircraft had been in traffic without necessary maintenance.

The SAS Group's contribution to sustainable development
The SAS Group has an overarching "Sustainability Policy," which, taking the Group's financial performance into account, guides its efforts to reduce its environmental impact and contribute to social progress. Inherent in the latter is also sustaining and developing the skills of its employees.

Since 1996 the SAS Group has measured its eco-efficiency using an environmental index. Since then the target for its chief operation, Scandinavian Airlines Businesses, was an annual improvement in the index of three points by 2004. This target was reached, as the index for 2004 was 76.

The environmental index is the most important environmental management parameter for most of the operations. The creation of environmental indexes by more companies makes internal benchmarking increasingly possible.

In other parts of the financial and sustainability report there are more complete descriptions of the SAS Group's efforts to contribute to sustainable development.

Corporate social responsibility
The SAS Group's goal is for all subsidiaries to report sick leave and occupational injuries according to Swedish legislation. For 2004, only

Swedish subsidiaries have the data for such reporting. Efforts to reduce sick leave have priority, and there are special projects in Norway and Sweden especially to get those on long-term sick leave back to work. In 2004, the average sick leave in the SAS Group was approximately 7%, which is the same level as in 2003. For occupational injuries, see data on page 99. Sick leave and occupational injury data is somewhat uncertain due to the incorporation carried out in 2004.

Adopted in January 2004, the SAS Group's diversity policy contains among other things a commitment to promote gender equality. Numerous projects began during the year to increase the percentage of female managers. Rezidor SAS, for example, has an "Equal Opportunity Policy," the result of which is that 20% of general managers are now women.

With regard to human resources, the airlines plan and conduct regular in-service training of all certified personnel such as technicians, cabin crew and pilots. This is done to uphold the competency standards required by airline operating certificates (AOCs). As part of the Turnaround 2005 restructuring program, many administrative employees have entered their skills in a CV database. Its purpose is to enable the SAS Group to better utilize its existing human resources.

Environmental responsibility

Of the SAS Group's total environmental impact, flight operations account for 90%, with its biggest environmental impact in the form of consumption of nonrenewable fuels and emissions of carbon dioxide, 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 of 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 most significant environmental impact of cabin, ground and hotel operations is caused by energy and water consumption and by generation of waste. Cabin operations refers to everything involving on board service.

Commercial aviation uses aircraft internationally type-approved according to the ICAO's certification standards. 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 and noise standards may affect the Group's traffic to certain airports. This may prevent the Group from utilizing its aircraft fleet in the most flexible way possible and/or lead to higher emission-based landing fees.

Of the SAS Group's operations, parts of ground operations at Stockholm, Oslo and Copenhagen airports are covered by permits pursuant to national environmental laws. The permit in Stockholm 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. The permit at Oslo Airport covers water from a purification plant connected to hangars and maintenance bases. STS submits an annual environmental report to Ullensaker Municipality and to the County Governor's environmental department. At Copenhagen Airport there are maintenance bases and hangars requiring environmental permits, which primarily concern purification plants. Due to the incorporation implemented in 2004, the permits in question are to be transferred to new legal parties. However, the terms of the concessions remain unchanged.

The SAS Group has obtained all the necessary concessions and permits for its operations, none of which come up for renewal 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, beyond local permits for waste management. There is nothing to indicate that any environment-related restrictions with an economic impact will be imposed in the foreseeable future.

In general, the SAS Group's airline operations are totally dependent on SGS's and STS's licensed maintenance base and hangar operations and on the respective airport owners' concessions for operations and glycol handling and thresholds for atmospheric emissions and noise.

In 2004, aircraft from the SAS Group's airlines sometimes deviated from local approach and takeoff rules, which prompted a dialog with local authorities.

In 2003 and 2004, due to technical problems, the threshold value for releases of cadmium was exceeded on numerous occasions at Stockholm's Arlanda Airport. The problem was dealt with during the year, and there has been an ongoing dialog with the Sigtuna Municipality environmental office, which is the responsible authority. None of these incidents had any significant financial or environmental consequences.

The Group was not involved in any environment-related disputes or complaints and has no known major environment-related debts.

Transition to reporting according to IFRS (International Financial Reporting Standards)

Background

With effect from January 1, 2005, the SAS Group will prepare its consolidated accounts according to International Financial Reporting Standards (IFRS), in accordance with the current EU directive. Previously, as the Swedish Financial Accounting Standards Council has gradually introduced recommendations based on IFRS, the Group has adapted its accounting to IFRS to the extent permitted by Swedish law.

Despite this gradual adjustment, the Group's accounts will be affected as a result of the requirement for full compliance with IFRS.

The date for the transition to IFRS has been set at January 1, 2004, since IFRS requires restatement of a comparative year. The SAS Group is therefore publishing financial information according to IFRS for 2004 and 2005 in all financial reports prepared according to IFRS during 2005.

The interim report for the first quarter of 2005 will be the first financial report that the SAS Group prepares in compliance with IFRS.

The SAS Group's financial information according to Swedish accounting principles will be restated to comply with IFRS and complete disclosure and reconciliation of the differences will be presented in the interim report for the first quarter of 2005.

Transitional rules

The transition to IFRS will be reported in accordance with IFRS 1, First Time Adoption of International Financial Reporting Standards. The basic rule in IFRS 1 is retrospective application of all recommendations. In general, this means that the Group adopts its accounting principles, applies these retrospectively and determines an opening balance according to IFRS as of January 1, 2004. IFRS permits, however, certain voluntary exemptions from the principle of retrospective application. The SAS Group has made the following choices:

- Application of IFRS 3, Business Combinations, will apply with effect from the transition date January 1, 2004. This means that amortization of goodwill will cease with effect from January 1, 2004, and that IFRS 3 will be applied to acquisitions made from 2004 onwards. The acquisitions made in 2004 have been restated according to IFRS 3, but no effect arose.

- Not to zero accumulated translation differences according to IAS 21, The Effects of Changes in Foreign Exchange Rates, on the transition date.

- Recognition of tangible fixed assets according to IAS 16, Property, Plant and Equipment, will continue to be made at historical cost including accumulated depreciation and impairment losses and with regular testing for possible impairment. Component depreciation will be applied retrospectively. Regarding the aircraft fleet a number of essential components have been identified. The useful life of the various components has been determined whereby it was found that all components have the same useful life, i.e. 20 years. Retrospective application of component depreciation therefore has no effect since the total useful life applied for aircraft is 20 years.

- IAS 19 will be applied retrospectively. A transition to reporting according to IFRS will therefore have no significant effect on the SAS Group's accounts in this area. Based on an agreement with Alecta concerning calculation of obligations in the ITP Plan these will continue to be reported as defined benefit since information received is assessed as being reliable and accurate.

- In accordance with the transitional rules for IAS 39, Financial Instruments: Recognition and Measurement, the SAS Group will not restate financial information for 2004 with regard to financial instruments.

A summary is provided below of the preliminary significant effects that the transition to IFRS are expected to have on the Group's shareholders's equity and net income for the full year 2004. This summary has been prepared in accordance with the IFRS principles that are expected to apply on December 31, 2005. Since IFRS is subject to continuous review and approval by the EU, changes may still occur. Furthermore, since the IFRS rules were recently introduced, clarifications from standard-setting bodies and development of practice in this area will lead to further clarifications which may have an effect on the information provided below.

Explanatory notes:

a. Amortization of goodwill

According to IFRS 3, Business Combinations, goodwill should not be amortized but should instead be subject to an impairment test. The SAS Group's intangible assets mainly comprise goodwill. Since IFRS 3 is applied prospectively from the transition date, goodwill amortization for 2004 (amounting to MSEK 171) will be reversed according to IFRS.

In accordance with the transitional rules, SAS has performed impairment tests at January 1, 2004, and at December 31, 2004. These tests showed that no impairment losses exist.

b. Minority interests

According to IAS1, Presentation of Financial Statements, minority interests are a separate component in equity in the balance sheet. In the statement of income they are included as part of net income with an amount attributable to shareholders and minority owners respectively specified under net income.

c. Deferred tax on IFRS changes

Some of the above IFRS changes mean that a difference arises between tax base and book value. Deferred tax is reported on these differences.

Impact of IAS 39, Financial Instruments: Recognition and Measurement

The SAS Group applies IAS 39 with effect from January 1, 2005 and utilizes the exemptions allowed in IFRS 1 to not restate comparative figures/information regarding 2004. Consequently, recognition and measurement of financial instruments, handling of cash flow and fair value hedges and application of hedge accounting have been carried out in accordance with generally accepted accounting principles in Sweden.

Summary reconciliation of consolidated shareholders' equity and net income, MSEK

Summary reconciliation of consolidated shareholders' equity	Note	January 1, 2004	December 31, 2004
Shareholders' equity according to Swedish accounting standards		13,134	11,159
IFRS changes:			
Amortization of goodwill	a	–	171
Minority interests	b	112	25
Deferred tax on IFRS changes	c	–	–1
Total change IFRS		112	195
Shareholders' equity according to IFRS		13,246	11,354

Summary reconciliation of consolidated net income	Note	January-December 2004
Income after tax according to Swedish accounting principles		–1,872
IFRS changes:		
Amortization of goodwill	a	171
Minority interests	b	–4
Deferred tax on IFRS changes	c	–1
Total change IFRS		166
Income after tax according to IFRS		–1,706

The general principles for measurement of financial instruments according to IAS 39 are that financial assets and all derivative instruments should be measured at fair value while financial liabilities are measured at amortized cost. On transition to IFRS all financial instruments, including derivative instruments, should be recognized in the balance sheet.

An initial classification of each instrument establishes the principle for measurement for changes in value of financial instruments in the accounts. In cases where loans and derivative instruments are intended to hedge future cash flows, hedge accounting may be applied. One essential criterion for being able to apply hedge accounting is that the hedging relationship is expected to be effective both at inception and during the hedging period. The changes in value of the hedging instrument affect either equity (cash flow hedges) or income (fair value hedges). The hedging transaction will be recognized as income in the same period as the hedge position is closed.

Effect on shareholders' equity at January 1, 2005 attributable to the transition to IAS 39	MSEK
Shareholders' equity according to IFRS above	11,354
Fair value of short-term investments	1
Fair value of financial derivative instruments	–348
Amortized cost of financial borrowings	116
Fair value hedge	0
Cash flow hedge, commercial flows	22
Cash flow hedge, aircraft	2,248
Deferred tax	–571
Total change IAS 39	1,468
Shareholders's equity after transition to IAS 39 at January 1, 2005	12,822

Dividend 2004

In the present circumstances of negative earnings from operations, financial strength is of utmost importance. The Board of Directors therefore proposes that no dividend be paid to SAS AB's shareholders for the 2004 fiscal year.

The full year 2005

2004 was characterized by intense competition and significant overcapacity, which led to strong price pressure and low cabin factors. Furthermore, fuel prices reached record levels.

During the year systematic work was carried out to cut costs within the framework of Turnaround 2005. A clear and transparent business structure was also introduced. The decline in yield was halted through stricter yield management, and the introduction of fuel surcharges is now compensating for the high price of fuel. The underlying earnings trend in the fourth quarter shows that a number of operational parameters are developing in a positive direction.

A positive general market development is expected in 2005 and an unchanged competitive situation. Ongoing capacity adjustments and an intensified concentration on specific commercial activities with a strong customer focus are expected to stabilize yield and improve cabin factors.

Concrete action plans are in place in order to ensure completion of outstanding activities within Turnaround 2005. These will be completed by the end of 2005, and simultaneously each company will work with ongoing rationalization.

Continued major uncertainty over development in the airline industry gives reason to be cautious, but subject to unchanged yields, favorable traffic development and no significant changes in the business environment, adopted business plans indicate positive earnings for 2005.

The SAS Group's statement of income

MSEK	Note	2004	2003
Operating revenue	2	58,073	57,754
Payroll expenses	3	–19,585	–21,927
Other operating expenses	4	–34,105	–32,066
Leasing costs for aircraft		–2,689	–2,935
Depreciation	5	–2,853	–3,046
Share of income in affiliated companies	6	137	39
Income from the sale of shares in subsidiaries and affiliated companies		5	651
Income from the sale of aircraft and buildings	7	113	649
Operating income		–904	–881
Income from other shares and participations	8	1	–1
Interest income and similar income items	9	357	1,414
Interest expenses and similar income items	10	–1,399	–2,002
Income after financial items		–1,945	–1,470
Tax	11	69	5
Minority interests	23	4	50
Income after tax		–1,872	–1,415
Earnings per share (SEK) [1]		–11.38	–8.60

[1] *Earnings per share is calculated on 164,500,000 outstanding shares (RR18). Since the SAS Group has no option, conversion or share program, no dilution can arise.*

Comments on the statement of income

The SAS Group's statement of income for January-December 2003 included Scandinavian IT Group, which was sold on December 31, 2003, and Travellink, in which 10% of the shares were sold in December 2003. Maersk Air Maintenance Estonia AS was acquired in September 2003. For comparison with 2003, this is corrected for under the term "noncomparable units."

The net effect of currency fluctuations between the period January-December 2003 and 2004 was MSEK 156. The effect is MSEK –1,378 on operating revenue, MSEK 1,905 on operating expenses, and MSEK –371 on net financial items.

The SAS Group's operating revenue amounted to MSEK 58,073 (57,754), an increase of MSEK 319 or 0.6%. Adjusted for noncomparable units, MSEK 195, and currency effects, MSEK –1,378, the Group's operating revenue rose by 3.3%. Scandinavian Airlines Businesses' traffic measured in revenue passenger kilometers, RPK, rose by 6.1% compared with 2003. Unit revenue, yield, adjusted for currency effects, fell by 9.1%.

For the entire Group, restructuring costs attributable to Turnaround 2005 and charged against net income for the year were MSEK 223 (496), of which MSEK 188 was the expense for idle notice periods. The remaining MSEK 35 went for expenses for unused leased premises and other expenses for eliminating redundancies.

Payroll expenses fell by MSEK 2,342, or 10.7% and amounted to MSEK 19,585 (21,927). Adjusted for noncomparable units, restructuring costs and currency effects, payroll expenses were MSEK 1,859 or 8.5% lower than the previous year.

The Group's other operating expenses rose by MSEK 2,039, or 6.4%, to MSEK 34,105. Adjusted for noncomparable units and currency effects, these expenses rose by 4.7%, owing to higher fuel costs and higher volume. The Group's costs for jet fuel amounted to MSEK 6,252 (4,743). Fuel costs rose by MSEK 1,509, of which approximately MSEK 300 is due to higher volume. The currency effect was positive, MSEK 417. The spot price during the year was on average about 40% higher than in 2003.

Operating income before depreciation and leasing costs, EBITDAR, was MSEK 4,383 (3,761). Adjusted for nonrecurring costs and restructuring costs, EBITDAR for the full year was MSEK 4,606 (4,269).

Leasing costs were adjusted for positive currency effects at the same level as the previous year. Depreciation was MSEK 2,853 (3,046), a decrease of MSEK 193, primarily resulting from sales.

Share of income in affiliated companies amounted to MSEK 137 (39). The improvement between 2003 and 2004 is partly due to a correction of the previous year's income, as final annual reports have been obtained, and improved earnings in British Midland, Air Greenland and affiliated companies in Rezidor SAS Hospitality. The previous year was also charged with an impairment loss in holdings in Travellink AB of MSEK 40. Goodwill amortization of MSEK 20 (18) is included.

Income from sale of shares in subsidiaries and affiliated companies, MSEK 5 (651), includes the sale of the Group's participations in Flygtaxi Sverige AB and Polygon Group Ltd. The previous year Fastighets AB Solna Haga, the Frösundavik head office, was sold, netting MSEK 688, Scandinavian IT Group, netting MSEK –33, and Travellink AB, netting MSEK –3.

The Group's income from the sale of aircraft and buildings amounted to MSEK 113 (649) in the period. This includes the sale of four Boeing 737s, two Fokker F28s and three McDonnell Douglas MD-80s plus the sale and leaseback of two Boeing 737s, three Boeing 767s, two Airbus A320s, three Airbus A340s and four deHavilland Q400s. Total income from the sale and sale and leaseback of aircraft amounted to MSEK 59 (212). All aircraft sold through sale and leaseback transactions are leased back on operating leasing contracts.

In the previous year, two Boeing 737s, eight deHavilland Q400s, four Airbus A320s, three McDonnell Douglas MD-80s and four Fokker F28s were sold.

Income from the sale of buildings amounted to MSEK 54 (437). In 2004 a hotel property in Oslo was sold. In the previous year offices in Copenhagen were sold, yielding a capital gain of MSEK 553. Other property transactions generated MSEK –116.

Operating income was MSEK –904 (–881).

The Group's net financial items amounted to MSEK –1,042 (–588). Net interest was MSEK –897 (–822). The currency effect was MSEK –53 (318). Other net financial expenses were MSEK –92 (–84).

Income before capital gains, restructuring costs and nonrecurring items amounted to MSEK –1,813 (–2,221).

Income after financial items amounted to MSEK –1,945 (–1,470).

Of the Group's tax, MSEK 180 (126) 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 21% of operating revenue and 18% of operating expenses are in Swedish kronor.

The aggregate effect of changed exchange rates on the SAS Group's operating income for 2004 compared with 2003 was MSEK 527 (826). This is mainly due to the weakening of the U.S. dollar. The difference between the years in the effect of exchange rate differences on the financial net debt was MSEK –371 (282).

Comparing 2004 with 2003, the total currency effect on income after financial items was therefore MSEK 156 (1,108).

Change (MSEK)	2003/04	2002/03
Operating revenue	–1,378	–2,700
Payroll expenses	432	525
Other expenses	1,584	2,990
Translation of working capital	104	–112
Income from hedging of commercial flows	–215	123
Operating income	527	826
Net financial items	–371	282
Income after financial items	156	1,108

Currency effects on net income for the year (MSEK)	2004	2003
Translation of working capital	121	17
Income from hedging of commercial flows	–102	113
Operating income	19	130
Currency effect on the Group's financial net debt	–53	318
Income after financial items	–34	448

Summary statement of income

Summary of income by quarter	2002					2003					2004				
MSEK	Jan-Mar	Apr-Jun	Jul-Sep	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	13,775	17,868	16,592	16,709	64,944	13,710	15,300	14,920	13,824	57,754	12,567	15,143	15,423	14,940	58,073
Payroll expenses	–5,209	–5,497	–5,335	–6,311	–22,352	–5,741	–5,564	–5,165	–5,457	–21,927	–4,889	–5,069	–4,665	–4,962	–19,585
Other operating expenses	–7,982	–9,123	–9,127	–9,066	–35,298	–8,367	–8,128	–8,018	–7,553	–32,066	–7,722	–8,581	–9,005	–8,797	–34,105
Leasing costs, aircraft	–878	–1,050	–932	–887	–3,747	–832	–719	–729	–655	–2,935	–639	–678	–705	–667	–2,689
Depreciation	–651	–715	–781	–806	–2,953	–753	–780	–773	–740	–3,046	–729	–704	–703	–717	–2,853
Share of income in affiliated companies	–328	–12	3	–72	–409	25	27	4	–17	39	64	30	19	24	137
Income from the sale of shares in subsidiaries and affiliated companies	0	1	829	–13	817	0	0	0	651	651	0	3	0	2	5
Income from the sale of aircraft and buildings	–133	–118	–208	139	–320	50	136	559	–96	649	48	63	–32	34	113
Operating income	–1,406	1,354	1,041	–307	682	–1,908	272	798	–43	–881	–1,300	207	332	–143	–904
Income from other shares and participations	0	–24	4	–160	–180	–17	8	0	8	–1	0	0	1	0	1
Net financial items	–40	–291	–405	–216	–952	49	–193	–234	–210	–588	–283	–207	–276	–276	–1,042
Income after financial items	–1,446	1,039	640	–683	–450	–1,876	87	564	–245	–1,470	–1,583	0	57	–419	–1,945
Tax	99	–100	–102	370	267	174	–1	196	–364	5	166	103	32	–232	69
Minority interests	25	29	–32	29	51	103	–20	–61	28	50	15	–5	–21	15	4
Income after tax	–1,322	968	506	–284	–132	–1,599	66	699	–581	–1,415	–1,402	98	68	–636	–1,872

The SAS Group's balance sheet

ASSETS			
MSEK	Note	2004	2003
Fixed assets			
Intangible fixed assets	12	3,029	2,810
Tangible fixed assets	13		
Land and buildings		1,807	1,258
Aircraft		16,885	22,410
Spare engines and spare parts		3,128	3,151
Workshop and aircraft-servicing equipment		218	270
Other equipment and vehicles		1,565	1,584
Construction in progress		204	285
Prepayments for tangible fixed assets	14	359	748
		24,166	29,706
Financial fixed assets	15		
Equity in affiliated companies	16	671	604
Long-term receivables from affiliated companies	17	229	247
Shares and participations	18	126	125
Pension funds, net	19	7,421	6,656
Deferred tax receivable	11	1,394	1,413
Other long-term receivables		1,233	1,207
		11,074	10,252
Total fixed assets		38,269	42,768
Current assets			
Expendable spare parts and inventories	20	1,265	1,277
Prepayments to suppliers		24	9
		1,289	1,286
Current receivables			
Accounts receivable		4,574	4,168
Receivables from affiliated companies		104	95
Other receivables		2,735	2,898
Prepaid expenses and accrued income	21	2,046	994
		9,459	8,155
Short-term investments	22	7,349	8,000
Cash and bank balances		1,246	1,066
Total current assets		19,343	18,507
TOTAL ASSETS		57,612	61,275

SHAREHOLDERS' EQUITY AND LIABILITIES			
MSEK	Note	2004	2003
Shareholders' equity			
Restricted equity			
Share capital		1,645	1,645
Restricted reserves		5,552	5,566
Unrestricted equity			
Unrestricted reserves		5,834	7,338
Net income for the year		–1,872	–1,415
Total shareholders' equity		11,159	13,134
Minority interests	23	25	112
Provisions			
Pensions and similar commitments		42	50
Deferred tax liability	11	3,193	3,273
Other provisions	24	1,020	1,565
		4,255	4,888
Long-term liabilities	25		
Subordinated debenture loan	26	742	742
Bond issues	27	6,176	6,249
Other loans	28	14,042	13,723
Long-term liabilities to affiliated companies	29	0	2
Other liabilities		143	139
		21,103	20,855
Current liabilities			
Current portion of long-term loans		800	2,116
Short-term loans	31	5,479	5,981
Prepayments from customers		137	187
Accounts payable		4,251	3,462
Liabilities to affiliated companies		7	16
Tax payable		70	83
Unearned transportation revenue	32	2,981	2,715
Other liabilities		1,912	2,057
Accrued expenses and prepaid income	33	5,433	5,669
		21,070	22,286
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		57,612	61,275
Book equity per share (SEK) [1]		67.84	79.84
Memorandum items			
Pledged assets	34	1,036	1,252
Contingent liabilities	35	271	604
Leasing commitments	36		

[1] *Calculated on 164,500,000 shares.*

Comments on the balance sheet

Assets

The SAS Group's total assets fell in 2004 by 6.0%, from MSEK 61,275 to MSEK 57,612.

The increase in intangible assets, MSEK 219, stems from acquired goodwill in Spanair, MSEK 588, development costs primarily in the IT area, MSEK 99, amortization, MSEK 461, and negative exchange rate differences, MSEK 7.

The book value of aircraft decreased by MSEK 5,525. This change comprises an increase owing to investment in Boeing 737s, Airbus A320/A330s, including earlier prepayments, and ongoing modifications totaling MSEK 2,145. Deductible items are depreciation for the year of MSEK 1,403 and the residual value of sold aircraft, etc., MSEK 6,267.

Long-term prepayments to suppliers of flight equipment fell during the year by MSEK 389. Advances to Boeing and Airbus were utilized in an amount of MSEK 337 in connection with aircraft deliveries during the year. For other deliveries, MSEK 75 was utilized. Prepayments of MSEK 30 were made for future deliveries. Capitalized financial expenses amounted to MSEK 10, and translation differences due to a weaker USD reduced the value by MSEK 17.

Equity in affiliated companies increased by MSEK 67 to MSEK 671. Shares of income after tax for the year were MSEK 117. Acquisition of 5.6% in ZAO St. Petersburg was MSEK 9. In addition, equity fell by MSEK 59 due to dividends and exchange rate fluctuations.

For all defined benefit pension plans, the pension commitments are calculated and all funded assets are taken into account. At December 31, 2004, book net pension funds totaled MSEK 7,421 (6,656) (see also Note 19).

At year-end, short-term liquid assets totaled MSEK 8,595 (9,066), or 14.9% (14.8%) of total assets.

Shareholders' equity

Shareholders' equity decreased by MSEK 1,975 to MSEK 11,159 (13,134). In addition to income for the year after tax, the change comprised change in translation differences in foreign subsidiaries and affiliated companies. At year-end the equity/assets ratio was 19% (22%), and the return on book equity was –16% (–10%).

Liabilities

MSEK 27,280 (28,866) of total liabilities was interest bearing.

At December 31, 2004, the interest-bearing net debt amounted to MSEK 9,956 (11,466). The SAS Group's average net debt during the year was MSEK 11,392 (13,104).

Financial net debt excluding net pension funds amounted to MSEK 17,377 (18,122).

The debt/equity ratio calculated on the financial net debt at December 31, 2004, was 1.55 (1.37).

Provision for marginal costs associated with the provision of free travel in exchange for redeemed points in the Group's various loyalty programs amounted to MSEK 740 (825) at December 31, 2004.

Total capital employed amounted to MSEK 38,464 (42,112) at year-end. Average capital employed during the year was MSEK 40,604 (43,388). Return on capital employed was –1% (0%).

Change in shareholders' equity

MSEK	Share capital	Restricted reserves	Acc. exch. rate diff. restricted reserves	Unrestricted equity	Acc. exch. rate diff. unrestricted reserves	Total equity
Opening balance, January 1, 2003	1,645	5,665	752	6,352	774	15,188
Exchange rate difference		–	–533	326	–434	–641
Transfer between unrestricted and restricted equity		–317	–1	318	–	0
Other		–	–	2	–	2
Total changes in shareholders' equity not reported in the statement of income		–317	–534	646	–434	–639
Net income for the year		–	–	–1,415	–	–1,415
Shareholders' equity, December 31, 2003	1,645	5,348	218	5,583	340	13,134
Exchange rate difference		–	–29*	14	–88*	–103
Transfer between unrestricted and restricted equity		29	–14	20	–35	0
Total changes in shareholders' equity not reported in the statement of income		29	–43	34	–123	–103
Net income for the year				–1,872		–1,872
Shareholders' equity, December 31, 2004	1,645	5,377	175	3,745	217	11,159

* *Includes MSEK 68 and MSEK 11, respectively, of hedging of net investments in foreign subsidiaries.*

The SAS Group's cash flow statement

MSEK	Note	2004	2003
THE YEAR'S OPERATIONS			
Income after financial items		–1,945	–1,470
Depreciation		2,853	3,046
Income from the sale of aircraft, buildings and shares		–118	–1,329
Adjustment for items not included in cash flow, etc.	37	–181	–246
Paid tax		–18	–279
Cash flow from the year's operations before changes in working capital		591	–278
Change in:			
Expendable spare parts and inventories		11	120
Operating receivables		–2,240	558
Operating liabilities		102	–1,567
Cash flow from changes in working capital		–2,127	–889
Cash flow from the year's operations		–1,536	–1,167
INVESTMENT ACTIVITIES			
Aircraft		–1,536	–2,390
Spare parts		–466	–427
Buildings, equipment and other facilities		–1,066	–992
Shares and participations, intangible assets, etc.		–57	–473
Prepayments for flight equipment		–30	–172
Acquisition of subsidiaries	38	–614	–34
Total investment		–3,769	–4,488
Sale of subsidiaries	39	–	884
Sale of aircraft, buildings and shares		6,661	4,656
Sale of other fixed assets etc.		192	–5
Cash flow from investment activities		3,084	1,047
FINANCING ACTIVITIES			
Change in long-term loans		–1,055	1,225
Change in short-term loans		–500	–1,628
Change in interest-bearing receivables and liabilities		–459	–1,072
Change in minority interest		–2	–5
Cash flow from financing activities		–2,016	–1,480
Cash flow for the year		–468	–1,600
Translation difference in liquid assets		–3	–55
Liquid assets, January 1	40	9,066	10,721
Liquid assets, December 31	40	8,595	9,066

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 591 (–278). Working capital increased by MSEK 2,127 (889), primarily owing to increased operating receivables, which resulted in cash flow from the year's operations of MSEK –1,536 (–1,167).

Total investment including prepayments to aircraft suppliers amounted to MSEK 3,769 (4,488). This includes delivery payments of MSEK 1,350 MSEK for one Airbus A330, two Airbus A320s and one Boeing 737.

Acquisition of subsidiaries refers to the purchase of a further 21% of the shares in Spanair and Aerolineas de Baleares, making the SAS Group's holding now 95%.

Sale of aircraft, buildings and shares generated MSEK 6,661 (4,656), of which proceeds from the sale of aircraft amounted to MSEK 6,400 (2,988). The sale and leaseback of three Airbus A340s, two Airbus A320s, three Boeing 767s, two Boeing 737s and four deHavilland Q400s was carried out during the year, and four Boeing 737s, three Douglas MD-82s and two Fokker F28s were sold. The sale of properties generated MSEK 256 (1,553), while shares and participations were sold for MSEK 5 (115).

Long-term loans fell by MSEK 1,055 in 2004, which mainly comprised a net of approximately MSEK 5,000 in new borrowing and amortization as well as redemption of loans. Interest-bearing receivables increased primarily owing to higher pension assets.

Overall, the SAS Group's liquid assets decreased by MSEK 471.

Accounting and valuation policies

General

The SAS Group's financial statements are prepared in accordance with generally accepted accounting principles in Sweden, which means that the financial reports have been prepared in accordance with the Annual Accounts Act and recommendations and pronouncements from the Swedish Financial Accounting Standards Council. The new recommendation from the Swedish Financial Accounting Standards Council, RR29, which took effect beginning in 2004, has been applied but had no material effect on the Group's earnings, position or equity.

The effects on the Group's earnings and financial position with the transition to reporting according to IFRS (International Financial Reporting Standards) are covered on pages 63-64.

Consolidated accounts

The SAS Group's accounts comprise the Parent Company SAS AB and all companies in which SAS directly or indirectly owns more than 50% of the voting rights or otherwise has a controlling influence.

Revenues and expenses in companies acquired or sold 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% or where the SAS Group has significant influence 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 a prepared 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 that this has arisen after the date of acquisition.

SAS AB's acquisition of SAS Danmark A/S, SAS Norge AS and SAS Sverige AB in 2001 is consolidated according to the principle for companies under joint control. The inclusion of these three companies in the consolidated accounts is therefore carried out through a consolidation of all assets and liabilities at the value 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 the company's shareholders' equity, taking into account deferred tax according to the tax rates in the countries concerned and any residual consolidated surplus or deficit values.

The SAS Group's share of affiliated companies' income before tax, adjusted for any depreciation or dissolution of consolidated 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. In those cases where net investment in foreign subsidiaries is currency hedged the effect of the hedging is likewise posted to equity.

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 associated liability are reported as part of the capital gain/loss.

Exchange rates			Closing rate		Average rate	
			2004	2003	2004	2003
Denmark	DKK	100	121.15	122.15	122.67	122.79
Norway	NOK	100	108.80	108.05	109.04	114.23
U.S.	USD		6.61	7.28	7.35	8.09
U.K.	GBP		12.71	12.91	13.46	13.19
Switzerland	CHF	100	582.70	582.85	591.15	600.51
Japan	JPY	100	6.38	6.80	6.80	6.97
EMU countries	EUR		9.01	9.09	9.13	9.12

Financial instruments

All fair values are based on market prices and generally accepted methods. For valuing, official market quotations on the closing date were used. Foreign currency was translated to SEK at the quoted rate on the closing date.

Short-term investments

Short-term investments are reported in the balance sheet at acquisition value on the settlement date and are valued at the lower of acquisition value or fair value on the closing date. Interest income is allocated and reported as incurred on the statement of income.

Short-term loans

Current liabilities comprise the short-term portion of interest-bearing long-term loans, i.e. the portion of the loan that is amortized in the coming fiscal year, as well as other short-term interest-bearing liabilities. These liabilities are reported in the balance sheet at acquisition value on the settlement date including accrued interest. Interest expenses are allocated and reported as incurred on the statement of income.

Long-term loans

Long-term loans comprise interest-bearing liabilities to banks and credit institutions as well as bond issues. These liabilities are reported in the balance sheet at acquisition value on the settlement date including accrued interest. Any premium/discount is included in the acquisition value and is allocated over the term of the liability. Interest expenses are allocated and reported as incurred on the statement of income.

Currency derivatives

In instances where the financial net debt has been translated at the closing rate, outstanding currency derivatives taken out for the purpose of hedging the currency exposure in the financial net debt are recognized in the statement of income. No currency derivatives are taken out for purposes of speculation. Outstanding currency derivatives (forward exchange contracts, currency swap contracts and currency options) are valued at the closing rate. Realized and unrealized exchange gains and losses 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 financial expense/income.

Currency derivatives taken out for the purpose of hedging forecast commercial net currency flows and investments are subject 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 posted to income on the same date as the currency effects on the hedged underlying position are posted to income.

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 reported as incurred on the statement of income.

Expendable spare parts and inventories

Expendable spare parts and inventories are stated at the lower of acquisition value or net selling price. Acquisition value is calculated by application of the first in first out (FIFO) method. 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. The Group is not engaged in any research and development (R&D) activity. 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 that at acquisition of operations exceeds the book value of the assets acquired and the liabilities taken over. Goodwill is reported as an intangible asset and 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. Other goodwill is amortized over 5 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 in the 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 systems development 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 five 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 cost less accumulated depreciation and any write-downs. Depreciation is straight-line over the estimated useful economic life of the assets beginning when the asset is ready to be put to use. For aircraft a number of essential components have been identified. The useful life of the various components has been determined and all components have the same useful life.

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 as incurred. 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 as the difference between the sales value and book value. The gain or loss that arises is reported in the statement of income.

Depreciation is based on the following estimated periods of useful economic life:

Asset class	Depreciation
Aircraft	20*
Reserve 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 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.

In those cases where leasing contracts are signed in connection with a sale and leaseback transaction, the leaseback of the asset is operating leasing.

For aircraft leased under operating leases, the contracts state that when the aircraft is returned, it must be in a certain specified condition. To meet this commitment, SAS carries out maintenance of these aircraft, both regularly and at the expiration of the leasing period. These costs are expensed on an ongoing basis when the maintenance is carried out.

Impairment losses

At least once a year tests are performed to look for the existence of impairment in intangible assets including goodwill with an unlimited lifetime. At each balance sheet date (quarterly), a review is conducted to look for any indication that the company's tangible assets are impaired and if this is the case, an assessment is done of the recoverable amount of the individual assets (or the cash-generating unit to which they belong) to determine whether impairment exists.

The recoverable amount is defined as the higher of an asset's net selling price (NSP) and its value in use (VIU). The best indicator of an asset's sales value is the price in a binding arm's length sale agreement adjusted for costs directly attributable to the sale of the asset. A market price is applied in the absence of such an agreement. A best estimate is used unless a binding agreement or a market price is available.

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 selling price per aircraft type, among other things taking the aircraft's age into account.

In calculating value in use, the estimated cash flow is discounted to a present value by applying a risk-adjusted discount rate to the asset's expected future pre-tax cash flow. The cash flow projection is based on reasonable assumptions that represent management's best estimate of the set of economic conditions that will exist over the remaining useful life of the asset. The cash flow projections are based on the most recent financial budget/prognosis and three-year business plan that management has approved. Projections beyond three years have been done by extrapolating using a steady or declining growth rate. The projections are based on the asset's current use and condition and exclude any future capital expenditure that will improve or enhance the asset in excess of its originally assessed standard of performance.

If the recoverable amount for the asset (or the cash-generating unit) is estimated to be lower than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to the recoverable amount. Recognition of impairment in a cash-generating unit to which goodwill has been allocated is done first to this goodwill and then to other assets on a pro-rata basis.

At each balance sheet date, a review is conducted to look for indications that the grounds for earlier impairment write-downs of assets other than goodwill no longer exist or have improved. If such indications exist, the recoverable amount is calculated. Earlier impairment losses are reversed if changes have taken place in the assumptions used to calculate the recoverable amount since the last impairment loss. If that is the case the carrying amount is increased to the lower of the recoverable amount and the carrying amount that the asset would have had if the previous impairment loss had not taken place.

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.

Provisions for restructuring costs are made when the decision is made and announced. These costs arise primarily for employees idled under notice.

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 to employees ceases when the contractual premiums have been paid.

For other pension plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid. 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 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. Plan amendments and deviations between anticipated and actual results for estimated pension commitments and funded assets are amortized over the average remaining working lives of the employees participating in the pension plan. Cumulative actuarial deviations from estimates of up to 10% of the greater of pension obligations and pension assets are included in the so-called corridor and are not amortized. When the cumulated actuarial deviations from estimates exceeds this 10% limit, the excess amount is amortized over a 15-year period, which corresponds to the average remaining employment period. The Parent Company reports current pension premiums as costs.

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 by 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' expected 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 other services are recognized as revenue when the goods are delivered or the service carried out.

Loyalty program

The SAS Group makes ongoing provisions as points are earned for the variable 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.

Taxes

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 value of assets or liabilities, result in a deferred tax receivable or deferred tax liability. A deferred tax liability is 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 within a three-year period 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.

Segment reporting

Information is provided for business areas and geographical markets. This information is based on the SAS Group's accounting policies and the Group's internal reporting to company management.

The primary segment comprises the SAS Group's five business areas (Scandinavian Airlines Businesses, Subsidiary & Affiliated Airlines, Airline Support Businesses, Airline Related Businesses and Hotels), corporate functions and Group eliminations. All operations, whether they be corporations or business units, are to have a businesslike relationship with customers and suppliers within the Group.

The Group's statement of income is shown by business area for operating income, EBIT. Other items 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 area 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 markets 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:
- the customer's geographical location, for example, goods exported to a customer in another country
- the geographical location where the service is performed, for example, training in flight simulators or hotel stays

Assets broken down by geographic area do not include the Group's aircraft and spare parts. Since aircraft are utilized in a flexible manner across the route network, there is no justifiable basis for allocating these assets.

Notes/supplemental information

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

Note 1 - Accounting policies

The new recommendation from the Swedish Financial Accounting Standards Council, RR29, which took effect beginning in 2004, has been applied but had no material effect on the Group's earnings, position or equity.

The effects on the Group's earnings and financial position with the transition to reporting according to IFRS (International Financial Reporting Standards) are covered on page 63.

Note 2 - Operating revenue

	2004	2003
Traffic revenue:		
Passenger revenue	36,930	38,579
Freight	2,043	2,229
Mail	389	391
Other traffic revenue	5,417	5,265
Other operating revenue:		
Sales of goods	1,829	1,684
Rooms revenue	2,340	1,686
Food and beverage revenue	1,564	1,257
Ground services	1,210	1,061
Distribution systems services	272	355
Technical maintenance	792	736
Flight simulator training	219	206
Terminal and forwarding services	835	682
Sales commissions	644	333
Other operating revenue	3,589	3,290
	58,073	57,754

Note 3 - Payroll expenses

Average number of employees

In 2004, the average number of employees in the SAS Group was 32,481 (34,544). A breakdown of the average number of employees by country is provided in the table below.

The average number of employees in Denmark was 7,413 (8,689), in Norway 9,616 (10,535) and in Sweden 7,602 (8,470).

	2004		2003	
	Men	Women	Men	Women
Denmark	4,781	2,632	5,581	3,108
Norway	5,721	3,895	6,202	4,333
Sweden	4,447	3,155	4,912	3,558
U.K.	528	579	319	343
Germany	416	442	265	314
France	175	220	113	134
Finland	306	343	252	277
Belgium	166	100	166	109
Spain	1,791	1,737	1,708	1,723
U.S.	100	160	103	175
Other countries	380	407	385	464
Total	18,811	13,670	20,006	14,538
Total men and women	32,481		34,544	

Gender breakdown among senior executives in the Group

	2004		2003	
	Total on closing date	Of which men	Total on closing date	Of which men
Board members	135	90%	96	92%
President and other senior executives	156	83%	114	88%

Note 3, cont.

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses amounted to MSEK 18,837 (21,133), of which social security expenses comprised MSEK 2,528 (2,689) and pensions MSEK 1,802 (2,384).

	2004		2003	
	Salaries & other remuneration	Soc. security (of which pension costs)	Salaries & other remuneration	Soc. security (of which pension costs)
SAS AB[1]	143	79 (34)	30	16 (9)
SAS Consortium	7,302	2,364 (1,119)	9,920	3,211 (1,489)
Other subsidiaries	7,062	1,887 (649)	6,110	1,846 (886)
SAS Group total	14,507	4,330 (1,802)[2]	16,060	5,073 (2,384)[2]

[1] *On November 1, 2003 most of the corporate functions were transferred from the SAS Consortium to SAS AB.*

[2] *The pension cost for the President and CEOs/EVPs of SAS Group companies amounted to MSEK 11 (30).*

A breakdown of the salaries and other remuneration of Board members, CEOs, EVPs and other employees is provided in the table below.

	2004		2003	
	Board, President and VPs (of which variable salary)	Other employees	Board, President and VPs (of which variable salary)	Other employees
SAS AB[1]	12 (2)	131	14 (2)	16
SAS Consortium	– (–)	7,302	– (–)	9,920
SAS Ground Services Group[2]	0 (0)	675	–	–
SAS Technical Services Group[2]	0 (0)	417	–	–
SAS Commuter Consortium	3 (1)	389	2 (–)	479
Blue1	1 (–)	141	1 (–)	110
Widerøe's Flyveselskap	2 (–)	751	2 (–)	787
SAS Braathens	7 (1)	972	7 (1)	1,038
Spanair	3 (1)	840	4 (2)	855
Newco Airport Services	4 (–)	136	4 (–)	130
Rezidor SAS Hospitality	9 (–)	1,478	9 (0)	1,008
SAS Cargo Group	4 (2)	575	3 (1)	681
SAS Flight Academy	2 (0)	78	1 (0)	76
European Aeronautical Group	2 (–)	57	2 (0)	53
Other subsidiaries	12 (1)	504	9 (0)	849
SAS Group total	61 (8)	14,446	58 (6)	16,002

[1] *On November 1, 2003 most of the corporate functions were transferred from the SAS Consortium to SAS AB.*

[2] *Operations started October 1, 2004.*

Sick leave in the Parent Company SAS AB

	2004
Total sick leave	1.3%
of which long-term sick leave > 59 days	67.5%
Sick leave for women	1.9%
Sick leave for men	0.9%
Sick leave employees <30 years	0.0%
Sick leave employees 30-49 years	1.8%
Sick leave employees >49 years	0.9%

The total sick leave is shown as a percentage of the employees' total working hours. The data only applies to employees in Sweden. Data for 2003 was not submitted as the average number of employees was fewer than 10.

Pension costs

	2004	2003
Defined benefit pension plans	862	1,123
Defined contribution pension plans	940	1,261
Total	1,802	2,384

Remuneration and fringe benefits of senior executives

Principles

The fees and other compensation paid to Board members of SAS AB shall be determined by the General Meeting.

Note 3, cont.

The SAS Group's overarching remuneration policy is aimed at offering the compensation required to recruit and retain sufficiently competent senior executives and other employees and inspire them to remain committed to doing their best for the SAS Group.

The SAS Group's overall compensation model for managers and employees is based on the following four cornerstones:

- Salary setting shall be individual and differentiated
- Salary setting shall be national and adapted to the market
- Salary setting shall be an important management tool in reaching the organization's goals
- Salary setting shall motivate professional and personal advancement

The SAS Group applies a compensation model for senior executives, certain other managers and specialists which means that salaries shall be performance-based. This ensures that the market salary for the positon will be achieved only if the individual performance meets the preagreed targets. For the employees covered by the model, the division of salary into a fixed and a performance-based variable portion shall be in proportion to the position's responsibilities and authority. A specific target-based variable salary is an important management tool and is aimed at ensuring that the priorities of senior executives are consistent with the Group's overall goals and strategies.

The compensation model consists of two components: Personal salary (A) and earnings-based salary (B).

A) Personal salary is set on the basis of the position's International Position Evaluation System (IPE) ranking, the market salary that the position requires and the competencies and performance the person in question has demonstrated, and consists of two components:
   - An annual fixed salary component amounting to 68-85.6% of the personal salary (62.5% for the President and members of Group Management).
   - A performance-based variable salary component, the maximum payment of which is 14.4-32% (37.5% for the President and members of Group Management) of the personal basic annual salary and is based on set and achieved personal targets. In the event of full target achievement the variable salary component paid is 80% of the aforesaid percentage rate. A maximum variable salary component according to the aforesaid percentage rate is paid only when the person's performance substantially exceeds the set targets.

The outcome of the variable salary component is based on achievement of the targets contracted between the employee and his or her superior, which are to contain qualitative as well as quantitative targets and refer to both business-specific and personal targets, with special emphasis on financial targets. On the recommendations of the compensation committee the Board sets the President's targets, degree of target achievement and the size of the variable salary component. The President annually sets the target criteria for people who report directly to him and decides in consultation with the compensation committee payment of the variable salary components.

Payment of the variable salary component takes place after the full-year earnings of the SAS Group have been determined.

B) An earnings-based salary depending on the earnings of the SAS Group is set in addition to the personal salary. The full earnings-based salary may be paid only if the Group achieves its budgeted earnings (EBT before gains) provided the earnings are positive. An earnings-based salary is never paid if earnings are negative. The earnings-based salary can amount to 4.4-8.0% (12.5% for the President) of the basic annual salary.

SAS AB follows Swedish Industry and Commerce Stock Exchange Committee rules concerning information on the fringe benefits of senior executives. Besides the Board, senior executives refers to the six people who together with the President form SAS's corporate Group Management.

Board of Directors

The Annual General Meeting of SAS AB held on April 22, 2004 resolved to pay shareholder-elected members a total fee of SEK 1,935,000, a reduction of 10% compared with the total fee for 2003. Within the authority of the General Meeting, it was also resolved to set the total remuneration of the employee-elected Board members and deputies at SEK 1,215,000, which also represents a 10% reduction of the fee compared with 2003.

In 2004 members and deputy members of SAS AB's Board of Directors were thus paid a total of SEK 3,150,000, of which SEK 495,000 was paid to the Chairman of the Board, SEK 360,000 to the Vice Chairman, SEK 270,000 to each of the seven ordinary Board members, and SEK 67,500 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 2004. 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. No compensation was paid for work on Board committees in 2004.

Note 3, cont.

President and CEO

Maximum possible performance-based personal variable salary component is 37.5% of the personal fixed annual salary and maximum earnings-based salary is 12.5% of the fixed annual salary. The target criteria for the variable salary portion is set annually by the Board on the recommendation of the compensation committee. The criteria cover budget and earnings targets as well as organizational and business targets that are accorded different weights. For 2004, 50% of the total variable salary depended on the SAS Group achieving a positive result (EBT before gains).

The variable salary portion is paid annually in arrears following the Board's approval of the annual accounts for the SAS Group for the financial year in question and according to the achievement of targets determined by the Board. Given the losses posted by SAS Group in the past few years, no earnings-based salary has been paid. The variable salary portion and earnings-based salary are not pensionable.

The President's fixed annual salary for 2004 amounted to SEK 6,390,000 compared with SEK 7,100,000 for 2003. Fixed and variable salary are listed in the table below.

Year	Fixed annual salary	Variable salary	Earnings-based salary
2003	SEK 7,100,000	SEK 1,952,000[1]	0
2004	SEK 6,390,000 [2]	SEK 1,550,000 [3]	0

[1] *The variable salary for 2003, which is set by the Board and paid during the first half of 2004, totaled 27% of the fixed annual salary. No earnings-based salary will be paid because the SAS Group posted a loss in 2003.*

[2] *The fixed annual salary was reduced by 10% starting January 1, 2004.*

[3] *The variable salary for 2004 amounted to 24% of the fixed annual salary for 2004. Other benefits in 2004 amount to SEK 62,000 and refer to company car.*

The President's retirement age is 65. Retirement pension, which is lifelong, is a defined benefit pension plan. Earnings are on a straight-line basis up to retirement age. 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 basic amounts (currently SEK 1,179,000) and of 35% of pensionable salary in excess of that amount. Provided the President remains in office until retirement age, 65, the service period factor will amount to 0.8333 (i.e. 83.33% of fully earned entitlement). 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.

Expressed in 2004 terms, the maximum pension from 65 years is SEK 2,208,000/year, approx. 34.6% of the fixed annual salary. The pension is not coordinated with previously earned pension rights. In 2004 the cost of the President's pension benefits amounted to SEK 1,904,000 (calculated according to IAS 19), approx. 34 % of the fixed pensionable salary.

The notice period is six months in the event the President resigns and 12 months if the termination of employment is by SAS AB. Severance pay is payable to the President in the event employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of duty or criminal acts against the SAS Group. The amount corresponds to 18 months of salary. Should new employment be obtained within 30 months after termination by SAS AB the awarded severance pay shall be reduced by the remuneration received from the new position, though, however by a maximum of 50% of the severance pay. No severance pay is paid if the President resigns of his own accord.

Other senior executives

Salary and the value of benefits paid in 2004 to other senior executives, who include Group Management members Sören Belin, Gunilla Berg, John S. Dueholm, Gunnar Reitan and Bernhard Rikardsen, totaled SEK 19,044,000, of which fixed salary amounted to SEK 15,143,000 and variable salary for 2003 amounted to SEK 3,900,000, but was paid in 2004. Starting January 1, 2004, fixed annual salaries (and thereby the computation basis for variable salary) were cut by 10% compared with the fixed annual salaries for 2003.

Variable salary for 2004 has not been determined yet. Since the SAS Group reported a loss for fiscal year 2004, no earnings-based salary will be paid.

Retirement age of senior executives is 60 years. Pension benefits for this group are partly defined benefit (three persons) and partly defined contribution (two persons). The defined benefit pension plan means that earnings are on a straight-line basis until retirement age. With fully earned entitlement, the pension level amounts to 70% of pensionable salary up to 30 basic amounts (currently SEK 1,179,000/NOK 1,763,000) and 35% of pensionable variable salary in excess of that amount. Pensionable salary refers to the annual fixed salary with the addition of the average of the performance-based variable salary and earnings-based salary paid in the last three years. Under the defined contribution pension plan a fixed percentage of the fixed annual salary is paid into the plan. In the one case 20% is paid and in the other 21.5%. The difference in the percentage rates is due to different individual assumptions upon entry into the pension system. SAS's total pension cost for 2004 in the category other senior executives amounted to SEK 6,023,000, of which SEK 2,900,000 refers to defined benefit pension plans and SEK 3,100,000 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 amounts to the equivalent of two fixed annual salaries,
- III the reconciliation against income from another appointment or assignment totals a maximum of one annual salary,
- 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 AB and six months if the employee resigns.

Share price-related compensation

Because the SAS Group does not have a share price-related incentive program, no such benefits were allotted to any senior executives in the SAS Group.

Other

Other typical managers' contracts in the SAS Group are based on the principles outlined under the above heading "Principles" with the difference that the total variable portion of the personal salary for this group (including financial income targets) varies, with 100% target achievement, between 14.4-27.2% of the basic annual salary. No earnings-based salary for 2004 has been paid.

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 basic amounts (SEK 1,179,000) and 35% of pensionable salary in excess of that amount. Pensionable salary refers to annual fixed basic salary with the addition of the average of the performance-based variable salary and earnings-based salary 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 Group executives, adjusted to Danish and Norwegian conditions, respectively.

Severance pay is paid according to the same principles as for the category other senior executives.

The President and other senior executives are normally not entitled to fees for directorships in the SAS Group or in companies in which the SAS Group has ownership interests or is in partnership with. In cases where a board fee is nevertheless paid, the fee is not linked to employment in the SAS Group and is therefore paid in that instance 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 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 is to prepare for the decision of the Board proposals 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 salary, pension and severance pay policy) for the Group Management and other senior executives in the SAS Group.

During the year the compensation committee discussed the short and long-term compensation and incentive system and submitted recommendations to the Board concerning overarching principles for remuneration policies in the SAS Group, including, among other things, principles and levels for variable salary, and also submitted recommendations regarding the President's target contract and variable compensation. The Board has discussed the compensation committee's recommendations and made decisions accordingly. Remuneration of other senior executives was decided by the President after consultation with the compensation committee. The compensation committee, whose composition in 2004 is given on page 92, held three minuted meetings plus a number of informal discussions.

Note 4 - Other operating expenses

	2004	2003
Selling costs	1,233	1,452
Jet fuel	6,252	4,743
Government user fees	6,139	5,842
Catering costs	1,783	2,226
Handling costs	2,539	2,553
Technical aircraft maintenance	2,329	2,650
Computer and telecommunications costs	2,985	2,377
Cost of sold goods, incl. concession fees	1,431	1,327
SAS Trading, other operating expenses	89	124
Rezidor SAS, other operating expenses	2,727	2,189
Other	6,598	6,583
Total	34,105	32,066

Note 5 - Depreciation

	2004	2003
Goodwill	161	134
Other intangible assets	300	273
Aircraft	1,403	1,506
Spare engines and spare parts	299	244
Workshop and aircraft servicing equipment	111	136
Other equipment and vehicles	396	544
Buildings and fittings	183	208
Land improvements	–	1
Total	2,853	3,046

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

	2004	2003
British Midland PLC[2]	22	–52
Skyways Holding AB	–19	4
Air Greenland A/S[3]	56	27
airBaltic Corporation A/S	–9	4
AS Estonian Air[4]	–1	3
Travellink AB[5]	–	–40
Commercial Aviation Leasing Ltd	23	25
Reversal of intra-group profit for Commercial Aviation Leasing Ltd.	40	40
Polygon Group Ltd[6]	–3	0
Aerolineas de Baleares S.A.[7]	–	10
Casino Copenhagen K/S	20	18
ZAO St. Petersburg	4	3
TBB Leisure Luxury Hotels	4	–
Other	0	–3
Total[8]	137	39

1 *Share of income in affiliated companies is reported before taxes.*
2 *The share of income includes goodwill amortization of MSEK –5 (–7) and adjustment of last year's income figure by MSEK 27 (6).*
3 *The share of income includes adjustment of last year's income figure by MSEK 15 (16).*
4 *AS Estonian Air was acquired in September 2003. The share of income includes goodwill amortization of –7 (–2) and adjustment of last year's income figure by 4 (–).*
5 *Travellink AB was a subsidiary of the SAS Group until December 2003. The share of income for 2003 includes a loan write-down of MSEK 23. Travellink was sold in March 2004.*
6 *The share of income includes adjustment of last year's income figure by MSEK –3 (–). Polygon Group Ltd was sold in December 2004.*
7 *Aerolineas de Baleares S.A. became a subsidiary of the SAS Group as of January 2003. The share of income for 2003 pertains to adjustment of the previous year's income figure.*
8 *Includes goodwill amortization totaling MSEK 20 (18).*

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

Note 7 - Income from the sale of aircraft and buildings

	2004	2003
Airbus A320	47	108
Airbus A340	–86	–
Boeing 737	145	60
Boeing 767	18	–
Douglas MD-80	–21	22
Fokker F28	–1	–10
deHavilland Q400	–43	32
Hotel properties	53	4
Other properties	1	433
Total	113	649

Note 8 - Income from other shares and participations

	2004	2003
Capital gains from the sale of shares and participations	–	29
Write-down of shares	–	–30
Dividend	1	–
Total	1	–1

Note 9 - Interest income and similar income items

	2004	2003
Interest income	336	1,084
Exchange rate differences, net	–	318
Other financial income	21	12
Total	357	1,414

Interest income includes MSEK 94 (743) for forward premiums for currency derivatives.

Note 10 - Interest expenses and similar income items

	2004	2003
Interest expenses	1,233	1,906
Exchange rate differences, net	53	–
Other financial expenses	113	96
Total	1,399	2,002

Interest expenses include MSEK 150 (943) for forward premiums for currency derivatives.

Note 11 - Tax

The following components are included in the Group's tax expense.

	2004	2003
Actual tax	–45	–113
Deferred tax	135	126
Tax attributable to Parent Company and its subsidiaries	90	13
Tax attributable to participations in affiliated companies	–21	–8
Total	69	5

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 financial year can be reconciled against income before tax as follows:

	2004	2004 (%)	2003	2003 (%)
Income after financial items	–1,945		–1,470	
Tax according to weighted tax rate in Denmark, Norway and Sweden (28.6%)	556	–28.6	420	–28.6
Tax effect of non-deductible costs	–82	4.2	–691	47.0
Tax effect of revenues not liable to tax	101	–5.2	265	–18.0
Tax attributable to previous year	36	–1.9	11	–0.7
Tax effect of loss carryforward	–50	2.6	–	–
Tax effect of changes in Group structure	–492	25.3	–	–
Tax income/expense and effective tax rate for the financial year	69	–3.6	5	–0.4

Deferred tax liability/tax receivable

	2004	2003
Deferred tax liability	3,193	3,273
Deferred tax receivable	–1,394	–1,413
Deferred tax liability, net	1,799	1,860

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 2004.

	2004	2003
Deferred tax liability in the balance sheet:		
Fixed assets	2,367	2,486
Provisions	–6	45
Tax allocation reserve	92	78
Other temporary differences	1,140	1,030
Fiscal loss carryforward	–400	–366
	3,193	3,273
Deferred tax receivable in the balance sheet:		
Fiscal loss carryforward	1,729	1,596
Fixed assets	–34	–
Provisions/receivables	30	40
Other temporary differences	–332	–223
	1,393	1,413
Reconciliation of deferred tax liability, net:		
Opening balance	1,860	2,053
Net tax receivable in acquired/sold companies	–	–15
Change according to statement of income	–135	–126
Exchange differences etc.	74	–52
Deferred tax liability, net, December 31	1,799	1,860

On the closing date the Group had unutilized loss carryforwards amounting to a total of MSEK 7,886 (7,548). Based on these loss carryforwards, the Group reports a deferred tax receivable of MSEK 2,129 (1,962). Deferred tax receivables are reported to the extent it is probable that taxable profits will be created against which the deductible temporary differences can be utilized. The assessment of the respective group company's future profit performance is based on the business plans drawn up for each unit as well as earnings reported in recent years. For the loss carryforward amounting to MSEK 850 (729), no deferred tax receivable is reported due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 5,636 has a due date in 2019 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		Other assets		Total intangible fixed assets	
	2004	2003	2004	2003	2004	2003
Opening acquisition value	2,665	2,685	1,461	1,470	4,126	4,155
Investments	588	152	48	201	636	353
Sales/disposals	–	–	–44	–68	–44	–68
Sale of company [1]	–	–	–	–54	–	–54
Reclassifications	–	–	73	–83	73	–83
Exchange rate differences	–8	–172	–2	–5	–10	–177
Closing accumulated acquisition value	3,245	2,665	1,536	1,461	4,781	4,126
Opening depreciation	–507	–386	–796	–585	–1,303	–971
Depreciation for the year	–161	–134	–300	–273	–461	–407
Sales/disposals	–	–	43	16	43	16
Sale of company [1]	–	–	–	2	–	2
Reclassifications	–	–	–21	42	–21	42
Exchange rate differences	2	13	1	2	3	15
Closing accumulated depreciation	–666	–507	–1,073	–796	–1,739	–1,303
Opening write-down	–	–	–13	–15	–13	–15
Exchange rate differences	–	–	–	2	–	2
Closing write-down	–	–	–13	–13	–13	–13
Closing planned residual value	2,579	2,158	450	652	3,029	2,810

[1] *Scandinavian IT Group was sold the previous year.*

The SAS Group is not engaged in activities relating to research and development (R&D).

Breakdown of planned residual value:	2004	2003
Goodwill	2,579	2,158
Capitalized system development costs	350	544
Development projects	64	70
Other	36	38
Total residual value	3,029	2,810

Goodwill:	2004	2003
Spanair	1,453	961
Braathens	654	688
Widerøe	135	142
Newco	97	104
Goodwill in Hotels business area	115	124
Aeronautical Services Group	45	46
Air Maintenance Estonia	23	23
Club de Vacaciones	17	20
Aerolineas de Baleares	14	15
Blue1	13	14
Novia	9	12
Other	4	9
Total goodwill	2,579	2,158

Note 13 -Tangible fixed assets

	Buildings & land		Aircraft [1]		Spare engines & spare parts		Workshop & aircraft servicing equipment	
	2004	2003	2004	2003	2004	2003	2004	2003
Opening acquisition value	2,728	4,625	30,865	31,937	4,660	4,725	1,386	1,477
Investments	265	42	1,536	2,390	466	460	65	58
Company acquisitions [2]	–	–	–	–	–	4	–	6
Capitalized interest [3]	–	–	–	–	–	–	–	–
Sales/disposals	–356	–1,332	–8,178	–3,516	–491	–428	–129	–48
Sale of companies [4]	–	–595	–	–	–	–	–	–
Reclassifications	749	161	619	428	112	–36	–	–73
Exchange rate differences	–9	–173	4	–374	–19	–65	–1	–34
Closing accumulated acquisition value	3,377	2,728	24,846	30,865	4,728	4,660	1,321	1,386
Opening depreciation	–1,455	–1,920	–8,455	–7,793	–1,509	–1,613	–1,116	–1,065
Depreciation for the year	–183	–209	–1,403	–1,506	–299	–244	–111	–136
Company acquisitions [2]	–	–	–	–	–	–	–	–1
Sales/disposals	146	412	1,914	697	317	313	124	46
Sale of companies [4]	–	187	–	–	–	–	–	–
Reclassifications	–62	–	–10	–	–116	7	–	12
Exchange rate differences	–1	75	–7	147	7	28	–	28
Closing accumulated depreciation	–1,555	–1,455	–7,961	–8,455	–1,600	–1,509	–1,103	–1,116
Opening write-down	–15	–18	–	–	–	–	–	–
Exchange rate differences	–	3	–	–	–	–	–	–
Closing write-down	–15	–15	–	–	–	–	–	–
Closing planned residual value	1,807	1,258	16,885	22,410	3,128	3,151	218	270

	Other equipment & vehicles		Construction in progress		Prepayments fixed assets		Total tangible fixed assets	
	2004	2003	2004	2003	2004	2003	2004	2003
Opening acquisition value	5,460	6,372	285	234	748	1,172	46,132	50,542
Investments	299	256	437	639	30	172	3,098	4,017
Company acquisitions [2]	–	1	–	–	–	–	–	11
Capitalized interest [3]	–	–	–	–	10	19	10	19
Sales/disposals	–606	–398	–	–1	–	–14	–9,760	–5,737
Sale of companies [4]	–	–811	–	–331	–	–	–	–1,737
Reclassifications	124	276	–515	–261	–412	–469	677	26
Exchange rate differences	–4	–236	–3	5	–17	–132	–49	–1,009
Closing accumulated acquisition value	5,273	5,460	204	285	359	748	40,108	46,132
Opening depreciation	–3,865	–4,437	–	–	–	–	–16,400	–16,828
Depreciation for the year	–396	–544	–	–	–	–	–2,392	–2,639
Company acquisitions [2]	–	–1	–	–	–	–	–	–2
Sales/disposals	563	371	–	–	–	–	3,064	1,839
Sale of companies [4]	–	695	–	–	–	–	–	882
Reclassifications	–	–117	–	–	–	–	–188	–98
Exchange rate differences	1	168	–	–	–	–	–	446
Closing accumulated depreciation	–3,697	–3,865	–	–	–	–	–15,916	–16,400
Opening write-down	–11	–13	–	–	–	–	–26	–31
Exchange rate differences	–	2	–	–	–	–	–	5
Closing write-down	–11	–11	–	–	–	–	–26	–26
Closing planned residual value	1,565	1,584	204	285	359	748	24,166	29,706

[1] *The insured value of aircraft at December 31, 2004 amounted to MSEK 51,147. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 34,557.*

[2] *Change for the previous year due to company acquisitions pertains to the Group's purchase of Air Maintenance Estonia, Adena and Novia.*

[3] *Capitalizing of interest was done at an average interest rate of 2.0% (2.0%).*

[4] *Scandinavian IT Group, Fastighets AB Solna Haga and SAS Hotel Stansted Ltd. were sold the previous year. The latter was returned to the Group in 2004.*

Note 13, cont.

At the beginning of 2004, six Douglas MD-90s, eight Airbus A321s and seven Airbus A340/330s were acquired, formally through finance lease contracts, with original terms of 10 years. In 2004, a further Airbus A330 was acquired via finance lease with a term of 10 years. Ten previously acquired Boeing 737s were also financed via finance lease with terms of 9-10 years. Finance lease contracts for three Airbus A340/330s were concluded during the year and replaced by operating lease contracts.

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 29 (21) finance-leased aircraft are recognized in the balance sheet in the amount of MSEK 10,698 (10,731). In addition to these, owned aircraft include 10 (16) aircraft valued at MSEK 1,927 (3,478) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 1,183 (2,265), which are to be viewed as finance-leased.

The SAS Group's aircraft holdings can be specified as follows:

	2004	2003
Owned	6,187	11,679
Finance leased	10,698	10,731
Book value	16,885	22,410

Finance leasing

The SAS Group has finance lease contracts for aircraft with remaining terms of up to 10 years. It also has finance lease contracts for machinery and equipment with remaining terms of up to five years.

Lease payments consist in part of minimum lease payments and in part of contingent rent. In those cases where the lease payments are based on an adjustable rate of interest they are included in minimum lease payments according to the current rate at the start of the agreement. Future changes of the interest rate are included in the contingent rent. Total lease payments amounted to MSEK 598 (725). Contingent rent has impacted the lease payments for the year by MSEK –20 (–22).

No finance lease assets are subleased to third parties.

Book values of finance lease assets amounted on the closing date to:

	Aircraft		Aircraft engines		Machinery & equipment	
	2004	2003	2004	2003	2004	2003
Acquisition value	12,547	12,032	–	65	89	78
Less accumulated depreciation	–1,849	–1,301	–	–9	–30	–38
Book value of finance lease assets	10,698	10,731	–	56	59	40

Future minimum lease payments and their present value for finance leasing contracts applying on closing date.

	2004		2003	
Due date:	Future minimum lease payments	Present value of minimum lease payments	Future minimum lease payments	Present value of minimum lease payments
Within one year	863	848	743	735
1-5 years	3,586	3,264	3,117	2,848
Over 5 years	4,186	3,090	5,327	3,840
Total	8,635	7,202	9,187	7,423

Note 13, cont.

Operating leasing

SAS Group leases out owned assets with book values that on the closing date amounted to:

	Aircraft		Machinery & equipment	
	2004	2003	2004	2003
Acquisition value	1,388	2,742	18	18
Less accumulated depreciation	–665	–888	–18	–18
Book value of assets leased out on operating leases	723	1,854	0	0

Depreciation for the year pertaining to aircraft leased out on operating leases was MSEK 66 (88).

Leasing revenues for the year did not contain any contingent rent.

Future leasing revenues for operating lease contracts on the closing date:

	2004	2003
Within one year	174	144
1-5 years	477	154
Total	651	298

Contractual purchase commitments

On the closing date the Group had the following commitments relating to future acquisition of tangible fixed assets.

	2005	2006	2007
Aircraft	60	615	866
Other purchase commitments	75		
Total	135	615	866

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:	2004	2003
Sverigehuset, part of Arlanda 2:1	33	29
Flight Academy, part of Arlanda 2:1	134	150
Night Stop, part of Arlanda 2:1	9	10
Total	176	189

Note 14 - Prepayments relating to tangible fixed assets

	2004	2003
Airbus	245	555
Boeing	96	181
Bombardier	–	1
Other	18	11
Total	359	748

Note 15 - Financial fixed assets

	Equity in affiliated companies		Long-term receivables from affiliated companies		Shares & participations		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Opening acquisition value	604	505	247	314	312	427	6,656	6,298	2,711	3,135	10,530	10,679
Contributions	9	176	–	–	1	34	758	742	132	359	900	1,311
Share of income	117	31	–	–	–	–	–	–	–	–	117	31
Sales	–1	–26	–	–	–	–138	–	–	–	–	–1	–164
Sale of companies [1]	–	–	–	–	–	–	–	–185	–	–	–	–185
Amortization	–	–	–7	–7	–	–	–	–	–147	–341	–154	–348
Dividend	–26	–21	–	–	–	–	–	–	–	–	–26	–21
Reclassifications	–	16	–	–6	–	–5	–	–	64	–360	64	–355
Exchange rate differences	–32	–77	–11	–54	–2	–6	7	–199	–43	–82	–81	–418
Closing accumulated acquisition value	671	604	229	247	311	312	7,421	6,656	2,717	2,711	11,349	10,530
Opening depreciation	–	–	–	–	–	–76	–	–	–	–	–	–76
Sales	–	–	–	–	–	76	–	–	–	–	–	76
Closing accumulated depreciation	–	–	–	–	–	–	–	–	–	–	–	–
Opening write-down	–	–	–	–	–187	–160	–	–	–91	–450	–278	–610
Write-down for the year	–	–	–	–	–	–30	–	–	–	–	–	–30
Reclassifications	–	–	–	–	–	–	–	–	–	358	–	358
Exchange rate differences	–	–	–	–	2	3	–	–	1	1	3	4
Closing write-down	–	–	–	–	–185	–187	–	–	–90	–91	–275	–278
Closing residual value	671	604	229	247	126	125	7,421	6,656	2,627	2,620	11,074	10,252

[1] *Scandinavian IT Group was sold the previous year.*

Note 16 - Share of equity in affiliated companies

	Corporate ID no.	Domicile	SAS Group's holding share of equity %	Share of equity 2004	Share of equity 2003
British Midland PLC	2107441	Derby, UK	20.0	156	147
Skyways Holding AB	556021-5872	Stockholm, Sweden	25.0	71	84
Air Greenland A/S	30672	Nuuk, Greenland	37.5	129	95
airBaltic Corporation A/S	324575	Riga, Latvia	47.2	58	71
AS Estonian Air [1]	10076042	Tallinn, Estonia	49.0	182	183
Travellink AB [2]	556596-2650	Stockholm, Sweden		–	0
Commercial Aviation Leasing Ltd	IE6328550R	Dublin, Ireland	49.0	160	156
Elimination of intra-group profit for Commercial Aviation Leasing Ltd				–198	–238
Polygon Group Ltd	33173	St.Peters Port, Guernsey		–	3
Casino Copenhagen K/S	15751274	Copenhagen, Denmark	50.0	38	42
TTB Leisure Luxury Hotels	99088707	Cape Town, South Africa	50.0	13	10
ZAO St. Petersburg	76679	St. Petersburg, Russia	30.4	51	38
Other				11	13
Total				671	604

[1] *AS Estonian Air was acquired in September 2003.* [2] *Previously a subsidiary, Travellink was included as an affiliated company from December 2003 and was sold in March 2004.*

Participations in affiliated companies are reported by the owner company through application of the equity method. Consolidated shareholders' equity on the closing date, December 31, 2004, amounted to MSEK 11,159. If participations in affiliated companies had been reported according to the acquisition cost method, consolidated shareholders' equity would have amounted to MSEK 11,348.

Equity in affiliated companies includes acquired surplus value of 29 (34) in British Midland PLC, 60 (64) in Skyways Holding AB, MSEK 57 (64) in airBaltic Corporation A/S and MSEK 122 (128) in AS Estonian Air.

Note 17 - Long-term receivables from affiliated companies

	2004	2003
airBaltic Corporation A/S	33	36
Commercial Aviation Leasing Ltd	196	211
Total	229	247

Note 18 - Shares and participations

	Number of shares/ participations	%		Par value 1,000s	MSEK Book value
Shares and participations					
Aeroxchange Ltd, Dallas	50,000	9.4	USD	5,000	50
Doriscus Enterprise Ltd, Limassol	2,040,000	16.0	EUR	2,040	21
Feri Otelcilik Ve Turism AS, Istanbul	270,000	10.0	USD	2,700	20
RBS Hotellis AS, Tallinn	570	14.1	EEK	570	17
Al Quseir Hotel Company, Al Quseir City	6,000	20.0	EGP	6,000	13
Other					5
Total shares and participations					126

Note 19 - Pension funds, net

	2004	2003
Pension funds, net, overfunded plans	8,914	8,025
Pension funds, net, underfunded plans	–1,493	–1,369
Total	7,421	6,656

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.

Most SAS employees in Sweden are covered by ITP pension reinsured by Alecta (the Alecta plan). The Alecta plan is a multi-employer pension plan and has been classified by the Swedish Financial Accounting Standards Council as a defined benefit pension plan. SAS has signed a special and specific agreement with Alecta whereby Alecta has undertaken to estimate SAS's pension commitments regarding the Alecta plan in a manner enabling SAS to report according to IAS 19. Alecta has specifically certified that this information is correct and reliable for reporting according to IAS 19. The agreement with Alecta also means that SAS received a written description of how any surpluses may benefit SAS in the form of either indirect or direct premium reductions or through cash refunds. It is SAS's opinion that the information received from Alecta is correct and reliable and enables reporting of SAS's proportional share of the defined benefit commitment along with the assets under management and costs associated with the Alecta plan. All in all it is therefore SAS's opinion that all preconditions have been met for being able to report the Alecta plan according to the main rule in IAS 19/RR29.

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.

In calculating pension commitments, the year's pension earnings and returns, locally set parameters are applied 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:

	2004	2003
Discount rate	6.2%	6.2%
Long-term rate of return	7.4%	7.4%
Inflation rate	2.2%	2.2%
Future salary adjustments	3.1%	3.1%
Future adjustments of current pensions	2.2%	2.2%

The following interest parameters are used for the largest pension plans in Sweden and Norway:

Discount rate	6.0% (6.0%) in Sweden and 6.5% (6.5%) in Norway
Long-term rate of return	7.5% (7.5%) in Sweden and 7.5% (7.5%)in Norway

In accordance with IAS 19/RR 29, these parameters provide an expression of the Group's long-term estimate of the level in the pension plans.

The starting point has been that the discount rate shall reflect a long-term assumption about Treasury bond interest rates. On the basis of historical trends over different cycles, 6% in Sweden and Denmark and 6.5% in Norway are deemed to be realistic. The long-term return shall correspond to a long-term expectation of return on funded assets based on the pension institutes' investments in shares and interest-bearing securities. For Sweden and Norway, 7.5% is deemed to be a realistic expectation of long-term return. For Denmark, 7% is deemed reasonable against the background of a somewhat more conservative investment strategy. The inflation assumption is 2% in Sweden and Denmark and 2.5% in Norway. Future salary adjustment has been set at one percentage point above the inflation assumption for the purpose of including a real salary increase in calculations of pension commitments.

The amortization period for deviations from estimates exceeding the higher of 10% of commitments or funded assets is 15 years.

A noticeable reduction in funded assets occurred during 2002, 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. In 1999 an allocation of MSEK 3,063 was identified for the SAS Group in the form of so-called client company pension funds in Alecta in Sweden. As of December 31, 2004, MSEK 1,037 had not been utilized.

Defined benefit pension plans	2004	2003
Pension earned during the year	–1,042	–1,125
Interest on pension provisions	–1,398	–1,373
Expected return on funded assets for the year	1,810	1,673
Amortization of deviations from estimates and plan amendments for the year	–232	–298
Impact on income for the year, net, pertaining to defined benefit pension plans	–862	–1,123

The above cost is reported in its entirety as a payroll expense.

Overfunding exists in several of SAS's pension plans. This means the return on funded assets for the year will exceed the cost of pension benefits earned.

In the financial statements the commitments of the SAS Group are included as specified in the table below. Plan amendments are amortized over the average remaining working lives of employees covered by the plan and deviations from estimates are amortized over fifteen years when they exceed 10% of the greater of pension obligations or pension assets.

Status at year-end	2004	2003	2002
Funded assets	24,656	23,754	24,138
Pension commitments	–22,656	–23,062	–22,894
Difference between funded assets and commitments	2,000	692	1,244
Unrecognized plan amendments and deviations from estimates [1]	5,421	5,964	5,054
Book assets	7,421	6,656	6,298

[1] *Of which deviations from estimates 5,121 (5,816).*

In some pension plans the real return rate has been lower than the Group's estimated long-term return of 7.4%, which is reflected in the item, unrecognized deviations from estimates. The actual return on managed assets in 2003 was 9.7% and –4.4% in 2002. While the final calculation for 2004 is not yet ready, the return is expected to be approximately 9%.

The difference between funded assets/commitments and net book assets is shown below:

	Funded assets	Commitments (PBO)	Difference funded assets/ commitments	Pensions funds, net
Pension plans in Sweden	11,351	7,856	3,495	5,131
Pension plans in Norway	9,440	10,278	–838	1,644
Other pension plans	3,865	4,522	–657	646
Total	24,656	22,656	2,000	7,421

Pension funds include unfunded plans funded via operating income and underfunded plans in the amount of MSEK 384 in Sweden, MSEK 1,090 in Norway and MSEK 19 in other countries.

Pension funds, net, including pension commitments, assets under management and unrecognized plan amendments and deviations from estimates for the defined benefit pension plans performed as follows:

	2004	2003
Opening balance	6,656	6,298
Impact on income for the year	–862	–1,123
Paid-in premiums	1,830	2,204
Utilization of company funds in Alecta	–243	–542
Change in deviations from estimates and pension plans	33	18
Currency effect	7	–199
Closing balance	7,421	6,656

Of total pension commitments of MSEK 22,656 (23,062), MSEK 20,697 (21,131) was funded and MSEK 1,959 (1,931) unfunded.

Note 20 - Expendable spare parts and inventories

	2004	2003
Expendable spare parts, flight equipment	868	947
Expendable spare parts, other	144	95
Inventories	253	235
Total	1,265	1,277
Valued at acquisition cost	1,265	1,200
Valued at net selling price	–	77
Total	1,265	1,277

Note 21 - Prepaid expenses and accrued income

	2004	2003
Prepaid expenses	881	599
Accrued income	1,165	395
Total	2,046	994

Note 23 - Minority interests

	2004	2003
Opening balance	112	166
Minority shares in net income for the year	–4	–50
Acquired/divested companies	–83	–2
Currency effect	–	–2
Closing balance	25	112

Note 22 - Short-term investments

	Book value 2004	Fair value 2004	Book value 2003
Treasury bills	3,127	3,128	3,209
Housing bonds	1,738	1,738	1,748
Deposits	2,295	2,295	2,742
Commercial paper	33	33	99
Blocked deposits in tax-deduction account in Norway	156	156	202
Total	7,349	7,350	8,000

Fair value is the amount that should have been received for outstanding short-term investments if sold on the closing date.

Note 24 - Other provisions

	Restructuring		Loyalty program		Other provisions		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Opening balance	569	772	825	929	171	90	1,565	1,791
Provisions	223	496	262	319	27	106	512	921
Utilized provisions	–599	–674	–347	–423	–111	–6	–1,057	–1,103
Divested companies	–	–30	–	–	–	–	–	–30
Currency effects	–	5	–	–	–	–19	–	–14
Closing balance	193	569	740	825	87	171	1,020	1,565

Other provisions include provisions for leasing unused premises and maintenance costs for leased aircraft according to the leasing contract.

Note 25 - Maturity of long-term liabilities

Long-term liabilities that fall due more than five years after the closing date.

	2004	2003
Subordinated debenture loans	742	742
Other loans	4,388	6,669
Other liabilities	12	12
Total	5,142	7,423

Note 27 - Bond issues

SAS's bond issues amounted to MSEK 6,176 (6,249).
Specification of individual loans:

Issued amount		Interest rate	Maturity	Outstanding debt in MSEK	Loans after currency swap
MJPY	1,000	1.000%	2001/2007	64	MEUR 9
MJPY	1,000	1.120%	2001/2007	64	MEUR 9
MJPY	5,500	1.305%	2001/2007	351	MEUR 54
MCZK	750	3.030% [1]	2001/2008	221	MEUR 22
MEUR	500 [2]	6.000%	2001/2008	4,503	MEUR 427 + MUSD 63
MEUR	108	4.175% [1]	2003/2008	973	
Total				6,176	
Less amortization 2005				0	
Total				6,176	

[1] *Interest rate on the closing date. The loan has a floating interest rate set every three months.*
[2] *The loan is listed and on the closing date the fair value amounted to MEUR 488.2, equivalent to MSEK 4,397.2.*

To manage the currency exposure the loans have to some extent been switched to other currencies as shown above. The value of currency swap transactions is included in book value under other loans, see Note 28. The interest rate exposure is managed by entering into interest-rate swap contracts to adjust the fixed-interest term.

Note 26 - Subordinated debenture loan

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. SAS has repurchased MCHF 72.8 worth of the bonds, after which the balance of the loan is MCHF 127.2.

The loan is listed and on the closing date the fair value amounted to MCHF 52.2, equivalent to MSEK 309.9.

Note 28 - Other loans

	Book value 2004	Fair value 2004	Book value 2003
Finance leasing	7,971	7,222	8,827
Other loans, swap transactions	6,871	6,497	7,012
Total before amortization	14,842	13,719	15,839
Less amortization in 2005 and 2004	–800	–997	–2,116
Total other loans	14,042	12,722	13,723

Maturity profile of other loans:

	2005	2006	2007	2008	2009	2009>	Total
Finance leases	645	1,010	485	510	545	4,776	7,971
Other loans	155	1,810	4,208	–61	322	437	6,871
Total	800	2,820	4,693	449	867	5,213	14,842

Of the above loans in foreign currency, MSEK 5,904 (6,905) is reported at the exchange rate on the acquisition date. The loans are covered by hedge accounting and should be viewed in conjunction with investments in aircraft. A valuation of corresponding loans at the closing rate amounts to MSEK 4,455 (5,247).

Note 29 - Long-term liabilities to affiliated companies

	2004	2003
airBaltic Corporation A/S	0	2
Total	0	2

Note 30 - Financial risk management and financial derivatives

Currency risks

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

Transaction risk arises when commercial flows in foreign currencies are exposed to currency rate fluctuations. To manage the transaction risk the SAS Group is exposed to, the forecast commercial currency flows are hedged with the help of currency derivatives. According to policy, the hedge level shall be between 60-90% of a 12-month rolling liquidity forecast. As of December 31, 2004 the fair value of currency-hedged forecast commercial currency flows amounted to MSEK –152. All currency derivatives fall due in 2005.

Translation risk arises during conversion of balance sheet items in foreign currencies due to changes in exchange rates. To limit translation risk the policy is to keep the financial net debt mainly in the accounting currency of the respective company. Because a considerable portion of the asset base is made up of aircraft, the SAS Group shall maintain indebtedness in USD since aircraft are financed and valued in USD. In 2004, hedging of the shareholders' equity of foreign subsidiaries was introduced through borrowing in respective currencies.

Interest rate risks

The SAS Group is exposed to interest rate risk when the market value of the financial net debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). To manage the interest rate risk, interest rate derivatives are used to change the fixed-interest term of the underlying financial net debt. According to current policy, the fixed interest term of the financial net debt shall be in the 1-6 year interval with the objective that the average fixed interest term should correspond to 3.5 years. A sensitivity analysis of December 31, 2004 shows that a change of the market interest rates by 1% would impact the SAS Group's interest payments by approximately MSEK 50 in the next calendar year. The calculation includes outstanding interest rate derivatives. The average fixed-interest term during the year was approximately 3.2 (2.3) years. At the end of 2004 the fixed-interest term was 3.0 (3.6) years.

Interest rate exposure

	<1 year	1-5 years	>5 years	Total
Interest-bearing assets	9,086	817	0	9,903
Interest-bearing liabilities	–18,709	–6,000	0	–24,709
Interest rate derivatives	4,787	–1,089	–3,698	0
Total	–4,836	–6,272	–3,698	–14,806

In calculating the interest rate exposure of interest-bearing liabilities, accrued interest and the effect of liabilities subject to hedge accounting are not included.

Credit risks

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill his contractual obligations. The financial policy prescribes that transactions may be signed only with counterparties with high creditworthiness, defined as category A3/P-1 or better according to Moody's.

Limits are set for each counterparty and are continually revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. Approximately 80% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 16% in the rest of Europe and 4% in the U.S. For short-term investments the size of the credit risk is the nominal amount and is distributed as follows:

Rating (Moody's)	Book value MSEK
Aaa/P-1	3,127
Aa1/P-1	1,168
Aa3/P-1	2,096
A1/P-1	490
A2/P-1	435
A3/P-1	33
Total	7,349

Concerning the SAS Group's accounts receivable the counterparty risk is spread over a large number of customers including private individuals and companies in various industries. Credit information is required for credit sales with the aim of minimizing the risk of unnecessary customer losses and is based on intragroup information on payment history supplemented with credit and business information from external sources.

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.

The liquidity reserve of the SAS Group should correspond to three months' fixed operating costs (approximately MSEK 9,000), of which a minimum of 75% shall be kept in liquid assets (approximately MSEK 6,750). The SAS Group's liquid assets shall be kept in instruments that have good liquidity or short maturity. To guarantee good payment preparedness, financial preparedness shall be equivalent to 20-25% of the SAS Group's annual operating revenue.

Contracted credit facilities

MSEK Facility	Total facility	Utilized facility	Unutilized facility	Expiration of validity period
Revolving credit facility MEUR 400	3,600	2,700	900	2007
Bilateral bank facilities	2,000	0	2,000	2005
Other	1,040	580	460	2005
Total	6,640	3,280	3,360	

To manage borrowing risk the objective is for the SAS Group's maturity profile to be divided evenly over time so that a maximum of 25% of the interest-bearing gross liabilities fall due over the coming 12 months. As of year-end 2004 the Group's interest-bearing liabilities amounted to MSEK 27,280 (28,866). 14.5% of the interest-bearing liabilities are associated with financial key figures such as cash flow, debt/equity and liquidity ratios. The term of the interest-bearing gross debt amounted to approximately 3.1 (3.8) years at year-end.

Hedging of investments

Since aircraft are purchased and valued in foreign currency (USD), the asset base is exposed to currency risks. Linking the financing to the investment minimizes the effects of exchange rate changes. Since the financing effectively counteracts the change in value of the underlying asset both on the date it was contracted and during the hedging period, hedge accounting is applied. A valuation of the liabilities at the closing rate shows that the value of the loans and derivatives is MSEK 2,242 lower than the liabilities' book value at the exchange rate subject to hedge accounting, see Notes 28 and 31.

Financial derivatives

The SAS Group employs financial derivatives to achieve desired currency and interest distribution of the financial net debt and to manage currency exposure in future commercial payment flows and investments in foreign currency. Instruments such as interest rate swaps, futures and forward rate agreements are used to adjust the fixed-interest term. Forward exchange contracts, currency swap contracts and currency options are used to manage currency risk exposure.

Realized earnings effects resulting from value changes attributable to currency and interest rate derivatives were taken to earnings on a current basis during the year. At December 31, 2004, the fair value of the SAS Group's outstanding derivatives totaled MSEK 123 (–98), broken down according to the table below. A closure of all outstanding derivative instruments at December 31, 2004, would provide a positive earnings impact of MSEK 362 (315).

	2004			2003		
MSEK Outstanding financial derivatives	Nominal value of outstanding volume	Book value	Fair value	Nominal value of outstanding volume	Book value	Fair value
Currency derivatives	21,873	–113	–110	18,038	–428	–427
Currency derivatives, subject to hedge accounting	20,704	–136	513	14,894	–9	684
Interest rate derivatives	17,047	10	–280	18,308	24	–355
Total	59,624	–239	123	51,240	–413	–98

The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. The difference between the fair value and the book value represents 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 31 - Short-term loans

	Book value 2004	Fair value 2004	Book value 2003
Revolving credit facilities, utilized portion	330	330	2,596
Issued commercial paper	1,404	1,410	474
Bank loans	2,128	2,159	1,338
Overdraft facilities, utilized portion	358	358	73
Forward currency contracts	465	468	675
Forward currency contracts, subject to hedge accounting	794	–	825
Total	5,479	4,725	5,981

Liability subject to hedge accounting of MSEK 794 (825) is the difference between the exchange rate at the time of the acquisition and the closing rate and should be viewed in conjunction with aircraft investments.

Note 32 - Unearned transportation revenue (net)

Unearned transportation revenue consists of tickets sold and still valid but unused, see Accounting and valuation policies, page 73 - Revenue recognition.

The estimated reserve in the unearned transportation revenue liability on December 31, 2004, amounted to MSEK 305 (371).

Note 33 - Accrued expenses and prepaid income

	2004	2003
Vacation pay liability	1,698	2,008
Other accrued payroll expenses	468	339
Selling costs	308	607
Technical aircraft maintenance	325	408
Other accrued expenses	2,230	2,060
Prepaid income	404	247
Total	5,433	5,669

Note 34 - Assets pledged

	2004	2003
Related to long-term liabilities to credit institutions:		
Real estate mortgages	114	113
Aircraft mortgages	681	1,097
Company mortgages	20	12
Other mortgages	3	–
Shares in subsidiaries	0	0
Related to deposits:		
Blocked bank accounts	218	30
Total	1,036	1,252

Outstanding liability at December 31, 2004 relating to aircraft mortgages was MSEK 347.

The item shares in subsidiaries includes the book value of SAS's shares in SAS's wholly owned financing structures for aircraft. For additional information in this regard, please refer to Note 13.

Note 35 - Contingent liabilities

	2004	2003
Swap transactions	208	175
Contingent liabilities, other	63	429
Total	271	604

Contingent liabilities include a gross amount of MSEK 208 (175) 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 closing date was lower than the value of the original loan and the accrued interest receivable on currency and interest rate contracts.

Under the management agreements for 45 hotels, Rezidor SAS Hospitality A/S guarantees a minimum annual cash flow until 2006-2030. 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 made in 2004 came to MSEK 74.

Note 35, cont.

The SAS Group is involved in disputes, some of which will be settled in court. Provisions are made in cases where a probable and quantifiable risk of loss is judged to exist.

Note 36 - 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:

	2005	2006	2007	2008	2009	2010>
Aircraft	2,585	2,448	2,268	1,862	1,579	4,175
Hotel properties	1,182	1,241	1,257	1,269	1,293	20,628
Other properties	872	821	790	766	730	5,737
Machinery and equipment	52	29	27	26	26	23
Total	4,691	4,539	4,342	3,923	3,628	30,563

The lease contracts run from between one and ninety-eight years, and individual assets with an annual leasing cost in excess of MSEK 0.5 have been included. Total lease costs in 2004 amounted to MSEK 4,890 (4,805), of which MSEK 214 (179) pertains to contingent rent. Contingent rent varies according to different factors such as operating revenue, the consumer price index and short-term market interest rates. In 2004 payments received for assets subleased to a third party amounted to MSEK 31 (1). The value of future fixed payments for these assets subleased to a third party is MSEK 15 (1).

The above table includes the following major items:

The sale and 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 288. The agreement runs through December 2009.

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 terms, to buy back all or parts of the property portfolio after 10 years. The rent amounts to MSEK 118 in 2005.

In September and December 2003 properties in Copenhagen and Stockholm were sold. They were acquired by Keops and Nordisk Renting for a purchase price of MSEK 2,122. The properties are being leased back by SAS via operating leases for 10-20 years. The rent amounts to MSEK 174 in 2005.

Note 37 - Adjustment for items not included in cash flow, etc.

	2004	2003
Share of income in affiliated companies	–137	–39
Dividends from affiliated companies	26	21
Costs of sale of fixed assets	–107	–256
Write-downs	24	30
Capitalized interest on prepayments to aircraft manufacturers	–10	–19
Other	23	17
Total	–181	–246

Note 38 - Acquisition of subsidiaries

Shares in Spanair were acquired in 2004. Shares in Adena, Novia, Aerolineas de Baleares and Air Maintenance Estonia were acquired in 2003. According to the acquisition analyses the value of the acquired assets and liabilities was as follows:

	2004	2003
Tangible fixed assets	–	10
Current assets	–	18
Current receivables	–	13
Liquid assets	–	7
Minority interests	80	–1
Long-term liabilities	–	–12
Current liabilities	–	–36
Total	80	–1
Goodwill	588	42
Purchase price	668	41
Prepayment in 2003 pertaining to acquisition of shares in Spanair	–54	
Liquid assets in acquired companies	–	–7
Effect on the Group's liquid assets	614	34

Note 39 - Sale of subsidiaries

No subsidiaries were sold in 2004. In 2003 Scandinavian IT Group, Fastighets AB Solna Haga and SAS Hotel Stansted Ltd. were sold. The latter was returned to the Group in 2004.

The value of the sold assets and liabilities was the following:

	2004	2003
Intangible fixed assets	–	52
Tangible fixed assets	–	855
Financial fixed assets	–	166
Current assets	–	61
Current receivables	–	235
Liquid assets	–	241
Provisions	–	–52
Long-term liabilities	–	–331
Current liabilities	–	–337
Total	–	890
Capital gain excl. sales costs	–	715
Purchase price	–	1,605
Unpaid purchase price		–480
Liquid assets in sold companies	–	–241
Effect on the Group's liquid assets	–	884

Note 40 - Liquid assets

	2004	2003
Short-term investments	7,349	8,000
Cash and bank balances	1,246	1,066
Liquid assets at year-end	8,595	9,066

Note 40, cont.

Disclosure of interest paid:
During the year, interest received amounted to MSEK 322 (1,009), of which MSEK 104 (698) pertains to forward premiums for currency derivatives. During the year, interest paid amounted to MSEK 1,267 (1,939), of which MSEK 218 (928) pertains to forward premiums for currency derivatives.

Note 41 - Auditors' fees

An audit engagement refers to the examination of annual accounts and accounting records and the administration of the Board of Directors and the President. Such services 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 duties. All other work is classified as other services.

The following remuneration was paid to audit firms for audit services and other services.

	2004	2003
Deloitte & Touche		
Audit services	16	13
Other services	13	8
Total Deloitte & Touche	29	21
Other audit firms		
Audit services	2	3
Other services	0	1
Total other audit firms	2	4
Total	31	25

Note 42 - Transactions with affiliated companies

Revenues from sales to affiliated companies amounted to MSEK 317 (128). Costs of purchases from affiliated companies was MSEK 294 (297).

Note 43 - Segment reporting

Income by business area

	Scandinavian Airlines Businesses		Subsidiary & Affiliated Airlines		Airline Support Businesses		Airline Related Businesses		Hotels		Groupwide & eliminations		SAS Group	
STATEMENT OF INCOME	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
External sales	34,344	30,088	11,760	17,214	4,634	4,346	2,452	2,494	4,452	3,467	431	145	58,073	57,754
Sales between business segments	1,329	1,576	78	301	9,579	9,504	461	2,282	100	91	–11,547	–13,754	0	0
Total operating revenue	35,673	31,664	11,838	17,515	14,213	13,850	2,913	4776	4,552	3,558	–11,116	–13,609	58,073	57,754
Payroll expenses	–8,106	–7,816	–2,485	–4,045	–6,204	–6,108	–447	–1,342	–1,664	–1,468	–679	–1,148	–19,585	–21,927
Other expenses	–25,540	–22,347	–7,887	–11,182	–6,932	–7,134	–2,269	–3,106	–2,751	–2,215	11,274	13,918	–34,105	–32,066
Operating income before depreciation and leasing costs, EBITDAR per business segment	2,027	1,501	1,466	2,288	1,077	608	197	328	137	–125	–521	–839	4,383	3,761
Leasing costs for aircraft	–1,557	–1,328	–1,132	–1,754	0	0	0	0	0	0	0	147	–2,689	–2,935
Operating income before depreciation, EBITDA per segment	470	173	334	534	1,077	608	197	328	137	–125	–521	–692	1,694	826
Depreciation	–1,448	–1,427	–410	–560	–495	–451	–147	–259	–165	–138	–188	–211	–2,853	–3,046
Share of income in affiliated companies	62	65	50	–5	0	0	0	–17	28	19	–3	–23	137	39
Capital gains	162	113	53	117	5	0	1	0	53	4	–156	1,066	118	1,300
Operating income EBIT per business segment	–754	–1,076	27	86	587	157	51	52	53	–240	–868	140	–904	–881
Unallocated income items														
Income from other shares and participations													1	–1
Net financial items													–1,042	–588
Tax on income for the year													69	5
Minority interests													4	50
Income before tax													–1,872	–1,415
OTHER DISCLOSURES														
Assets	30,848	30,792	8,429	11,148	9,868	7,021	1,684	1,605	2,855	2,568	3,257	7,537	56,941	60,671
Equity shares	–38	–81	598	581	8	7	0	0	101	90	3	7	671	604
Total assets	30,810	30,711	9,027	11,729	9,875	7,028	1,684	1,605	2,956	2,658	3,260	7,544	57,612	61,275
Total liabilities	22,979	23,040	5,693	7,427	7,459	4,884	1,033	887	2,344	2,055	6,945	9,848	46,453	48,141
Investments for the year	874	1,033	1,017	1,970	585	494	182	177	521	576	590	245	3,769	4,495

Note 43, cont.

Geographic breakdown

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Passenger revenue	12,779	12,590	2,946	3,857	15,816	17,153	5,389	4,979	36,930	38,579
Freight and mail revenue	782	641	55	193	279	316	1,316	1,470	2,432	2,620
Charter revenue	106	55	0	0	3,658	3,268	8	0	3,772	3,323
Other traffic revenue	376	542	19	220	985	870	265	310	1,645	1,942
Total traffic revenue	14,043	13,828	3,020	4,270	20,738	21,607	6,978	6,759	44,779	46,464

	Denmark		Norway		Sweden		Europe		Other		Not broken down		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Other operating revenue	1,789	1,614	4,801	4,235	3,121	2,302	3,105	2,041	478	1,098	0	0	13,294	11,290
OTHER DISCLOSURES														
Assets [1]	3,556	3,565	6,180	4,588	3,317	3,733	5,853	4,589	51	241	19,886	25,530	38,843	42,246
Investments for the year [1]	326	319	500	619	540	166	515	463	8	2	1,880	2,919	3,769	4,488

[1] *Aircraft and spare parts are not broken down, see Accounting and valuation policies.*

Note 44 - Subsidiaries in the SAS Group

Owned by SAS AB:	Domicile	Corporate ID no.	No. of owned shares	Holding	Book value MSEK	Share of equity
SAS Sverige AB	Stockholm	556042-5414	70,500,000	100	737.1	5 321.3
SAS Norge AS	Bærum	81117670200	47,000,000	100	628.6	3 666.0
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	570.5	3 706.2
Widerøe's Flyveselskap AS	Bodø	917330557	364,196	100	1,440.4	481.1
SAS Technical Services AB	Stockholm	556137-6764	940,000	100	940.0	1,000.4
Spanair Holding *	Palma de Mallorca	B83180851	2,872,671	90	627.8	166.1
Spanair S.A. *	Palma de Mallorca	EA07225154	5,449,901	49 (95)	772.0	
SAS Flight Academy Holding AB	Stockholm	556397-3378	20,000	100	660.9	386.7
SAS Ground Services AB	Stockholm	556063-8255	610,000	100	610.0	652.0
Nordair A/S	Tårnby	24176711	10,000	100	526.0	341.6
Jetpak Nordic AB	Stockholm	556415-6650	50,000	100	350.0	53.5
Linjeflyg AB	Stockholm	556062-8454	2,000,000	100	237.0	307.7
European Aeronautical Group AB	Stockholm	556278-5864	100,000	100	95.0	71.7
Oy Blue1 AB	Vantaa	409.619	150	100	72.0	139.6
Newco Airport Services S.A.	Madrid	A-82086646	55,000	54.5	61.0	13.4
SAS Trading AB	Stockholm	556406-9390	50,200	100	55.2	56.1
Aerolineas de Baleares	Palma de Mallorca	A07988728	44,994	95	44.0	54.4
SAS Business Opportunities AB	Stockholm	556657-7358	8,000	100	13.9	17.7
Fuerza de Ventas S.A.	Madrid	A82580093	600	96	1.2	8.4
					8,442.6	16,443.9
Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:						
SAS Consortium	Solna	902001-7720	–	100	15,286.9	15,286.9
SAS Commuter Consortium	Tårnby	13273073	–	100	625.5	625,5
					15,912.4	15,912.4
Owned by SAS Consortium:						
SAS Scandinavian Airlines Danmark A/S	Tårnby	10156858	1,290,500	100	1,569.8	1,422.0
SAS Braathens AS	Bærum	962308449	100,100	100	1,084.5	1,190.5
SAS Scandinavian Airlines Sverige AB	Stockholm	556235-5908	710,000	100	710.0	666.7
SAS Investments A/S	Copenhagen	25578104	300,000	100	461.3	472.2
Linjeflyg Leasing HB	Stockholm	916644-1080	–	79	250.0	287.2
Cherrydean Limited	Dublin	310983	12,633,198	100	113.2	82.5
SAS Media Partner AB	Stockholm	556175-9183	5,000	100	12.3	6.9
SAS Investments Denmark A/S	Tårnby	427110814	9,000	100	11.3	44.4
SAS Ejendom A/S	Tårnby	105.786	20,000	100	11.0	37.8
SAS Capital B.V.	Rotterdam	167071	501	100	7.7	46.1
Norwegian Aviation College ASA	Bardufoss	967.678.066	900	60	1.0	–1.4
Other					1.2	3.7
					4,233.3	4,258.6
Owned by SAS Investments A/S:						
Rezidor SAS Hospitality A/S	Copenhagen	25578082	70,200,000	100	469.8	612.2
Owned by Nordair A/S:						
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	242.9	238.4
Owned by SAS Investments Denmark A/S:						
RampSnake A/S	Copenhagen	24202941	10,500	100	30.6	9.9

* *Spanair Holding owns 51% of the shares in Spanair S.A. The SAS Group's holding is thus 49% direct and 46% indirect or 95% in all.*

Parent Company, SAS AB

Statement of income

MSEK	Note	2004	2003
Operating revenue		172.5	1.4
Payroll expenses	1	–231.7	–46.8
Other external costs		–250.6	–27.7
Operating income before depreciation		–309.8	–73.1
Depreciation		–0.9	–0.2
Income from the sale of shares in subsidiaries		1,336.4	537.8
Dividends from subsidiaries		70.0	–
Operating income		1,095.7	464.5
Interest income and similar income items		6.8	0.4
Interest expenses and similar income items		–246.8	–64.1
Exchange rate differences		43.4	–
Income after financial items		899.1	400.8
Tax on income for the year	2	137.9	38.4
Net income for the year		1,037.0	439.2

Cash flow statement

MSEK	2004	2003
The year's operations		
Income after financial items	899.1	400.8
Depreciation	0.9	0.2
Adjustment for items not included in the cash flow	–1,336.4	–0.4
Cash flow from the year's operations before changes in working capital	–436.4	400.6
Change in:		
Operating receivables	–76.6	–732.2
Operating liabilities	36.6	–58.2
Cash flow from changes in working capital	–40.0	–790.4
Cash flow from the year's operations	–476.4	–389.8
Investment activities		
Equipment	0.4	–1.6
Shares and participations	–2,298.2	–4,546.4
Sale of shares	2,508.4	–
Cash flow from investment activities	210.6	–4,548.0
Financing activities		
Change in long-term loans	139.4	4,937.3
Change in interest-bearing liabilities	10.5	–
Group contribution received, net	115.9	–
Cash flow from financing activities	265.8	4,937.3
Cash flow for the year	0.0	–0.5
Liquid assets, January 1	0.1	0.6
Liquid assets at year-end	0.1	0.1

Balance sheet

ASSETS, MSEK	Note	2004	2003
Fixed assets			
Tangible fixed assets			
Equipment	3	1.2	1.6
Financial fixed assets			
Long-term receivables from Group companies		459.2	729.6
Shares in subsidiaries	4	8,442.6	7,440.5
Shares in affiliated companies	5	298.9	175.9
Deferred tax receivable		163.2	70.4
Total fixed assets		9,365.1	8,418.0
Current assets			
Current receivables			
Accounts receivable		4.4	0.2
Receivables from Group companies		287.3	0.4
Other receivables		104.1	2.6
Prepaid expenses and accrued income		0.2	0.7
		396.0	3.9
Cash and bank balances		0.1	0.1
Total current assets		396.1	4.0
TOTAL ASSETS		9,761.2	8,422.0

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	2004	2003
Shareholders' equity			
Restricted equity			
Share capital, 164,500,000 shares par value SEK 10		1,645.0	1,645.0
Share premium reserve		170.0	170.0
Statutory reserve		32.3	10.3
Unrestricted equity			
Profit brought forward		573.2	40.2
Net income for the year		1,037.0	439.2
Total shareholders' equity		3,457.5	2,304.7
Long-term liabilities			
Long-term liabilities to Group companies		6,167.3	6,027.9
		6,167.3	6,027.9
Current liabilities			
Liabilities to Group companies		38.8	53.9
Other liabilities		52.2	1.4
Accrued expenses and prepaid income		45.4	34.1
		136.4	89.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		9,761.2	8,422.0
Memorandum items			
Assets pledged		None	None
Contingent liabilities	6	259.8	385.6

Change in shareholders' equity

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total equity
Opening balance January 1, 2003	1,645.0	180.3	40.2	1,865.5
Net income for the year			439.2	439.2
Shareholders' equity, December 31, 2003	1,645.0	180.3	479.4	2,304.7
Transfer between unrestricted and restricted equity		22.0	–22.0	
Group contribution received			161.0	161.0
Tax effect of group contribution			–45.2	–45.2
Net income for the year			1,037.0	1,037.0
Shareholders' equity, December 31, 2004	1,645.0	202.3	1,610.2	3,457.5

Note 1 - No. of empl., salaries, other remuneration and soc. security exp.

Average number employees: 162 (In the previous year 153 persons were transferred on November 1 from SAS Consortium).

	2004	
	Men	Women
Denmark	10	5
Norway	9	7
Sweden	79	52

For salaries, remuneration, social security expenses and sick leave see SAS Group Note 3 – Payroll expenses, pages 74-76.

Note 2 - Tax

	2004	2003
Deferred tax	137.9	38.4
	137.9	38.4

Note 3 - Equipment

	2004	2003
Opening acquisition value	12.4	–
Acquisition value for the period	0.1	12.4
Closing accumulated acquisition value	12.5	12.4
Opening depreciation	–10.8	–
Accumulated depreciation on acquisitions from SAS Consortium	–	–10.6
Depreciation for the period	–0.5	–0.2
Closing accumulated depreciation	–11.3	–10.8
Book value	1.2	1.6

Note 4 - Shares in subsidiaries

See SAS Group Note 44 – Subsidiaries in the SAS Group, page 87.

Note 5 - Shares in affiliated companies

	Domicile	Corporate ID no.	No. of shares owned	Holding	Book value
AS Estonian Air	Tallinn	10076042	44,100+266 pref.	49%	175.9
airBaltic Corporation A/S	Riga	000324575	107,400	47.2%	123.0
					298.9

Note 6 - Contingent liabilities

Other contingent liabilities benefiting:	2004	2003
Blue1	138.8	240.0
Widerøe's Flyveselskap	121.0	145.6
	259.8	385.6

Effective December 31, 2003, SAS AB pledged to guarantee as its own liability the SAS Consortium's current and future interest-bearing obligations, leasing commitments and other financial obligations (irrevocable undertakings).

Note 7 - Fees to audit firms

Fees paid to Deloitte & Touche amounted to MSEK 1.4 (0.2) for audit services and MSEK 3.8 (–) for other services.

Proposed disposition of earnings

and adoption of the statement of income and balance sheet

SAS Group
According to the Group's balance sheet at December 31, 2004, unrestricted reserves amounted to MSEK 3,962. An allocation of MSEK 104 to restricted reserves is required. The Board proposes that the Annual General Meeting adopt the statement of income and balance sheet and the consolidated statement of income and balance sheet for the year 2004.

SAS AB

	MSEK
Retained earnings	457.4
Group contribution received, net	115.8
Net income for the year	1,037.0
Total unrestricted equity	1,610.2

The Board of Directors proposes that the amount be allocated as follows:

To statutory reserve	103.8
To be carried forward to new account	1,506.4
Total	1,610.2

Stockholm, March 8, 2005

Jacob Wallenberg
Vice Chairman

Egil Myklebust
Chairman

Fritz H. Schur

Anitra Steen

Berit Kjøll

Lars Rebien Sørensen

Ulla Gröntvedt

John Lyng

Nicolas E. Fischer

Jørgen Lindegaard
President and CEO

Our auditors' report was submitted on March 8, 2005.

Deloitte & Touche AB

Peter Gustafsson
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 2004 financial year. The Board of Directors and the President are responsible for the accounts and administration of the Company and for applying the Annual Accounts Act when preparing the annual accounts and consolidated accounts. Our responsibility is to express an opinion on the annual accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, evaluating the material estimates that the Board of Directors and the President have made when preparing the annual accounts and consolidated accounts, and 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 been 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. The Report by the Board of Directors is consistent with the rest of the annual report and consolidated accounts.

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 profit 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, March 8, 2005

Deloitte & Touche AB

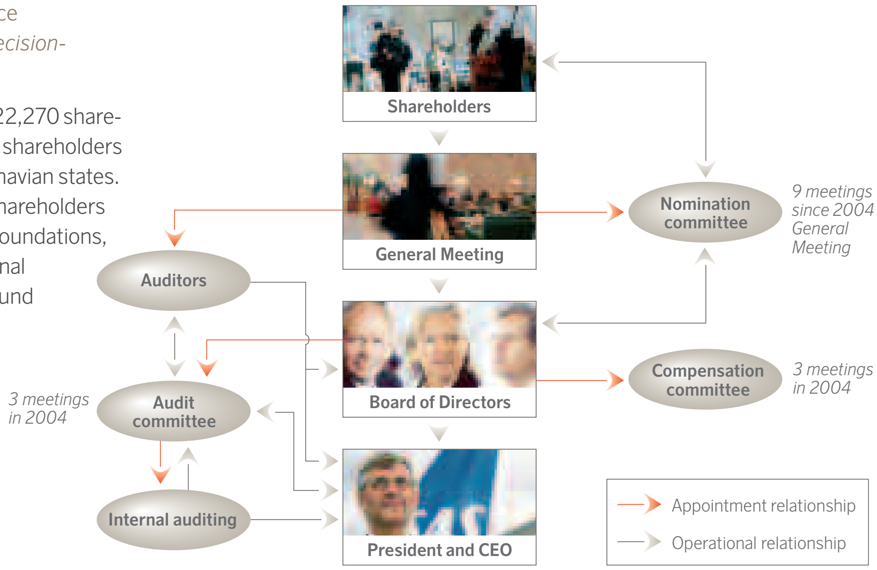
Peter Gustafsson
Authorized Public Accountant

Corporate governance

■ Shareholder issues ■ Board of Directors ■ Group Management ■ Committees and auditors

Corporate governance
Responsibility and decision-making process

The SAS Group has 22,270 shareholders. The biggest shareholders are the three Scandinavian states. The largest private shareholders are the Wallenberg Foundations, the Norwegian National Insurance Scheme Fund and Odin Fondene.



Corporate governance at SAS AB, the Parent Company of the SAS Group, follows Swedish company legislation, primarily the Swedish Companies Act, the listing agreement with the Stockholm Stock Exchange and rules and recommendations issued by relevant organizations. Well-functioning corporate governance principles are essential for assuring shareholders and other stakeholders that the SAS Group's activities will be characterized by reliability, effective control, transparency and a high level of business ethics.

The SAS Group closely follows developments in the area of corporate governance, adapting its principles for corporate governance to ensure the adequate dissemination of information to shareholders, transparency, real shareholder influence and effective management and Board work. The work to implement the Swedish company management code issued in December 2004 has begun. While very many of the code's provisions and principles are already being applied by SAS within the framework of the company's current corporate governance the principles, the implementation of certain other provisions of the code requires shareholder approval.

The management, oversight and control of SAS AB is divided among the shareholders, Board of Directors and President in accordance with the Swedish Companies Act, the Articles of Association and the Board's work plan.

General Meeting

Pursuant to the Companies Act, the General Meeting is the company's supreme decision-making body. At the General Meeting shareholders exercise their voting rights. At the General Meeting, one share is equal to one vote.

The Annual General Meeting, usually held in April, decides on, among other things, the adoption of the company's annual accounts, the application of the company's profit or coverage of its loss and releasing the members of the Board and the President from liability. The General Meeting also elects Board members and auditors and decides on their remuneration. These matters are decided by a simple majority.

The General Meeting is held in Stockholm, where the Board is headquartered. According to a provision in the company's Articles of Association, shareholders can also attend the General Meeting from locations in Copenhagen and Oslo via remote audio-video hookup. Shareholders attending the General Meeting from Copenhagen and Oslo have the same rights, including voting rights, as shareholders attending in Stockholm. Notices of the General Meeting are always published in a number of daily newspapers in Denmark, Norway and Sweden and are announced in press releases and published on the company's website. The company sends notices to those shareholders whose addresses are known to it. Decisions made at the General Meeting are published immediately after the meeting in a press release. The minutes of the General Meeting are published on the company's website.

Nomination committee

With the aim of helping to elect a Board of Directors that is suitable to and representative of the shareholders, the Articles of Association of SAS AB contain provisions whereby the election of a nomination committee for the following year's Board election shall take place at the Annual General Meeting. As a part of nominating work the committee evaluates the Board's work, qualifications and composition. The nomination committee also makes recommendations regarding Board remuneration to be decided at the General Meeting. The committee's recommendations are published in the notice of the General Meeting and presented at the General Meeting. The nomination committee is to reflect the shareholder composition of the company. Members receive no remuneration or compensation for their work on this committee. No member of the Board of SAS AB is on the nomination committee.

The Annual General Meeting held on April 22, 2004, decided to elect the following persons to the nomination committee for the Board of Directors' election at the 2005 Annual General Meeting: Jacon Heinsen, Danish Ministry of Finance; Rune Selmar, Norwegian National Insurance Scheme Fund; Palle Olsen, Pen-Sam Liv Forsikringsselskab; Pia Rudengren, the Wallenberg Foundations; Reier Søberg, Norwegian Ministry of Trade and Industry; Ragnhild M. Wiborg, Odin Forvaltning; and Eve Halvarsson, Swedish Ministry of Industry, Employment and Communications, as convener. All company shareholders may submit nominations to the committee. Up until the end of February, the committee has held nine meetings since it was elected at the General Meeting on April 22, 2004.

Board of Directors

SAS AB is the company whose Board of Directors is responsible for Group-wide management. The Board's work is governed by the Swedish Companies Act, the Articles of Association and the formal work plan adopted by the Board each year, which regulates the division of the Board's work, between the Board and its committees and among the Board, its Chairman and the President and CEO. The work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis and instructions for the President and the company's Board committees.

Among the duties of the Board of Directors 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, setting important policies and regulations, following economic developments, ensuring the quality of financial reporting and internal control and deciding on investments and major changes in the organization and activities of the SAS Group. The Board's work follows a yearly agenda with permanent items for information and deciding on as well as special topics. The CEO and other senior executive also attend Board meetings to make presentations, and the General Counsel of the SAS Group serves as the Board's secretary. The Board evaluates its work once a year.

The Board of Directors of SAS AB comprises nine members, six of whom are elected annually by the General Meeting. The three other members plus six deputies are elected by the employee organizations in Denmark, Norway and Sweden. Deputies attend Board meetings only in the absence of an ordinary member.

At the Annual General Meeting of SAS AB held on April 22, 2004, the sitting Board was reelected. The members and composition of the Board appear in a special presentation on page 95. With the exception of employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. The composition of the Board meets current Stockholm Stock Exchange requirements related to the number of members that are independent of the company as well as of the company's major shareholders.

The Board elects from among its members a Chairman and Vice Chairman. According to the Board's formal work plan the Chairman, in close collaboration with the President, is to monitor the company's performance, plan and chair Board meetings, be responsible for the Board evaluating its work each year, scrutinize his own work routines and see to it that the Board always receives the information necessary to do its work effectively. The Chairman represents the company in ownership matters.

During the year the Board held 11 meetings, 10 of which were ordinary and one extraordinary. A detailed account of the work of the Board during 2004 is found under "Work of the Board of Directors" on page 62. The attendance of Board members at Board meetings in 2004 appears in the table below.

Board members' attendance at Board meetings

2004	10/2	10/3	24/3	22/4	3/5	22/6-23/6	10/8	6/10	1/11	17/11-18/11	16/12
Egil Myklebust	■	■	■	■	■	■	■	■	■	■	■
Jacob Wallenberg	■	■	■	■	■	■	■	■	□	■	■
Berit Kjøll	■	■	■	■	■	■	■	■	■	■	□
Fritz H. Schur	■	■	■	■	■	■	■	■	■	■	■
Anitra Steen	■	■	■	□	■	■	□	■	■	■	■
Lars Rebien Sørensen	□	■	■	■	■	■	□	■	■	■	■
Nicolas E. Fischer	■	■	■	■	■	■	■	■	■	■	■
Ulla Gröntvedt	■	■	■	■	■	■	■	■	■	■	■
John Lyng	■	■	■	■	■	■	■	■	■	□	■

□ *Absent.*

Board committees

As part of streamlining and enhancing the work of the Board on certain issues there are two committees. The Board appoints a compensation committee and an audit committee from among its own members. These committees, whose work is preparatory in nature, imply no delegation of the legal liability of the Board or its members. Reports to the Board on issues discussed at the committees' meetings shall be either in writing or given orally at the following Board meeting.

Compensation committee

The main task of the compensation committee, consisting of Egil Myklebust (committee chairman), Jacob Wallenberg and Fritz H. Schur, is to make recommendations for Board approval regarding the terms of the President's salary, employment and pension and deal with issues related to the SAS Group's compensation policies and principles for senior executives. In 2004 the committee had three recorded meetings and a number of informal contacts. The members of the committee attended all the meetings.

The Board stipulates the President's compensation and other terms of employment. In other respects the SAS Group applies the so-called "grandfather" principle in setting salaries and other benefits. This principle means that the manager above an employee's immediate manager must always be informed of and approve that employee's compensation. The President sets the targets for variable compensation for Group management and other senior executives who report to him. Other employees' target contracts are drawn up by their respective superiors. Decisions on fixed salaries and variable compensation are made in accordance with the "grandfather" principle.

For information on the Group's compensation policies and overarching principles as well as the compensation and benefits to the Board, President and senior executives, see Note 3 on pages 74-76.

Audit committee

In autumn 2003 the Board decided to set up an audit committee, which began its work in 2004. Its members are Egil Myklebust (committee chairman), Anitra Steen and Lars R. Sørensen. Its chief task is to monitor the company's financial reporting, study and review reports from the external auditors, evaluate whether the routines for internal control, internal auditing and reporting are tailored to the needs of the SAS Group and, along with Group Management, discuss issues raised by audits. The committee shall also scrutinize the auditors' independence vis-à-vis the company, including the extent of the auditors' non-audit-related engagements for the company. A further task of the committee is to draft and discuss recommendations prior to the election of external auditors. The committee, which in 2004 had three recorded meetings, discussed matters concerning new accounting policies, the work and function of internal auditing, the auditing process, risk analyses and internal control and the coming election of external auditors. The members of the committee attended all the meetings.

Auditors

Elected by the General Meeting, the auditors are tasked with scrutinizing the company's financial reporting and management of the company by the Board and the President. Pursuant to the Swedish Companies Act, the term for auditors in Swedish limited companies is four years. SAS AB's auditor until the end of the 2005 Annual General Meeting is the registered auditing firm Deloitte & Touche AB, with Peter Gustafsson as principal auditor. The election of an auditor will take place at the 2005 Annual General Meeting. To ensure the Board's right to monitor and have access to the auditors' work, the company's principal auditor is to meet with the Board at least three times a year. In February the auditor is to report his observations from his auditing of the annual accounts. In May the auditor is to present and the Board discuss the program for risk analysis work and focus of examination for the year in question. After completing the "hard close," the auditors are to report to the Board on their observations from their examination and their analysis of critical processes and risks. The auditor and head of internal auditing normally attend the meetings of the audit committee.

President and Group Management

The Board appoints the President and CEO, who pursuant to the Companies Act and work plan is responsible for day-to-day management of the company and the Group's activities. The five members of Group Management as well as the heads of certain corporate functions report to the President. In its instructions to the President the Board has laid down detailed rules for the President's authority and obligations. Within the framework of the current work plan and instructions to the President, which regulate inter alia the relationship between the President and the Board, Group Management is responsible for business control, financial reporting, acquisitions and disposals of companies and major collaborations, financing, capital structure, risk management and communication with financial markets and other matters of a Group-wide nature. The composition of Group Management appears on page 97.

The President works closely and exchanges information with the Chairman and also meets regularly with the Chairman to plan Board meetings. The President keeps the Chairman and the rest of the Board continually apprised of the company's and Group's operations and performance. To enable the Board to monitor the Group's financial position on an ongoing basis, the President is to make monthly reports to the Board.

In addition to the President, Group Management currently comprises five members, named by the President in consultation with the Board. Group Management is not a corporate body within the meaning of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Group Management has recorded meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

Group Management's management and control of the Group's subsidiaries and major business units are primarily tied to active work on the boards of the respective subsidiaries and business units. For the Group's business units that are not separate legally, internal boards have been established that in all essentials function like the boards of directors of the Group's subsidiaries. The boards are often composed of representatives of Group Management and Corporate Functions, with the responsible member of Group Management as chairman. In certain larger subsidiaries and business units there are also external board members and representatives of the employees. Neither the President nor other senior executives in the Group received any remuneration for engagements on the boards of the Group's subsidiaries, business units and affiliated companies.

Chairman's comments

For the airline business and the SAS Group, 2004, too, was a difficult year. Record high oil prices, heavy pressure on the yield and substantial overcapacity are the main reasons for this. The Group has also made a lot of progress. Turnaround 2005 has been particularly successful. We are now seeing results in that unit costs have improved especially in Scandinavian Airlines Businesses, where since 2002 the reduction has been 26%, adjusted for higher fuel costs and currency effects. We on the Board of Directors have great respect for the employees, the labor organizations' and management's efforts on and commitment to Turnaround 2005 and the results achieved, but this is not our final destination. Our competitors are getting better and so must we. We must continue to cut costs to make SAS fully competitive. Another success is our establishment of a clearer management model, now that incorporation is fully implemented, which combined with increased responsibility for earnings and focus on costs at the unit level will give us a whole new platform. This will also lead to a greater involvement of management and employees. As a result, we will be able to serve each market better, because of greater flexibility.

Focus on corporate governance issues

We have continued to clarify our corporate governance structure in 2004. An audit committee and new internal auditing have been established. Their purpose is to ensure internal control regarding accounting, financial systems and critical business processes. And by thoroughly examining the structure and effects of compensation systems, the compensation committee works to guarantee market pay and compensation models for management and senior executives.

The SAS Group's aims to have a generally high level of activity and accessibility vis-à-vis capital market players to help improve the liquidity of the SAS share. In 2004, trade in the SAS share increased, which is good news. In the massive restructuring we are carrying out it is important to have long-term and stable shareholders. The Board's general attitude on ownership issues is that a liquid share and active shareholders are good things. In this connection the Board is keenly aware that shareholders' return has been unsatisfactory in recent years. The biggest challenge for the Board is for the Group to return to profitability and to restore shareholder value, an effort that will have top priority.

Substantial economic contribution

The SAS Group commissioned a study of the Group's impact in Scandinavia, primarily its economic impact. Its conclusion, that as a network airline the SAS Group plays a key role in Scandinavia's infrastructure, comes as no surprise. The analysis also shows that there is a risk in having only point-to-point carriers, above all for sparsely populated areas, since this can reduce choice in service. New operators focus primarily on routes with heavy traffic flows and high expected profitability. Less profitable routes may therefore be neglected. It also turns out that competition in Scandinavia is quite intense, even in a European context. In no time, fare levels in Scandinavian have gone from being among the highest in Europe to among the lowest. This picture is also confirmed by a study by the Swedish Civil Aviation Administration.

Sustainable development is vital

The SAS Group's focus on ensuring that it operates in a manner conducive to good, long-term sustainable development, while still being socially responsible, continued in 2004. For many years the SAS Group has enjoyed a favorable reputation for its work to limit aviation's environmental impact. It is essential for the Group that future EU and global environmental charges be handled in a competition-neutral way. The SAS Group therefore supports the proposal for emission trading as a balanced way to deal with the issue. In 2004, as part of its corporate social responsibility work, the Board initiated an effort to draft a Code of Conduct, with rules of business ethics and guidelines for the SAS Group.

Safety issues

Flying is the safest way to travel, and 2004 was the safest year ever for civil aviation worldwide. The Board makes safety work its top priority, to maintain and improve the high level of safety in the Group's airlines. For example, in 2004 Scandinavian Airlines and Blue1 underwent extensive IATA safety audits, with excellent results.

The SAS Group is also establishing common regulations with the same high quality standards for all of the Group's airlines.

Equal terms for all players

We operate in a deregulated and highly competitive market. The competition is here to stay, and the SAS Group is working with that in mind. Within this framework, European competition law is a crucial factor for ensuring a well functioning market in the future. The Norwegian Competition Authority is now investigating the fare structure in the Norwegian market and whether SAS Braathens may have abused its position as dominant operator. We are taking the accusation very seriously, and look forward to a constructive dialog on the interpretation and application of the new Norwegian Competition Act. In other markets, conditions are not equal for all players; there are, for example, discrepancies in security charges, airport fees, requirements for aviation permits and the treatment of loyalty programs.

The SAS Group is also reacting to the way Alitalia and the Italian government have acted in their restructuring process. There is uncertainty regarding the use of state funds, which is why SAS and several other airlines have sent a formal protest to the European Commission. We also see examples where non-European state-supported airlines compete on routes with the SAS Group on non-commercial terms. The importance of equal terms for all market players cannot be stressed enough.

Although 2004 was not easy year, I am convinced that the steps being taken are the right ones, and the measures will have a lasting effect.

Stockholm, March 2005

Egil Myklebust

Chairman of the Board, SAS AB

Board & auditors

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 investments and major changes in the SAS Group.

Egil Myklebust, *born 1942*
Chairman of the Board of SAS AB since 2001.
Directorships: Norske Skog ASA, Sandvik AB, Vetco International Ltd. and Executive Committee of the World Business Council for Sustainable Development (WBCSD).
Education: Cand. jur. degree.
Shareholding: 0

Jacob Wallenberg, *born 1956*
Vice Chairman of the Board of SAS AB since 2001.
Chairman of SEB, Skandinaviska Enskilda Banken, and of W Capital Management.
Directorships: Vice Chairman of Atlas Copco, Investor and the Knut and Alice Wallenberg Foundation and Member of the Board of ABB, Föreningen Svenskt Näringsliv and the Nobel Foundation.
Education: MBA, Wharton School, University of Pennsylvania.
Shareholding: 5,000

Berit Kjøll, *born 1955*
Member of the Board of SAS AB since 2001.
Division Director, Telenor ASA.
Directorships: DnB NOR ASA, TusenFryd ASA.
Education: College degree in Tourism, Oppland Regional College. Markedsøkonom degree, Norwegian School of Marketing, Oslo.
Shareholding: 1,600

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, Det Danske Klasselotteri A/S and F Uhrenholt Holding A/S. Vice Chairman of Brdr. Klee A/S. Member of the Board of Clements Eftf. A/S and CIC A/S.
Education: Handelshøjskolens Afgangseksamen (HA) business degree.
Shareholding: 20,000

Anitra Steen, *born 1949*
Member of the Board of SAS AB since 2001.
President of Systembolaget AB.
Directorships: Member of the Board of Södersjukhuset AB and Almega.
Education: Cand.phil. degree with a concentration in the behavioral and social sciences, Uppsala.
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 and the World Diabetes Foundation.
Education: M.Sc. in forestry, Royal Veterinary and Agricultural University, Denmark, and B.Sc. in international economics, Copenhagen Business School.
Shareholding: 0

Employee representatives

Nicolas E. Fischer, born 1951
Employed at SAS in Denmark.
Member of the Board of SAS AB since December 2003.
Shareholding: 0
Deputies:
Per Weile, first deputy.
Shareholding: 400
Verner Lundtoft Jensen, second deputy.
Shareholding: 866

Ulla Gröntvedt, born 1948
Employed at SAS in Sweden.
Member of the Board of SAS AB since 2001.
Shareholding: 300
Deputies:
Sven-Erik Olsson, first deputy.
Shareholding: 0
Vacant, 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.
Shareholding: 0
Asbjørn Wikestad, second deputy.
Shareholding: 0

Auditors

Deloitte & Touche AB
Principal auditor: Peter Gustafsson
Authorized Public Accountant

Corporate Secretary

Mats Lönnkvist
General Counsel, SAS Group

Organization

The SAS Group's management model follows the business structure introduced in 2002. To reflect this business division the SAS Group harmonized the legal structure with the business structure in 2003 and 2004.

Business structure and senior executives (as of February 15, 2005)

Corporate Functions
Corporate Development
Corporate Advisory
Corporate Legal Affairs
Corporate Internal Audit
Corporate Brand Strategy
Corporate Airline Strategy
Fleet Development
Alliances & Corporate Partners

Corporate Functions
Corporate Communications & Public Affairs
Corporate Human Resources

Shared Services
SAS Human Resources Services
SAS Facility Management
SAS Revenue Information
SAS Accounting Services

Consortium Function
Scandinavian Airlines Industrial Relations
Flight Deck Crew

Group Management

Corporate Administration & Support
Bernhard Rikardsen

President & CEO SAS Group
Jørgen Lindegaard

CFO
Gunilla Berg

Scandinavian Airlines Businesses
John S. Dueholm

Subsidiary & Affiliated Airlines/Hotels
Gunnar Reitan

Airline Support & Related Businesses
*Recruitment in progress***

Corporate Functions
Corporate Business Control
SAS Group Finance & Asset Management
Corporate Accounting
Corporate Purchasing
Corporate IT
Investor Relations

*Consortium AOC Holder ****
Scandinavian Operations Management

Common Functions
Airline Sales & Distribution
Airline IT
Airline Product Development & Support

Business areas

Scandinavian Airlines Businesses	Subsidiary & Affiliated Airlines	Airline Support Businesses	Airline Related Businesses	Hotels
Scandinavian Airlines Danmark * *Susanne Larsen*	Spanair *Enrique Meliá*	SAS Ground Services *Hans-Otto Halvorsen*	SAS Flight Academy *Olof Bärve*	Rezidor SAS Hospitality *Kurt Ritter*
SAS Braathens *Petter Jansen*	Widerøe *Per Arne Watle*	SAS Technical Services *Ørnulf Myrvoll*	Jetpak Group *Erik Lautmann*	
Scandinavian Airlines Sverige * *Anders Ehrling*	Blue1 *Sveneric Persson*	SAS Cargo *Kenneth Marx*	SAS Trading *Patric Dahlqvist-Sjöberg*	
Scandinavian Airlines International * *Lars Lindgren*	airBaltic *Bertolt Flick*		European Aeronautical Group *Björn Alegren*	
	Estonian Air *Børge Thornbech (acting)*		SAS Business Opportunities *Sophia Nybell*	
			SAS Media *Lennart Löf Jennische*	

* *Common Air Operator Certificate (AOC).*
** *In the interim, responsibility is divided among Group Management.*
*** *The role Accountable Manager reports to the CEO.*

Legal structure

SAS AB

SAS Danmark A/S
SAS Norge AS
SAS Sverige AB

SAS Consortium

SAS Scandinavian Airlines Danmark A/S
SAS Braathens AS
SAS Scandinavian Airlines Sverige AB
Rezidor SAS Hospitality A/S
To be transferred to SAS AB in May 2005

Braathens AS
Until April 2005

Spanair S.A.
Widerøe's Flyveselskap AS
Blue1
airBaltic
Estonian Air
SAS Technical Services AB
SAS Ground Services AB
SAS Cargo Group A/S
SAS Trading AB
SAS Flight Academy Holding AB
Jetpak Group AB
European Aeronautical Group AB
Others

Reporting of shareholdings in SAS AB among senior executives and their immediate families:
Jens Wittrup Willumsen, Deputy CEO, Scandinavian Airlines Danmark, 3,759 shares.
Sture Stølen, Vice President Head of Investor Relations, 1,500 shares.
Steen Wulff, CEO SAS Revenue Information, 1,137 shares.
Kenneth Marx, CEO SAS Cargo, 1,150 shares.
Shareholdings of Group Management reported on page 97.

Group Management

The President and CEO is in charge of the day-to-day management of the Group. In addition to the President, SAS Group Management currently comprises five members, named by the President in consultation with the Board. Members of Group Management have divided among themselves the responsibilities for the Group's business management.

Jørgen Lindegaard, *born 1948*
President and CEO
Assumed his post as head of the SAS Group on May 8, 2001. With a background in telecommunications, since 1975 he has held a number of senior executive positions, including those of CEO of Fyns Telefon A/S, Københavns Telefon A/S and Director of TeleDanmark. He joined GN Store Nord A/S in 1996 and became its President and CEO in 1997.
Member of the Board of Finansieringsinstitutet for Industri og Håndværk A/S and of Telenor ASA.
Education: Civilingeniør degree, Technical University of Denmark.
Shareholding: 31,000

Gunnar Reitan, *born 1954*
Deputy CEO
Member of the SAS Management Team from 1993 to May 8, 2001, and subsequently member of SAS Group Management. Responsible for the business areas Subsidiary & Affiliated Airlines and Hotels and for the Corporate Function Alliances & Corporate Partnerships. Chief Financial Officer until September 16, 2002. Joined SAS in 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 Vital Forsikring ASA and Leif Høegh & Co Ltd.
Education: Degree from Trondheim College of Economics and Business Administration.
Shareholding: 1,000

Gunilla Berg, *born 1960*
Executive Vice President and Chief Financial Officer
Member of SAS Group Management since September 16, 2002, and responsible for Corporate Functions in business control, finance and asset management, investor relations, purchasing and IT. Previously Vice President and Chief Financial Officer of Kooperativa Förbundet. Experience from various executive positions in banking and industry.
Member of the Board of Alfa Laval AB and L E Lundbergföretagen AB.
Education: Civilekonom degree, Stockholm School of Economics.
Shareholding: 1,000

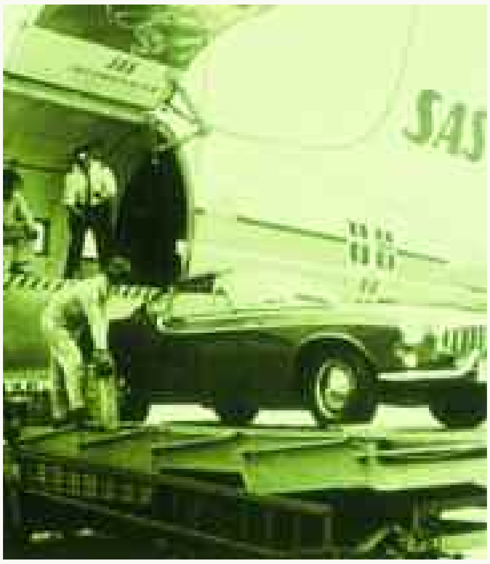
John S. Dueholm, *born 1951*
Executive Vice President
Member of SAS Group Management since September 1, 2002. Responsible for the business areas Airline Support Businesses and Airline Related Businesses.
Previously CEO of SAS Data (the current Scandinavian IT Group) and Senior Vice President of SAS Technical Division 1996-1998. Senior Vice President of Group4Falck 1998-2002.
Member of the Board of Kilroy A/S and Lindorff A/S.
Education: Cand. merc. degree in Business Administration.
Shareholding: 0

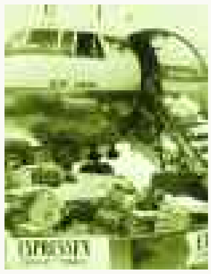
Bernhard Rikardsen, *born 1956*
Executive Vice President
Member of the SAS Management Team from November 1993 until May 8, 2001, and subsequently member of SAS Group Management. Responsible for the corporate function Corporate Administration & Support, which covers Corporate Communications and Public Affairs, Corporate Human Resources and Group Shared Services. Responsible for the SAS Group's Emergency Response Organization. Joined the SAS human resources department in Norway. Personnel Director at SAS in Norway 1990-1993.
Education: Bachelor of Business Administration from BI Norwegian School of Management, Oslo.
Shareholding: 0

Sören Belin, responsible for Airline Strategy & Coordination until February 15, 2005, will leave the company in May 2005.
Shareholding: 0

SAS retrospective

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 from Stockholm to New York in 1946.





Presidents of SAS

1946-1948 ■ Per A. Norlin
1949-1951 ■ Per M. Backe
1951-1954 ■ Per A. Norlin
1955-1957 ■ Henning Throne-Holst
1958-1961 ■ Åke Rusck
1961-1962 ■ Curt Nicolin
1962-1969 ■ Karl Nilsson
1969-1978 ■ Knut Hagrup
1978-1981 ■ Carl-Olov Munkberg
1981-1993 ■ Jan Carlzon
1993-1994 ■ Jan Reinås
1994-2001 ■ Jan Stenberg
2001- ■ Jørgen Lindegaard

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 by 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 ■ The SAS Consortium is formed by DDL, DNL and ABA.
1954 ■ SAS, the world's first airline to fly the Copenhagen - Los Angeles polar route in scheduled service
1955 ■ SILA (which owned 50% of ABA) is quoted on the "Stockbrokers' List" in Sweden.
1957 ■ SAS, 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, the Caravelle, in service.
1960 ■ SAS opens its first hotel, SAS Royal Hotel Copenhagen.
1965 ■ SAS is first to introduce an electronic reservation system.
1967 ■ DNL is listed on the Oslo Stock Exchange.
1971 ■ SAS puts its first Boeing 747 jumbo jet into service.
1980 ■ SAS opens its first hotel outside of Scandinavia, the SAS Kuwait Hotel. SILA is listed on the Stockholm Stock Exchange.
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. Harmonization and name change of SAS parent companies to SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.
1997 ■ SAS is one of the founders of Star Alliance™.
1998 ■ Blue1 (previously 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. Braathens is acquired by the SAS Group in December. The SAS Group becomes a majority owner of Spanair.
2002 ■ Rezidor SAS Hospitality signs a master franchise agreement with Carlson Hotels Worldwide.
2003 ■ Acquisition of 49% of the shares in Estonian Air.
2004 ■ Incorporation of Scandinavian Airlines Danmark, SAS Braathens, Scandinavian Airlines Sverige out of the SAS Consortium. The units SAS Ground Services and SAS Technical Services were also incorporated.

Sustainability Report

■ Our responsibilities ■ The world around us ■ Sustainable development work
■ Corporate social responsibility ■ Environmental responsibility ■ Results for the year

Bernhard Rikardsen
Executive Vice President Responsible for sustainability issues in Group management, among other matters.

For several years the SAS Group has been working on the paramount objective of promoting sustainable development. In 2004 this effort was especially aimed at matters involving corporate social responsibility and relations with the world around us.

Internally the focus was on the Turnaround 2005 restructuring program, which in 2004 as well has put a severe strain on those employees who have left the Group and those who have remained.

With regard to environmental responsibility, the measures this year, as in previous years, were primarily aimed at reducing the impact of its operations on the climate, which is the SAS Group's most significant environmental aspect. For the SAS Group this has meant, among other things, a commitment to allowing airlines to participate in open trading in CO_2 emission rights.

This year, to further underscore the evolution of the Group's efforts to contribute to sustainable development – where financial profitability is key – the SAS Group has chosen to integrate the reporting of financial performance in the sustainability report's sections on social responsibility and environmental responsibility, respectively.

Environmental KPIs SAS Group total	2004	2003	2002
Carbon dioxide (CO_2) emissions, 1,000 tonnes	5,951	5,597	5,757
Nitrogen oxide (NOx), emissions, 1,000 tonnes	21.6	21.3	19.9
Water consumption, 1,000 m^3	3,073	3,041	2,493
Energy consumption, ground, GWh	686	698	652
Unsorted waste, 1,000 tonnes	11.2	10.8	12.0
External environment-related charges, MSEK	488	548	715[1]
Number of passengers, 1,000 (including charter and non revenue passengers)	35,646	34,468	35,980

[1] *The Norwegian environment-related passenger tax was removed on April 1, 2002.*

Important events and sustainability results

- All airlines in the SAS Group show improved environmental results for 2004. The average improvement of the respective flight indexes is just under 3 points.
- In December 2004, the SAS Group's Annual Report 2003 & Sustainability Report was voted the best sustainability report of the year by FAR.
- In November 2004 Rezidor SAS Hospitality received the Worldwide Hospitality Award for Environmental Protection and Sustainable Development, by the consultancy MTG Group and *HTR Magazine*.

Employee KPIs[1]		Airline operations						Airline Support Businesses/Airline Related Businesses									Hotels
	Corporate Funct. & Scandinavian Airlines Int.	Scandinavian Airlines Danmark	SAS Braathens	Scandinavian Airlines Sverige	Spanair	Widerøe	Blue1	SAS Technical Services	SAS Ground Services	SAS Cargo Group	SAS Trading	SAS Flight Academy	Jetpak Group	European Aeronautical Group	SAS Media	Newco	Rezidor SAS
Men/women, %	66/34	48/52	35/65	24/76	64/36	63/37	49/51	92/8	65/35	81/19	23/77	63/37	60/40	65/35	39/61	35/65	40/60
Sick leave, %	3.3	7.9	6.4	8.6	3.3	7.4	3.6	5.1	8.9	6.9	9.3	1.4	6.2	2.6	3.3	0.7	8.3[4]
H-value[2]	1.6	28.1	6.3	4.2	64.6[3]	2.3	13.0	7.5	21.6	15.3	6.5	0	0	0	0	39.2[3]	0

[1] *Employee data is uncertain and cannot be fully verified.* [2] *Number of occupational injuries relative to the number of working hours.* [3]*High values due to a different definition and registration of occupational injuries.* [4]*Six hotels in Sweden only.*

Sustainability information
For further information and views on the SAS Group's sustainability work, contact Environmental Director Niels Eirik Nertun: niels-eirik.nertun@sas.no

Our responsibilities

The SAS Group has a considerable social impact, both by being a major employer and contractor and by maintaining crucial infrastructure for society and generating a return for its owners. At the same time, airline operations in particular have an adverse environmental impact, primarily through emissions of greenhouse gases and noise near airports.

The SAS Group has defined sustainable development as a simultaneous focus on financial growth, environmental improvements and social responsibility. On the basis of the Group's core values – *consideration, reliability, value creation* and *openness* – the task is to create long-term growth for shareholders. This undertaking requires integrating social and environmental responsibility into business activities.

Corporate social responsibility

The concept of corporate social responsibility (CSR) is evolving, and its content can vary in time and by geographical location. For the SAS Group, corporate social responsibility is responsibility for employees and for the stakeholders and communities affected by the Group's operations.

As an employer, the SAS Group can help provide its employees with a long-term high standard of living and quality of life. Here, a good physical and mental working environment is crucial, as are opportunities to develop as professionals and as human beings.

Essential for moving the SAS Group closer to its goal of sustainable development is sustaining and developing the skills and commitment of employees. The Group also affects a number of subcontractors, thereby contributing to economic and social welfare in the countries and societies where its businesses operate.

By getting involved in social issues and joining the UN Global Compact, the SAS Group has pledged itself in all its activities to defend international human rights and to combat corruption and all forms of forced labor and discrimination in employment and occupation.

Environmental responsibility

The SAS Group's environmental impact chiefly comprises noise and the consumption of nonrenewable fuels. Fuel combustion causes a rise in atmospheric carbon dioxide (CO_2), assumed to cause global climate change. Airline operations account for 90% of the Group's total environmental impact. The SAS Group is working actively to reduce the environmental impact of its own operations and is also active in various national and international contexts to influence the policies governing aviation and to develop and disseminate green technology.

Financial responsibility

By facilitating people's travel and lodging while away from home and furnishing the transportation of goods, the SAS Group is helping to create added value for individuals as well as companies and society at large. The SAS Group is also primarily charged with creating long-term growth for its owners. It is in this context that work on sustainability issues is to be viewed, and where the focus on better resource management leads to a lower environmental impact and lower costs. Taken together, sustainability work leads to increased competitiveness and added growth in value.

Platform for the SAS Group's sustainability work

The SAS Group's four core values cover all operations in the Group and form the basis for all work on sustainability issues. On the basis of these core values, the SAS Group has set overarching policies that along with a number of strategies govern its sustainability work. Efforts to contribute to sustainable development are aimed at sustaining and improving employees' skills, promoting social

About the SAS Group's Sustainability Report 2004

The SAS Group's Sustainability Report describes the most important environmental and social aspects and well as external matters, such as systems of environment-related charges affecting operations. It contains what is deemed to be of interest to its main target groups: shareholders, employees, financial analysts, policymakers, authorities, customers and suppliers. Alongside the Annual Report, the purpose of the Sustainability Report is to help users assess and understand the SAS Group's operations.

Reporting principles

The SAS Group's Sustainability Report is prepared on the basis of the SAS Group's principles for sustainability reporting. These are based in part on Deloitte's "Checklist for preparing and evaluating information about the environment, ethics, corporate social responsibility and corporate governance, June 23, 2004." The SAS Group has also taken into account "The Global Reporting Initiative's (GRI) 2002 Sustainability Reporting Guidelines." Certain GRI indicators were deemed relevant for the SAS Group's environmental and social aspects, and only these are reported. Most of what the guidelines ask for is found either in the Sustainability Report or the Annual Report. One of the areas where the SAS Group did not follow GRI's guidelines is stakeholder dialogs. In certain areas the SAS Group is not as systematic as GRI requires, though there is ongoing internal development work in that direction.

This report presents environmental indicators for all operations, whereas social indicators are lacking to a degree. This reflects the fact that the SAS Group has been reporting its environmental work for almost a decade, while the routines for reporting social indicators are not as well developed.

- The Sustainability Report covers the sustainability data in the SAS Group's Annual Report & Sustainability Report, which covers the entire Group.
- For financially related information in the Sustainability Report, we are aiming for the same reporting principles as in the financial portion of the Annual Report.
- We are also aiming for uniform definitions for environmental and social data for the entire Group. Aside from primarily national discrepancies regarding social data without material importance for the information reported, all operations in the Group were able to report in accordance with these definitions for 2004.
- SAS Group Management approved the sustainability report in February 2005. On March 8, 2005, the Group's Board of Directors submitted the Annual Report and was informed of the Sustainability Report. SAS Group Management is responsible for organizing sustainability work and integrating it with the operations of the Group.
- The complete reporting principles for SAS's Sustainability Report are found at www.sas-group.net/miljo. There is also a glossary of terms.

Independent review

The expressed aim of the SAS Group is, if possible, to have all sustainability information examined by an independent party. This year the Group's auditors have reviewed all material sustainability information in the financial and sustainability report. The auditors' report appears on page 117.

progress and reducing environmental impacts, while shareholder value grows in both the long and short terms.

Below is a compilation of the most important policies governing the SAS Group's sustainability work.

Sustainability Policy and implementation strategy

- *To contribute to sustainable development, SAS Group employees must, in their day-to-day work, take the Group's environmental and societal impact into account along with its financial performance.*

  For the SAS Group, sustainable development means a simultaneous focus on financial growth, environmental improvements and social responsibility. Based on its core values, the Group's task is to create long-term growth in shareholder value. This requires integrating environmental and social responsibility into business activities.

  Sustaining and developing the skills and dedication of employees is essential for the achievement of the Group's goals.

An implementation strategy is linked to the sustainability policy to ensure that it permeates the entire organization.

Environmental policy vision

- *The SAS Group's environmental policy vision is for all four transportation sectors – road, rail, sea and air – to pay for investment and for their infrastructure, other costs to society (such as accidents) and their environmental impact according to the polluter pays principle.*

Environmental policy and environmental strategy

- *The SAS Group will contribute to sustainable development by minimizing its environmental impact and optimizing its resource use.*

An environmental strategy is also linked to the environmental policy. Among other things, it mandates that all companies and units establish environmental management systems based on the principle of constant improvement. The strategy also requires an environmental dialog with suppliers, the use of the best commercially available technology and an open and honest dialog with other stakeholders about the Group's environmental work.

Policies affecting sustainability

The SAS Group har several overarching policies that mesh with the overall Sustainability Policy.

Diversity policy

- *In all recruitment, human resources development, promotions and other interaction between companies and employees, the SAS Group assumes the equal worth of all persons. All employees and job applicants must be treated objectively and according to formal procedures and not the perceived characteristics of the sex or group to which they belong. All employees are responsible for workplace conduct and actions in line with the values expressed by this policy.*

The sustainability and environmental policies, as well as targets and key performance indicators associated with them, were most recently reviewed by SAS Group Management in February 2005.

The world around us

The travel and transportation industries, and thus, the entire SAS Group, are a key component of the global economy, helping to create value for individuals, society and business. At the same time, the Group is highly sensitive to world events. Political conflicts, unrest and environmental disasters impact travel.

Government policies and the prices of jet fuel, energy, water and waste management all impact profitability in the airline industry. Profitability is also severely affected by the fact that low-fare carriers have changed market perceptions of what a reasonable price for airline tickets is. Profitability in the hotel business is primarily controlled by supply and demand in local markets. Like airline operations, hotel operations are highly cyclical. The SAS Group's sustainability work is chiefly driven by a desire to contribute to sustainable development, as expressed in the Group's core values, but also by the requirements of customers and other stakeholders and by society's regulations.

Responsible globalization

Recent revelations of irregularities and the abuse of power in major international companies have upset many people's faith in private enterprise.

The rapid globalization of the economy and business has also prompted calls for companies to take added social responsibility. Besides assuming responsibility for their own employees, this involves acting responsibly in local communities and helping bridge the gap between the rich and poor parts of the world. The talk is now of responsible globalization. This is also reflected in the ten principles of the UN Global Compact, which the SAS Group joined in 2003. To live up to their commitments, member companies must actively defend human rights, engage in preventive environmental work and actively combat corruption. *(See page 104.)*

As a global transportation company and partner in the world's largest airline alliance, Star Alliance™, the SAS Group impacts its destinations through traffic, cargo and passengers and through purchasing. Rezidor SAS, which operates hotels in about 40 different countries, affects its surroundings in the same way.

By joining the Global Compact, the SAS Group has committed itself to ensuring that this impact leads to a better life for people and a reduced environmental impact. For Rezidor SAS, which operates hotels in the Middle East, Eastern Europe and China, where views about human rights and environmental and working environment issues do not always agree with the Global Compact, the challenge is even greater.

Openness – transparency

Customer and consumer demands have prompted companies to openly report targets and performance in the area of sustainable development. Business customers require that suppliers of goods as well as services maintain certain standards of ethics, social responsibility and environmental performance. In the SAS Group, too, environmental, social and ethical standards are increasingly being set for purchasing.

The pressure for openness and sustainability information also comes from policymakers and governments. For example, after initially encouraging European companies to voluntarily furnish more data on environmental and social issues, the European Commission has gone further with its so-called Modernization Directive. Its introduction, however, will have relatively little impact on the SAS Group's financial and sustainability reporting, since on the whole the Group already meets the directive's requirements.

Greater transparency has also been necessary in the competition for new employees. In addition, openness and transparency in member companies are essential if a voluntary agreement like the Global Compact is to retain its credibility. Member companies are required to report the steps they are taking to fulfill the principles of the Global Compact. The SAS Group's report on these efforts is published on the Global Compact's website, www.unglobalcompact.org.

Energy and climate

The transportation and travel industry's most significant environmental impact is emissions of the greenhouse gas carbon dioxide (CO_2). Both nationally and within the EU there are initiatives for making energy use more efficient and reducing CO_2 emissions, e.g. all EU countries are to increase renewable energy's share of total energy use from 6% to 12% by 2010, when the share of biofuels is to be 5.75% of fuels sold.

The hotel business and property management in the SAS Group are also affected by an EU directive on the energy efficiency of buildings. Buildings represent 40% of energy consumption in the EU, and the directive contains detailed regulations for reducing this consumption by 22%.

Although aviation's share of global CO_2 emissions is only 3%, the focus is on aviation, owing to the explosive growth predicted. For example, forecasts by ICAO, the UN civil aviation body, indicate that global air traffic will grow by an average of about 5% per year until 2020. Thanks to technological advances and efficiency improvements, the rise in CO_2 emissions can be limited to an average of 3% per year.

The UN International Panel on Climate Change (IPCC), which has issued a special report on the role of aviation in climate change, came to the same conclusion. The IPCC report was updated in August 2004, and the earlier results were confirmed with greater certainty. The report also points out that CO_2 emissions account for approximately 50% of aviation's total climate impact.

The 1992 UN climate convention, which later resulted in the Kyoto Protocol, requires that all industrial countries reduce their greenhouse gas emissions to 5% of the 1990 level between 2008 and 2012. The EU has gone further, committing itself to reducing the community's total CO_2 emissions by 8%, compared with 1990.

Environmental policies, 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, carbon monoxide and nitrogen oxides (NOx). There are also various national and local rules, such as noise restrictions for takeoff and landing or special systems of environment-related charges.

The trend is toward greater use of environment-related 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 (BAT) from an environmental standpoint.

In accordance with an ICAO policy, jet fuel for international aviation has been tax exempt since the beginning of the 1950s. Through its member countries, however, the European Commission is working very actively within the ICAO to impose a global carbon tax on aviation fuel.

Ground and hotel operations are also affected by national and local environmental, working environment and safety legislation. Hotel operations primarily have local environmental regulations to follow, and, to a lesser degree, direct legislation.

Noise

Many airports have already introduced noise charges, takeoff and landing restrictions and even landing bans on the noisiest aircraft types. About 40 airports in Europe and the U.S. have introduced restrictions of various kinds. According to the environmental permit, the noise limit for night traffic at Copenhagen Airport was lowered on January 1, 2005, from 85 to 80 dB(A). As traffic is increasing at the airport, the overall noise contour is also to be reduced. This is one reason that the SAS Group is negotiating with several manufacturers of possible modifications to reduce MD-80's noise level. *(See also page 111.)*

Congestion on the ground and in the sky

Airline operations may also be limited by factors hindering the expansion of airports in densely populated areas, such as problems with noise and local air pollution. In a report from December 2004, the European Civil Aviation Conference (ECAC) and Eurocontrol write that the growth of aviation is at risk of being limited by increasing capacity problems at European airports as well as congested air space and a lack of coordination of air traffic. The current system of many different national air traffic control (ATC) systems in the EU and a forecast doubling of air traffic by 2020 exacerbate the problems of congestion and delays. *(See also page 17.)* This insight has led to an EU decision to introduce the Single European Sky (SES) in all member states. This effort began in summer 2004.

Among other things, SES will make possible a coordinated European ATC system, which, according to estimates from the Association of European Airlines, would, at current traffic levels, yield fuel savings of approximately 12% through shorter flight paths, less congestion and shorter waits in the air. Also, busy airports would be utilized more efficiently, delays reduced and safety improved because pilots and air traffic controllers would be under less pressure on the job than they are today.

The effort begun earlier to introduce a joint upper airspace in the Nordic region (Nordic Upper Area Control, NUAC) will also lead to considerable fuel savings and emission reductions.

It also happens that airports, including one vital to the SAS Group, Arlanda, are approaching local limits for CO_2 emissions. The emission ceiling is specified in absolute terms and is unrelated to production. In December 2004 the Swedish Civil Aviation Administration (SCAA), which is responsible for the airport's environmental permit, applied for reexamination of the environmental permit with the Environmental Court.

Assistance in calculating emissions

Many large customers require reports of environmental impacts of aircraft in order to calculate their own impact or that of their freight carriers. Analysts, investors and other stakeholders want data on suppliers' environmental impacts and possible improvement measures. To assist them Scandinavian Airlines has developed an emission calculator for personal transportation and SAS Cargo for air freight. They are available on the Internet:

www.sasgroup.net/miljo **www.sascargo.com**

Emission trading makes environmental management possible

After Russia ratified the Kyoto Protocol in November 2004, it could enter into force in February 2005. At the same time, a system of trading CO_2 emission rights that will eventually cover most businesses was introduced in the EU. There is uncertainty about how international aviation will do its part to reduce global CO_2 emissions. Like international civil aviation organizations, the SAS Group believes it would be economically and environmentally most effective to admit aviation to open emission trading.

In the negotiations on the Kyoto Protocol, the UN International Civil Aviation Organization (ICAO) has been tasked with studying the role of international civil aviation in reducing global CO_2 emissions. The ICAO Committee on Aviation Environmental Protection (CAEP) has studied several alternatives for aviation, among them a market-based system of trading in emission rights and a system of taxes and charges.

CAEP has found that for a carbon tax on jet fuel to lead to lower CO_2 emissions it needs to be extremely high, i.e. many times the current price. Since technical solutions to substantially reduce aviation's CO_2 emissions are currently lacking, this effect can only be achieved in the short run by a radical reduction in air travel.

However, according to CAEP, open emission trading could lead to sharply reduced emissions. Thus, by purchasing emission rights, airlines can ensure that the reductions take place outside the aviation sector, where they are commercially feasible.

At the most recent ICAO meeting in October 2004, attendees agreed that the ICAO would continue to develop a system enabling aviation to participate in a trading system. ICAO's view, fully shared by the SAS Group, is that open trading in emission rights is the most effective way for aviation to help to reduce global CO_2 emissions.

Caps for emissions

Trading in emission rights is one of the so-called market-based instruments that the Kyoto Protocol allows for limiting global CO_2 emissions. The basis for trading is laid by setting a cap for emissions permitted in a year. Everyone covered by the scheme then receives a quota of emission rights that may be bought or sold like any other security.

The idea is that by trading, companies will be able to choose between reducing their emissions or paying others to do the same. They may purchase emission rights or invest in measures that reduce CO_2 emissions in developing countries, for example.

Aviation wants to participate in the EU's trading system

In the EU a trial period of emission trading began in early 2005. As a first step it involves trading in CO_2, and only permanent industrial facilities and power plants may participate. The idea is for more businesses to be included in the trading system beginning in 2008. Through the Association of European Airlines (AEA), the SAS Group is working to get the European Commission to assess how aviation can be included in European emission trading. There is, for instance, a dialog with the Commission to influence the technical form of the future trading system to make it competition-neutral and applicable to aviation.

The U.K., which will be assuming the EU presidency in the second half of 2005, has stated its concern about aviation's climate impact and thus wants to bring the entire airline sector into the trading system as quickly as possible. The European Commission is also studying how the trading system could be expanded to include more sectors, also aviation. Its report is expected to be ready by the end of June 2005, when the U.K. takes the president's gavel.

Voluntary participation in Norwegian emission trading

Like the EU, Norway, too, introduced emission trading at the beginning of 2005. Here the SAS Group has worked actively to join the system, which after initial resistance the Ministry of Finance and members of the Storting have shown an interest in allowing.

There are several reasons why the SAS Group is trying to join emission trading. One is that trading follows the polluter pays principle. Another consideration is commercial, i.e. it may be advantageous to have had previous experience in quota trading when such a benefit is introduced in a wider context.

A further reason is that the SAS Group hopes that purchasing emission rights will make up for the carbon tax it now pays on fuel used for domestic flights in Norway. Norway is, by the way, the only country in Europe with a carbon tax on jet fuel. At the current price, the SAS Group estimates that the cost of purchasing emission rights will be lower than the cost of the existing Norwegian carbon tax.

EU keeping the door open for a carbon tax

The European Commission has done numerous studies of the possibility of levying a carbon tax on jet fuel, but since a tax within the EU would distort competition and be unfair to European airlines, the Commission has chosen to act globally through EU member states. They have been working actively in the ICAO to introduce a global carbon tax on jet fuel.

However, the EU initiative has been received with complete indifference by the rest of the world. For instance, at the 2004 ICAO meeting the U.S, tried to push through what may almost be regarded as a ban on all environmentally-related aviation taxes. The representatives of the EU countries worked a formulation into the resolution whereby preparing environmental taxes on aviation is permitted, as long as they are not imposed before the ICAO holds its next meeting in three years.

The European Commission has also conducted several inquiries to examine the possibility of imposing CO_2-based overflight charges.

Alternative aviation fuels a possible solution

One way to cut CO_2 emissions from an existing aircraft fleet might be to use jet fuel produced from renewable raw materials instead of petroleum.

That is why for several years the SAS Group has supported a project run by the Gothenburg company Oroborus, Chalmers University of Technology and the Lund Institute of Technology. The project, also supported by Volvo Aero, the Swedish Energy Agency, the Swedish Civil Aviation Administration and Vinnova, is aimed at producing synthetic jet fuel from renewable biomass.

This fuel can be mixed with ordinary aviation kerosene and has been successfully tested in engine simulations at the Lund Institute of Technology. The fuel is estimated to be within the technical criteria for jet fuel. In autumn 2004 the fuel was tested for toxicity at Stockholm University, and the hope is eventually for full-scale testing.

The biggest stumbling blocks for this aviation fuel may be getting it certified and keeping manufacturing costs competitive. Certification is also a bureaucratic and time-consuming process.

Synthetic jet fuel developed from natural gas is already being used in South Africa. This fuel also leads to reduced CO_2 emissions as it has a higher energy density compared with ordinary aviation kerosene.

However, what is most interesting for the SAS Group is to blend renewable jet fuel with ordinary aviation kerosene, thereby achieving a real lowering of CO_2 emissions.

Worldwide there is also great interest in hydrogen as an energy carrier for aircraft, but both the necessary technology and energy-efficient methods for producing hydrogen have yet to be developed.

Sustainable development work

Since the SAS Group joined the UN Global Compact in spring 2003, its sustainability work has focused on meeting the Global Compact's ten principles. These are based on UN declarations on human rights, labor standards, environmental responsibility and against corruption.

In 2004 most of the SAS Group's companies and units identified the aspects of the Global Compact relevant to them, setting targets and preparing action plans for their ongoing sustainability work. Many companies and units have given priority to drawing up plans to reduce sick leave.

During the year, the reporting of sustainability data was also revised to more closely follow the principles of the Global Compact.

As part of the SAS Group's social responsibility, the Board initiated an effort to draw up a *Code of Conduct*, with rules of business ethics and guidelines for the SAS Group, to cover all employees. The code deals with a number of key issues, such as the relations with customers and society, the mutual relationship between the company and its employees, shareholder control, communication with the financial market, conflicts of interest and business ethics.

Organization and management of sustainability work

The SAS Group bases its sustainability work on its Sustainability Policy. The final responsibility for sustainability issues rests with Group Management (GM), while operational responsibility rests with the heads of business areas and subsidiaries.

The SAS Group has a central, advisory department for the environment and sustainable development that is part of the corporate function Corporate Communications & Public Affairs (CC&PA), where the Group's environmental director is part of the management. The head of CC&PA monitors environmental and other sustainability-related issues on behalf of GM.

Global Compact

The ten principles of the Global Compact are based on the UN Declaration on Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Rio Declaration on Environment and Development and the UN Convention against Corruption.

Human rights

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2 make sure that they are not complicit in human rights abuses.

Labor standards

Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4 the elimination of all forms of forced and compulsory labor;

Principle 5 the effective abolition of child labor; and

Principle 6 the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7 Businesses should support a precautionary approach to environmental challenges;

Principle 8 undertake initiatives to promote greater environmental responsibility; and

Principle 9 encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10 Businesses should work against all forms of corruption, including extortion and bribery.

The SAS Group's sustainability work

Long-term sustainability for the SAS Group's operations requires a simultaneous focus on financial growth, environmental improvements and social responsibility.

Sustainability work is coordinated through the SAS Group Sustainability Network, comprising the coordinators for the environment and corporate social responsibility from all companies and units. They report to the management of their respective company or unit. See also **www.sasgroup.net/miljo**.

Employee issues are dealt with by the HR Forum, made up of the personnel directors of the Group's companies and units. They, too, report to their respective managements.

Working environment work has a well-established organization in the form of elected safety representatives, labor-management joint safety committees and internal control systems. In Scandinavia, the working environment organization is clearly linked to the trade unions. Health, environment and safety (HES) work is supported by HES departments with working environment specialists in medicine, ergonomics and engineering. HES departments also play an advisory role in the Group's working environment work. *(See also page 106.)*

Handling sustainability-related data

Environment-related data is reported twice a year, while data on employees and relations with stakeholders and social involvement has, so far, been reported once a year. The plan is for data on illness and injuries to be reported quarterly as of 2005. Also, companies and units will report on measurements and steps taken to meet the Global Compact commitments.

Although the heads of the respective companies and units are responsible for reporting, in practice this is done by the coordinators in the Sustainability Network. The data is compiled by the Group's central department for the environment and sustainable development.

After identifying its most significant environmental impact, each company or unit must draw up key performance indicators (KPIs). Several of the Group's companies and units use these indicators to calculate an environmental index, according to which they then manage and set targets. *(More about the SAS Group's Environmental index on page 110.)*

Dialog with stakeholders

The SAS Group has a long tradition of cooperation and dialog with external stakeholders. For example, there has been a long-standing dialog with the three Nordic civil aviation authorities. The dialog with customers takes place through the various businesses' customer surveys. Customers also regularly report their views on the airline operations' environmental work above all via established structures for collecting customer feedback. Hotel guests are encouraged to report their views on the hotels' environmental work on forms available at the hotels.

The SAS Group also gathers opinions from environmental organizations on various issues. This happened most recently in Norway when the Group began to work actively to join the Norwegian emission trading system. The aim is establish stakeholder dialogs in the future where views on the SAS Group's sustainability work and sustainability reporting are collected in a more structured manner.

Otherwise, there are dialogs with various stakeholders touching on aspects of the Group's sustainability work, when, for instance, employees from the SAS Group's Sustainability Network speak at colleges and universities.

The SAS Group also has an ongoing dialog with the environmental research network "Øresund Environment Academy," primarily addressing the development and marketing of the Øresund region as a leading center of environmental know-how. Through its participation in ØEA, the SAS Group shows its willingness actively to contribute to sustainable development in the region.

Events and activities in 2004

Star Alliance, of which Scandinavian Airlines, Spanair and Blue1 are members, has decided to take seriously its slogan "The airline network for Earth." It will do this by cooperating with three international organizations in the scientific, cultural and environmental sectors. These are UNESCO, the United Nations Educational, Scientific and Cultural Organization, Ramsar, the international wetlands convention, and IUCN, an umbrella organization of over 1,000 environmental agencies and organizations in 140 countries. At UNESCO, the program *Man and the Biosphere* is being supported in particular.

This is a way for Star Alliance to demonstrate its responsibility and contribute to economic, social and environmental sustainability. For example, this support involves enabling the organizations to communicate in various inflight media and also receive discounted airline tickets for their field staff.

The SAS Group is part of a network of Nordic companies that have joined the Global Compact. Network participants share their experiences with introducing the Compact's ten principles. This network is also a Nordic link to the Global Compact's office in New York.

The SAS Group has also worked to establish a partnership with the UN Development Program (UNDP) and has looked into allowing the air ambulance project run by the SAS Group and the Swedish Civil Aviation Authority into the partnership.

Financed by the Swedish Civil Aviation Authority, the project involves the SAS Group furnishing a specially equipped Boeing 737 to be used in disasters. The aircraft is equipped to function as a small hospital, with six intensive-care beds and six other beds. For years now the SAS Group has also been able to provide personnel for efforts to build and operate airports or for civil aviation activities in developing countries or in acute crisis situations. For example, the SAS Group has furnished personnel to the UN organizations consisting in reconstruction work in the Sudan, Congo and Afghanistan. The hope is to develop voluntary work of this kind through the partnership with UNDP.

Following the tsunami disaster in Asia at the end of December, on behalf of the Scandinavian foreign ministries, the SAS Group organized an airlift between Thailand and Scandinavia and equipped air ambulances to assist those in need.

SAS Group employees took the initiative to collect money for Save the Children, to benefit those affected by the tsunami. The collection raised MSEK 2.6 MSEK, which was matched by the SAS Group.

Awards

In November 2004 Rezidor SAS Hospitality received the Worldwide Hospitality Award for Environmental Protection and Sustainable Development, sponsored by MTG Group and the travel industry trade journal *HTR Magazine*. The award was above all for Rezidor SAS's wide-ranging and structured work on sustainability issues and for its Responsible Business program at all hotels.

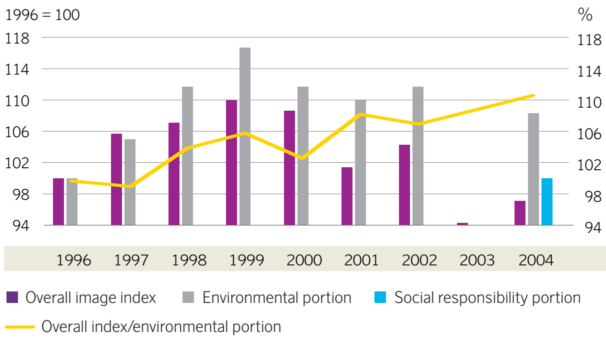
FAR, the Swedish accounting industry's professional organization, voted the SAS Group's Annual Report 2003 & Sustainability Report the best sustainability report and nominated it to be the Swedish entry for the 2004 European Sustainability Reporting Award.

In September 2004 the SAS Group received an award from the Norwegian Society of Financial Analysts for the "best reporting of non-financial information" for its Annual Report 2003 & Sustainability Report. The jury stressed that non-financial information has become increasingly crucial for valuing companies, since only a limited portion of value creation in today's companies is visible in the accounts.

Environmental work enhances corporate image

For years Scandinavian Airlines has been measuring customer perceptions of the airline using a Customer Satisfaction Index. One of the factors measured is whether Scandinavian Airlines is perceived as an environmentally conscious airline. The diagram below shows that since 1998 environmental work has contributed positively to the development of Scandinavian Airlines' overall image. Due to computer problems, data on the progress of the company's environmental image is missing for 2003. In 2004 the question of whether Scandinavian Airlines is perceived as an airline that takes social responsibility was asked for the first time.

The overall image index and the environmental portion



Since 1998 the environmental image of Scandinavian Airlines has contributed positively to the company's overall image.

Corporate social responsibility

The SAS Group's social responsibilities may be described as relationships: relationships with its own employees and relationships with the surrounding community. Corporate social responsibility (CSR) means different things depending on time and place. Priority CSR issues in Scandinavia are not necessarily the same as in China or the Middle East, where the SAS Group operates hotels.

Continued falling revenues and rising fuel prices have underscored the necessity of Turnaround 2005 in the SAS Group's three largest Scandinavian airlines in particular. For them to successfully adapt to the prevailing market and cost level, additional employees have had to leave the companies in 2004.

In all, the number of employees fell by 4,580 during the year. In 2004 the average number of employees of the SAS Group was 32,481 (34,544).

Employee surveys show that motivation among those employees still working has dropped only in proportion to the stresses they have been subjected to during the year.

Employees granted voluntary notices have been offered a career support program. At the beginning of 2005, 11% of the 254 employees who began the program are still looking for work.

In several companies, including Blue1, Spanair and Rezidor SAS, business expanded in 2004 and personnel were added.

Sick leave

Sick leave is expensive for both society and the SAS Group. In some of the Group's companies, sick leave is equal to 9% of total working hours, which is somewhat higher than the average absenteeism in Sweden. *(See also page 113.)*

In 2004, efforts to reduce sick leave, especially long-term sick leave, had priority in several of the Group's companies and units.

The Vitality training program initiated in 2002 and aimed at getting those on long-term sick leave back to work was implemented in 2004 as well. This program, held in Sweden in collaboration with the Alecta insurance company, contains elements of both mental and physical exercise. The results so far have been excellent: sick leave, sick pay costs, and the absence period (15–90 days) have fallen among the employees participating in the Vitality program.

In Norway work has continued on the memorandum of intent between the government and business, the "More Inclusive Workplace" (MIW). Its aim is to reduce sick leave by 20% in the period 2001–2005. "Active sick leave" and job training have been tools for getting employees back to work more quickly.

According to an estimate done by the Confederation of Norwegian Business and Industry, overall sick leave has fallen nearly 24% between 2003 and 2004 in companies that signed the MIW memorandum.

Working environment

In the wake of the organizational changes in the SAS Group, the large consortium-wide working environment bodies were dissolved, and working environment work now takes place in each company. The focus of these efforts is determined by the requirements in each company. In connection with the reorganization, a new position was created in the corporate function Human Resources, who via a network will support companies in their work on working environment issues.

Diversity and equality

The SAS Group's diversity policy also contains a commitment to work for gender equality. Rather than being Group-wide, equality plans are drawn up in the respective companies. However, a Group decision was made for least 40% of all candidates called in for interviews for new management positions to be women.

For several years SGS has had a program to promote equality and diversity. This has resulted in SGS Sweden AB having 42% women among all managers with personnel responsibility. In all, 65% of permanent employees are still men. For example, Scandinavian Airlines Danmark is participating in an EU project especially aimed at developing various tools for facilitating the recruitment of female managers. Already today, 36% of all managers at Scandinavian Airlines Danmark are women. Their salary level is at index 97, whereas that of their male counterparts is 100, a difference explained in part by the fact that the women are on average somewhat younger than the men.

At Rezidor SAS, 20% of the general managers were women, a result of an active search for female candidates in accordance with the company's "Equal Opportunity Policy."

The SAS Group's social responsibility	Airline operations								Airline Support Businesses/Airline Related Businesses									Hotels
To what extent:	Corporate-Funct.	Scandinavian Airlines Danmark	SAS Braathens	Scandinavian Airlines Sverige	Scandinavian Airlines International	Spanair	Widerøe	Blue1	SAS Technical Services	SAS Ground Services	SAS Cargo Group	SAS Trading	SAS Flight Academy	Jetpak Group	European Aeronautical Group	SAS Media	Newco	Rezidor SAS
– are there social/ethical policies and guidelines?	Yes	Yes	Yes	Yes	Well on the way	Yes	Yes	Well on the way	Well on the way	Well on the way	Yes	Well on the way	Well on the way	Yes	Partly	Partly	Initiated	Yes
– has the company been involved in community-related projects?	Yes	Well on the way	Yes	Partly	Partly	Yes	Partly	Well on the way	Well on the way	Partly	Yes	No	Well on the way	Yes	No	Initiated	No	Yes
– are there environmental/ social/ethical standards /dialog for choosing suppliers /products?	Well on the way	Well on the way	Yes	Yes	Well on the way	Well on the way	Partly	Well on the way	Partly	Partly	Well on the way	Well on the way	Well on the way	Well on the way	Partly	Partly	No	Well on the way
– are there environmental, social/ethical standards in supplier contracts?	Well on the way	Well on the way	Partly	Well on the way	Well on the way	Partly	Partly	Partly	Partly	Partly	Well on the way	Partly	Well on the way	Well on the way	Partly	Partly	No	Well on the way
– is the Group's sustainability policy in contracts and supplier agreements?	Well on the way	Well on the way	Well on the way	Well on the way	Well on the way	Partly	Partly	Partly	Partly	Well on the way	Well on the way	Partly	No	Well on the way	Partly	Partly	No	Well on the way
– is there a dialog/cooperation with stakeholders (schools/ organizations/research, etc.)?	Well on the way	Well on the way	Partly	Well on the way	Well on the way	Well on the way	Partly	Partly	Partly	Partly	Well on the way	Partly	Well on the way	Well on the way	Partly	Partly	Well on the way	Well on the way
– are there plans/needs assessments for training/ human resource development?	Well on the way	Yes	Yes	Well on the way	Yes	Partly	Well on the way	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Well on the way	Partly	Well on the way
– has there been training of executives and employees in sustainability issues?	Partly	Partly	Yes	Partly	Partly	Initiated	Partly	Partly	Initiated	Well on the way	Well on the way	Well on the way	Initiated	Well on the way	No	Partly	Well on the way	Yes
– are there established forms of cooperation with trade unions/employee representatives?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Well on the way	Well on the way	Yes	Yes	Yes	Well on the way	Well on the way
– are there policies and rules for dealing with redundancy?	Yes	Yes	Yes	Yes	Yes	Partly	Yes	Well on the way	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Well on the way
– are there systems to improve the work environment?	Well on the way	Yes	Yes	Well on the way	Yes	Partly	Well on the way	Yes	Yes	Well on the way	Yes	Yes	Well on the way	Yes	Partly	Partly	Yes	Well on the way
– is the Global Compact being implemented and its criteria met?	Yes	Partly	Yes	Well on the way	Well on the way	Well on the way	Well on the way	Well on the way	Partly	Partly	Yes	Well on the way	Well on the way	Well on the way	Partly	Partly	Well on the way	Well on the way
– are there cultural/environ-mental/community/ethics-related sponsorships?	Yes	Well on the way	Yes	Well on the way	Well on the way	Yes	Partly	Well on the way	Initiated	No	Well on the way	No	No	No	No	No	No	Yes
The company has not been subject to disputes or grievances relating to social, ethical or labor law matters.	Not true	Not true	Not true	Not true	True	Not true	Not true	Not true	Not true	Not true	True	True	True	Not true	True	True	True	Not true

No · Initiated · Partly · Well on the way · Yes · True · Not true

Cooperation with labor organizations

The SAS Group has a long tradition of cooperation and consensus between labor and management. The structural and organizational changes, implemented primarily in Scandinavian Airlines during 2004, have resulted in the founding of new legal entities. This has also led to a change in established union structures to a more decentralized model. The result is that union representatives have changed roles and responsibilities that are local and closer to the operations in their respective companies than in the earlier structure.

In 2004 Rezidor SAS established a European Works Council, where at annual meetings the management is to brief employee representatives about the company's finances, performance, future ventures and other paramount issues and discuss these with them.

Human resource and management development

In the new Group structure with independent companies, both financing and development of managers and other employees are to take place in a decentralized manner, based on each company's financial position and human resource development needs.

Nearly 2,000 employees in Denmark participated in commercial training programs.

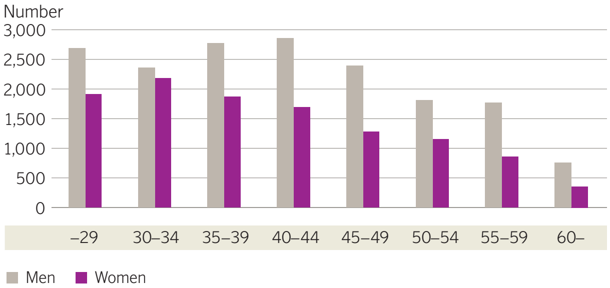
As part of the merger of Scandinavian Airlines and Braathens, there were special activities and courses to create a sense of community in the new company. Training programs were conducted in Sweden as well.

As part of the skills assessment of executives performed in 2003 and the redundancy processes implemented in 2003 and 2004, many employees were able to compile their skills in a résumé database. The aim was to have a better overview of employee skills

Alcohol, gambling and adult films

Aspects of the operations of several of the Group's companies are not accepted by all groups in society. These include SAS Trading's liquor sales, the airlines' and hotels' serving of alcohol, the casino business in some of Rezidor SAS's hotels, as well as access to pornographic movies in hotel rooms. The SAS Group's position is to offer to adults only such things that are legally and culturally accepted, and the rest is a matter of individual responsibility.

Age and gender breakdown in the SAS Group.
Average age 41.1 (41.2), excluding Hotels and Widerøe.



and areas of interest, to see whether redundant employees could be reassigned and to support those who chose to focus on a career outside the SAS Group. It was also meant to provide a picture of the skills that the SAS Group's executives have and how they can be developed and utilized in the future.

A trainee program aimed at supplying the Group with new managers ran during 2004. The program, which has had seven participants recruited internally, concludes in March 2005, and included a 13-week training program that was layered with study visits and lectures, and, in between, work in various business areas in the Group. External recruiting for a new trainee program began in January.

The corporate function Human Resource Services has performed training for just over 100 managers and specialists in project methodology, among other topics, and implemented a management program.

PULS (Employee Surveys on Life at SAS)

The PULS employee surveys address issues such as leadership, employee knowledge, motivation and authority, how cooperation and organizational efficiency function and how employees perceive their ability to apply their knowledge effectively.

A PULS survey was done in March 2004, and all companies except for Rezidor SAS, SAS Cargo Group, Spanair and Air Baltic took part. SAS Cargo Group will do its survey in 2005. Rezidor SAS did its own survey in 2004, a "Climate Analysis", to which 12,000 employees responded, the majority of whom are employed by hotels operated under a franchise.

In recent years, the response rate has fallen precipitously, and in 2004, only half of the employees responded on the PULS form.

PULS will be reworked in 2005 to fit better in the new corporate structure and be more useful for managers and employees alike.

Negotiations on new company structures and changed pay agreements

In 2004, negotiations with labor organizations continued to be marked by the Turnaround 2005 savings and restructuring program. The most important structural change implemented is the incorporation of units in the SAS Consortium.

Collective bargaining in 2004 was complicated, since for the second year running the SAS Group demanded a pay agreement that meant a continued pay freeze or pay reductions for employees throughout the Group. The Group's demands were based on a Scandinavian comparative study that has led to more market-based pay.

The Group reached agreements on frozen or reduced pay for 2004 with all except the Swedish Transport Workers' Union for baggage handlers and mechanics/aircraft technicians. The consequence of the agreement signed with the Transport Workers' Union was that the SAS Group began an overhaul of its operations in SGS and STS. The aim is to ensure that costs do not rise, despite the agreement.

At the end of 2004 an agreement was reached with the Swedish Transport Workers' Union to transfer the local SAS agreements to the so-called national agreement that covers baggage handlers and mechanics/aircraft technicians outside the SAS Group. Thus, the terms for these categories in the SAS Group were at the same level cost-wise as the rest of the industry.

Contract negotiations and incorporation have otherwise proceeded on good terms, even if the parties had differing views.

Conflicts and disputes

In early 2004 the Swedish Transport Workers' Union carried out a brief strike over the 2003 contract negotiations and in October the union again threatened a strike involving baggage loaders and mechanics over the 2004 contract negotiations, but the threat was retracted when an agreement was reached.

In Denmark, there were nine conflicts in breach of contract in 2004, many affecting traffic and taking place as a consequence of the Turnaround 2005 restructuring program and incorporation of Scandinavian Airlines.

At the end of November/beginning of December 2004, pilots belonging to the SEPLA union struck in protest against Spanair's decision to contract external flight capacity to increase production on the Spanish domestic network. The conflict canceled flights and its cost is estimated to be approximately MSEK 200.

In January Blue1 pilots threatened to strike over dissatisfaction with salary negotiations. No strike took place, since the parties were able to agree.

In Norway, a legal dispute has been settled. It involved 78 pilots, who sued to have their terminations from Scandinavian Airlines due to a shortage of work rescinded. The court dismissed the pilots' suit, and all of them then left the company. 29 cabin staff also brought a similar suit, but the court rejected it as well.

A further dispute is ongoing in Norway. It involves 350 ramp service workers dismissed in connection with the dissolution of Braathens' ramp service operations and transfer to SGS. The district court found for the SAS Group. The judgment, which was appealed by the Norwegian Confederation of Trade Unions (LO) and the Confederation of Vocational Unions (YS), will come before the court of appeal in January 2005. A final ruling will be announced later in 2005.

Widerøe has an ongoing legal dispute involving the dismissal of seven employees resulting from the transfer of ticket handling to SAS Braathens.

Business relations

Social responsibility also means behaving ethically and responsibly toward customers and business partners. In the airline industry, with its tradition of close cooperation with competitors, the focus is on antitrust issues. The SAS Group has therefore developed a legal policy with a special section on competition law and adopted a program to ensure compliance, the "SAS Competition Law Compliance Program." The Group's policies also contain strict prohibitions against paying or accepting bribes or improper perquisites. These rules are being developed in a *Code of Conduct* to be implemented in 2005.

According to the report "Civil Aviation in Scandinavia – value and importance" airline competition is at the same level as in the rest of Europe. This applies to domestic, European and intercontinental traffic. The report, commissioned by the SAS Group, was compiled by the consultancies COWI, TØI and Inregia, from Denmark, Norway and Sweden, respectively.

Financial aspects of corporate social responsibility

Since accepted models for reporting financial aspects of corporate social responsibility are lacking, the following is a discussion of the value of the SAS Group's social responsibility and involvement. In this context, the social dimension of sustainable development can be divided into two subareas: relations with employees and relations with the surrounding community. For the SAS Group's part, the latter refers to contributing to social progress where it operates and being a respected actor in society.

Employees

Value creation lies in the SAS Group's contribution to its employees' competence in their work roles, development and well-being. Another aspect is the Group's attractiveness as an employer, and relative pay levels are one measurement of this.

According to the pay comparison done in winter 2003/2004, flight personnel in Scandinavia have pay more in line with the market, and on the ground, the largest groups of white-collar staff, technicians and workers have industry agreements on a par with corresponding groups in competing businesses.

A company that is sustainable in the long run offers pay on a par with its competitors and attracts personnel by providing ample opportunities for personal development and having an attractive brand and firm foundation in values.

Costs of sick leave

Besides salaries, social security expenses and pensions, which are reported on page 75, the SAS Group has costs for sick leave and rehabilitation. Sick leave varies among the various operating areas, units and departments.

On average, sick leave is approximately 7%, imposing on the SAS Group and society at large a shared cost of more than SEK 1 billion per year. (Sick leave data is somewhat uncertain due to the incorporation carried out in 2004.) The SAS Group continues to devote substantial resources to rehabilitation, convinced that it profits both the individual and the company to avoid long-term sick leave and to get people back to work as soon as possible. The Vitality program, described on page 106, has shown favorable results.

Support for trade union activities

The fact that with its Scandinavian roots the SAS Group supports trade union activities is in part a consequence of legislation, but is also based on a conviction that cooperating with unions is necessary for developing the efficiency of the Group.

There are in all approximately 200 trade unions in the SAS Group, and almost 200 full-time employees are labor representatives, whose salaries the company pays. The SAS Group's operations are very sensitive to labor conflicts and strikes. Statistics kept since 1992 show a distinct declining trend in the number of conflicts, and compared with competitors in other countries, the conflicts that the SAS Group is hit with are few in number and small in scope. This shows that good cooperation between labor and management contributes to value creation, e.g. by avoiding costs.

Contributions to society

Airline businesses are engines of job creation. So concludes the report "Civil Aviation in Scandinavia – value and importance," compiled for the SAS Group by the consultancies COWI, TØI and Inregia, from Denmark, Norway and Sweden, respectively. According to the report, each employee of the SAS Group's airline businesses generates 1.63 jobs in other industries. This means that the SAS Group's airline businesses directly and indirectly employed between 46,000 and 52,000 persons in the three Scandinavian countries in 2004. These persons contributed approximately SEK 10 billion in the form of taxes to the Danish, Norwegian and Swedish treasuries.

According to the report above, the SAS Group's operating revenue accounts for 0.6% of the Swedish, 0.7% of the Danish and 1.1% of the Norwegian GDP.

Compared with airline businesses the hotel business is more employment-intensive, but does not generate as many indirect jobs as airlines do.

Besides the fact that aviation pays for its infrastructure use, i.e. airports and air traffic control, it is a vital part of the entire Scandinavian infrastructure. This pertains especially to Sweden and Norway, which are both far-flung and sparsely populated.

Unlike e.g. low-fare carriers, the SAS Group's airlines maintain a number of less profitable routes to and from locations on the Scandinavian periphery. The reason is that they feed passengers into the larger continental and intercontinental routes, strengthening the SAS Group as a network operator and making the airlines sustainable. At the same time, there are great benefits to individuals and industries in those regions that would otherwise have no connections by air.

Security costs

In the wake of the terrorist acts in September 2001, the EU has laid down new security requirements for the airline industry. It is the airlines that pay for the measures the authorities require to provide added security to passengers and employees alike. Comparable security measures for rail and ferry traffic are generally financed by the government through taxes. The tightened security standards have also meant an added burden on airlines and their employees in the form of tighter controls on hiring and increased surveillance.

The SAS Group spurs on technological development

As part of its corporate social responsibility, it makes sense for the SAS Group also to spur on and partly pay for the development of greener technology. For example, the SAS Group has been a pioneer among airlines in setting environmental standards when ordering new aircraft and engines. Most recently this involved getting aircraft and engine manufacturers to devise solutions to make MD-80 aircraft quieter and more fuel-efficient. *(See page 111.)*

When in January 2004, Norwegian environmental authorities required that aircraft deicing should be done with triazol-free fluids, the SAS Group played an active part in developing them. Then, without being prompted by other authorities, the SAS Group saw to it that they are used in the rest of Scandinavia.

In other words, the SAS Group and its airlines spur on – and partly pay for – technological development benefiting the entire airline industry. None of the competing low-fare operators have shown any interest in any development projects. Nor do they participate in basic work to develop aviation norms and standards, which the SAS Group's airlines spend a lot of time and money on.

Environmental responsibility

The SAS Group's environmental impact varies considerably by business area. Generally the Group's most significant environmental impact is the consumption of nonrenewable energy, primarily fossil fuels. Their combustion increases atmospheric CO_2 levels, assumed to contribute to global climate change. Noise is a local environmental nuisance that is drawing increasing attention.

The SAS Group's airline operations represent about 90% of its total environmental impact, which is primarily connected with the combustion of jet fuel. Besides the addition of CO_2, aircraft engines' emissions of water vapor and nitrogen oxides (NOx), which increase the atmosphere's ozone content and produce contrails, may also have an impact on the climate. Combustion of jet fuel gives rise to emissions of NOx, which regionally cause acidification and eutrophication of soil and water. Noise from takeoffs and landings create local environmental impacts.

The environmental impact of hotels and other activities primarily consists of energy and water consumption, material and chemical use and waste generation. These other operations are either units primarily consisting of office activities or companies and units that by their nature are more technical, such as SAS Technical Services (STS) and SAS Ground Services (SGS). Their impacts also include chemical use and hazardous waste generation.

Environmental index

The SAS Group measures its eco-efficiency with an environmental index, which is also used as a tool for managing and following up the Group's environmental performance. The index was developed gradually since 1995 by Scandinavian Airlines and accounts for each operation's environmental impact in relation to its production. Since 2002 the index has included more companies. They plan, set targets, control and report the environmental performance of their respective operations using the key performance indicators on which the index is based.

Following the SAS Group's overarching objectives and strategies, short and long-term, each company or unit develops environmental targets based on the requirement for constant and relative improvements in environmental performance. The long-term goal is for all environmental management systems in the Group to be documented and in line with the international ISO 14001 environmental management standard. The question of certifying the systems will be decided by the company or unit in question on the basis of business strategy.

Environmental permits, infringements, incidents and disputes

A detailed description of the SAS Group's concessions and environmental permits for its operations is given in the Report by the Board of Directors on page 63.

Airline operations have no separate concessions or environmental permits, but depend on permits that airport owners have for operation, such as glycol handling, runway deicing and threshold values for noise. Airline operations have an exemption to use halons and submit annual reports to the authorities. The reason for the exemption is that there are no safe alternatives to halons as a fire extinguishant.

Infringements and incidents of financial importance are reported in the Report by the Board of Directors, page 63. Others may be found below or under each company on pages 113–117.

A fuel leak took place in May 2004 at Copenhagen Airport at a facility partly owned by SAS Oil. Due to a damaged valve, approximately 35 m^3 of jet fuel leaked from the fuel farm. The local safety organization managed to recover almost all the fuel. Then all the valves and the fuel farm were inspected and routines introduced to prevent a recurrence.

Through the company SAS Oil AB, the SAS Group is a minority owner of a number of smaller companies that handle jet fuel. The SAS Group is satisfied that these companies have the necessary permits, contingency plans and insurance. SAS Oil is a purchasing company for jet fuel for several of the Group's airlines.

Environment-related events and activities

- Beginning in 2004, only triazol-free deicing fluids are used by the SAS Group's airlines at all Scandinavian airports.
- In November 2004, Oslo Airport was ordered to pay damages for noise of up to MNOK 0.2 apiece to approximately 220 persons living nearby. Oslo Airport was also ordered to pay court costs of MNOK 10. The SAS Group is not a party to this suit, but the matter illustrates the attention aircraft noise gets.
- In March 2004 the Swedish Civil Aviation Administration changed the system for calculating the emission-based landing fee and is introducing the so-called ECAC model, whereby the fee is calculated on how many kilograms of nitrogen oxides (NOx) the aircraft engines emit. In the U.K. an emission-based landing fee was introduced at London's Heathrow Airport in April 2004, and there is also a proposal to introduce the fee at

The SAS Group's environmental responsibility — The company has:		Airline operations							Airline Support Businesses/Airline Related Businesses									Hotels
	Corporate Funct.	Scandinavian Airlines Danmark	SAS Braathens	Scandinavian Airlines Sverige	Scandinavian Airlines International	Spanair	Widerøe	Blue1	SAS Technical Services	SAS Ground Services	SAS Cargo Group	SAS Trading	SAS Flight Academy	Jetpak Group	European Aeronautical Group	SAS Media	Newco	Rezidor SAS
Environmental supplier standards	Well on the way	Partly	Well on the way	Well on the way	Partly	Well on the way	Partly	Partly	Partly	Partly	Yes	Partly	Partly	Well on the way	Well on the way	Yes	Initiated	Well on the way
Environmental product standards	Well on the way	Partly	Well on the way	Well on the way	Partly	Well on the way	Partly	Partly	Well on the way	Partly	Yes	Partly	Partly	Well on the way	Partly	Yes	Initiated	Well on the way
Env. management system	Well on the way	Initiated	Well on the way	Partly	Initiated	Partly	Partly	Well on the way	Partly	Initiated	Yes	Partly	No	Well on the way	Initiated	Partly	Well on the way	Yes
Environmental policy/targets	Yes	Yes	Yes	Well on the way	Well on the way	Well on the way	Well on the way	Partly	Initiated	Initiated	Yes	Initiated	Initiated	Yes	No	Well on the way	Partly	Yes

No · Initiated · Partly · Well on the way · Yes

Gatwick also. This measure did not result in higher charges for the SAS Group. Several other European countries are also considering imposing similar landing fees.

- In London, noise limits were also tightened, though without consequences in the form of restrictions or charges for the SAS Group, given the fleet used for current London flights.
- An EU ban on the use of the flame retardant pentaBDE entered into force on January 1, 2005. However, aviation has received an exemption and has until March 21, 2006, to develop alternative flame protection for the systems for aircraft evacuation, e.g. emergency evacuation slides, which are now treated with pentaBDE.
- The ICAO decided in October to tighten the certification requirements for NOx emissions from aircraft engines. The requirements, to apply as of 2006, involve 12% lower emissions compared with current standards. The new requirements have no practical importance for the SAS Group's current fleet. In 2006, tightened certification requirements will be introduced for noise, Chapter 4. Chapter 4 will be required for the approval of new aircraft. All of the SAS Group's aircraft, except the MD-80, currently meet the Chapter 4 standard.
- In January 2005, the noise limit for night traffic at Copenhagen Airport was lowered to 80 dB(A). The overall noise contour at the airport is also to be reduced, which may have consequences if traffic increases.

  That is one reason that the SAS Group, along with the leasing company GECAS, negotiated with several manufacturers to lower the noise level of MD-80 aircraft. The hope is to be able to recertify the MD-80s to Chapter 4. Two proposed solutions have been developed to meet the SAS Group's needs. According to plan, these solutions are to be certified during the first half of 2005.
- Due to overcapacity and financial considerations, SAS Group Management decided to sell the Group's eight MD-90s. Since MD-90s are among the quietest planes in the fleet, the phase out can have an impact on the overall noise contour.

Cooperation and technology development

The SAS Group's airlines are active participants in a number of national and international forums where environmental issues linked to civil aviation are discussed. These include ICAO, the airline organizations, IATA and AEA and the Nordic working group for civil aviation's environmental issues N-ALM.

There is an ongoing effort to improve the work clothes used by just over 6,000 employees primarily in SGS, STS and SAS Cargo to make them more eco-friendly, etc. On account of that, representatives of the SAS Group are part of a Danish network of textile purchasers that cooperate with eco-labeling organizations, scientists and manufacturers to spur the development of more eco-friendly textiles and textile handling. One result is the development of new standards for work clothes for baggage handlers, aircraft mechanics and cargo workers. The new, specially designed work clothes have a life time four times longer than before, which means a reduced environmental impact and financial savings.

Rezidor SAS is contributing to the spread of green technology by applying its own technical standards when opening new hotels around the world. For example, Rezidor SAS Technical Standards require best available technology (BAT) for heating and cooling systems, energy-efficient solutions, low-flow shower heads and toilets, etc. These solutions mean that the highest technical standards are used wherever Rezidor SAS has hotels.

Rezidor SAS has also participated in developing an industry-wide standard for requirements for hotel construction: "Sustainable Construction Guidelines." This effort took place within the framework of the "International Hotels Environment Initiative" (IHEI), an environmental collaboration in the international hotel business that Rezidor SAS will be chairing beginning in 2004.

Effective in 2005, Rezidor SAS will use these guidelines as an appendix to its own Technical Standards.

The SAS Group's property company SAS Facility Management has similar standards for environmentally adapted buildings.

Airline operations

In	Out
Flight	Carbon dioxide (CO_2)
Jet fuel	Nitrogen oxides (NOx)
Engine oil	Hydrocarbons (HC)
	Volatile organic compounds (VOCs)
	Oil aerosols
	Jettisoned fuel
	Noise
	Water vapor
Cabin	
Food and beverages	Organic waste
Packaging	Packaging
Disposable/semi-disposable items	Unopened beverages
Articles for sale	Articles for sale
Newspapers	Waste
Chlorinated water	Lavatory waste
Germicides	

Airline Support Businesses/Airline Related Businesses

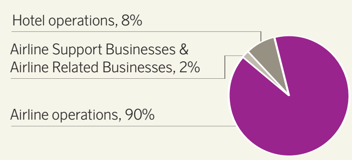
In	Out
Glycol	Waste
Water	Hazardous waste
Halons and freons	Wastewater
Maintenance materials	Halons, freons
Energy	Sulfur dioxide (SO_2)
Vehicle fuel	Carbon dioxide (CO_2)
Office supplies	Nitrogen oxides (NOx)
Chemicals	Hydrocarbons (HC)
Supplies	Soot and particulates
	Volatile organic compounds (VOCs)

Hotel operations

In	Out
Water	Wastewater
Energy	Emissions to air
Food and beverages	Carbon dioxide (CO_2)
Chemicals	Waste
Maintenance materials	Hazardous waste
Office supplies	Organic waste
Disposable/semi-disposable items	Packaging
Newspapers, brochures	

The SAS Group's total environmental impact

Of the SAS Group's total environmental impact, airline operations account for approx. 90%, Airline Support Businesses and Airline Related Businesses for approx. 2% and hotel operations for approx. 8%. See Reporting principles at www.sasgroup.net/miljo



Financial aspects of environmental responsibility

A sustainable company is characterized by profitability and growth sustainable in the long term. To achieve this requires an ability to meet the quality standards of customers and society for the services provided. These include environmental standards. Customer surveys reveal that the SAS Group's environmental work has been appreciated by customers. *(See also page 105.)*

Since its first environmental report in 1995, Scandinavian Airlines has been developing a model for reporting the financial aspects of the company's environmental work. Now covering large parts of the Group, the model forms the basis of the environmental-financial discussion below.

The aim is to report data at a Group level, but where this was not possible, examples have been taken from airline operations, primarily from Scandinavian Airlines, which accounts for approximately 60% of the Group's operating revenue.

The SAS Group's environmental work has several overriding purposes: besides ensuring that the Group operates in line with environmental laws and regulations, it is intended to reduce the Group's environmental impact and make resource use more efficient. In this way, environmental work helps to strengthen both the Group's finances and its brand.

In the SAS Group's operations there is a strong connection between greater cost-efficiency and lower environmental impact. For instance, there is a direct correlation between CO_2 emissions from aircraft engines and the aircraft's fuel consumption. Thus, the SAS Group's focus for economic reasons on keeping aircraft fuel consumption down coincides with its aim of reducing CO_2 emissions. The same applies to all other activities that, beside environmental reasons, have strong economic incentives to reduce consumption of energy and other resources.

Environment-related investment (MSEK)	1998	1999	2000	2001	2002	2003	2004
Airline operations	40	65	95	20	11.7	–	–
Ground operations	72	27	15	20.1	–	8.4	14.3
Totalt	**112**	**92**	**110**	**40.1**	**11.7**	**8.4**	**14.3**
Share of SAS Group's total investment in %	1.8	1.5	1.1	0.3	0.1	0.2	0.4

Charges for infrastructure

Civil aviation is unique in that it defrays the costs of the entire infrastructure it uses, i.e. airports and air traffic control. In 2004 these costs to Scandinavian Airlines amounted on a worldwide basis to MSEK 5,461 (5,281), of which MSEK 3,111 (2,986) constituted the company's own costs for infrastructure. The remaining portion comprised taxes and charges for which the SAS Group's airlines have administrative responsibility. These separate infrastructure costs correspond to 8.7% of Scandinavian Airlines' operating revenue.

External environment-related charges

Environmental charges exist to cover the costs of special environmental measures such as noise measurement and noise insulation of properties near airports. Environmental charges are normally linked to the aircraft's environmental characteristics and are included in the landing fee. The SAS Group's environmental charges for 2004 were MSEK 32.8 (29). The primary cause of the change is higher noise charges of MSEK 3.3 for Scandinavian Airlines owing to traffic growth in Sweden.

At Oslo Airport there is an environment-related 50% nighttime surcharge on the landing fee. In 2004 the SAS Group paid all together MSEK 6.5 (6) in these nighttime surcharges.

Environment-related charges, too, are often linked to the aircraft's environmental characteristics and are included in the landing fee. These charges have been created to favor operators whose aircraft are "greener" than others'. An operator who replaces his aircraft with aircraft that are greener can thereby lower his costs relative to his competitors. The SAS Group's environment-related charges for 2004 were MSEK 30.1 (26.8). The increase is due to a restructuring of the Swedish landing fees in combination with traffic growth.

Environmental charges and environment-related charges are primarily assessed for noise and emissions of nitrogen oxides (NOx). Noise-related charges are more common, but there is growing interest as well in the NOx-based landing fees charged in Sweden, the U.K. and Switzerland. Because of its high proportion of Boeing 737s with relatively low NOx emissions, Scandinavian Airlines is rewarded relative to other airlines.

In addition to the costs of infrastructure, the SAS Group's airlines pay environment-related taxes, such as the carbon tax on jet fuel levied in Norway and the environment-related passenger taxes in Denmark. In total, the SAS Group paid MSEK 425 (401) in environment-related taxes in 2004. The change is largely due to the passenger taxes in Denmark rising from MSEK 229 to MSEK 255, the result of traffic growth and to a surcharge related to tightened security requirements.

The diagrams below illustrate how external environment-related costs adversely impact the performance of the SAS Group's overriding earnings target CFROI and how external environment-related costs are broken down.

Environment-related investment

The table Environment-related investment reports the SAS Group's environment-related investment in the past eight years. For an airline, the most effective measure to improve environmental performance is to renew its aircraft fleet, investing in the best commercially available technology at the time, i.e. aircraft with fuel-efficient engines with low NOx and noise emissions. This renewal is ongoing in the SAS Group. In the second half of the 1990s and beginning of the 2000s, Scandinavian Airlines made a major investment in new aircraft. For instance, 48 Boeing 737s, delivered between 1998 and 2003, were equipped with DAC engines, which have especially low NOx emissions. The environment-related added cost of these aircraft came to approximately MSEK 250, which was to a certain extent later recouped in the form of lower NOx-based landing fees.

Other environment-related costs

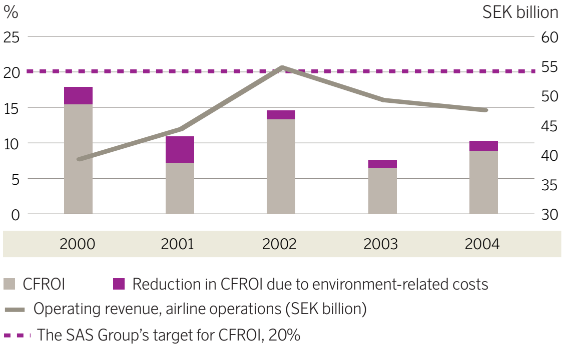
The SAS Group's other environment-related costs concern expenses for waste management, the environmental share of purification plant costs, depreciations on environmental investments, etc., as well as the cost of the environmental organization. Other environment-related costs for 2004 amounted to MSEK 57.2 (41.4). The change is due to increased costs for hazardous and other waste.

The SAS Group has no significant known environment-related debts or contingent liabilities.

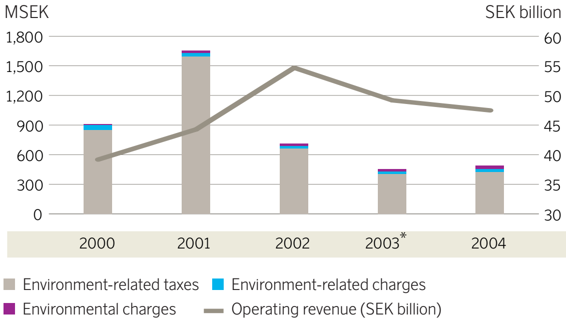
Environment-related business risks and opportunities

Well thought-out and proactive environmental work reduces the risk of infringing environmental regulations, which can lead to bad press and direct costs in the form of fines and damages. Proactive environmental work also reduces the risk of being surprised by new, more stringent demands from the market or the authorities. By working systematically and focused on anticipating legal or tax-related requirements, the SAS Group is working to obtain a competitive advantage.

Impact on CFROI of external environment-related costs



External environment-related costs and operating revenue



** Environment-related taxes have been adjusted compared with the 2003 report.*

Results for the year

The environmental results from the SAS Group's operations in 2004 are very positive. The general trend is toward greater efficiency and a smaller relative environmental impact. Since October 2004, Scandinavian Airlines has been incorporated and organized in four independent units in Denmark, Norway (SAS Braathens) and Sweden, plus Scandinavian Airlines International. For these companies environmental results for 2004 are reported according to the previous organization.

All airlines in the SAS Group show improved environmental results for 2004. This is primarily due to more efficient use of the aircraft fleet, with reduced fuel consumption and CO_2 emissions per passenger kilometer as a result. In many cases – this applies to Braathens, Scandinavian Airlines and Blue1, for example – a bigger share of longer routes helped to reduce the relative environmental impact.

In 2004 none of the airlines put any new aircraft into service, but in all cases efficiency enhancements were attainable with the existing fleet.

Braathens in particular, but also Scandinavian Airlines, continues to report a deteriorated cabin index for 2004. This is chiefly due to new concepts with simpler and fewer meals, which the catering suppliers have not been able to adjust their production capacity to. The cabin index is based *inter alia* on data from the catering suppliers' water and energy consumption relative to the number of meals produced.

In 2005 Scandinavian Airlines' and Braathens' production in Norway will be solely in the joint company SAS Braathens, which will lead to further efficiency gains.

Sick leave

Sick leave varies considerably among the different companies and units in the SAS Group. SGS, SAS Trading, Scandinavian Airlines Danmark and Scandinavian Airlines Sverige and Rezidor SAS had a sick leave rate of between 7 and 9%, somewhat above the Swedish average. On the other hand, both Spanair and Blue1 had sick leave rates of 3.3% and 3.6%, respectively, which is low for airlines.

Scandinavian Airlines Businesses

Scandinavian Airlines

Scandinavian Airlines' total index improved by 2 points from 78 to 76. This means that the target of improving the environmental index by an average of three points per year from 1996 to 2004 has been met.

The total index is an aggregate of the flight, ground and cabin indexes. Thanks to a sharp improvement in the flight index, the total index fell, despite deterioration of the ground and cabin indexes.

The improved flight index is related to a rise in the average cabin factor from 65.9% to 66.1% and a drop in fuel consumption, due in part to the highly fuel efficient engines of the airline's Airbus 330/340s. Average fuel consumption fell 2.5% to 0,049 kg/RPK. CO_2 emissions per passenger fell to the same degree.

Intercontinental routes contributed greatly to the improvement in the overall result, as the cabin factor rose to 80.2% (76.8%), with fuel efficiency on these routes improving by 4.8 percentage points to 0.039kg/RPK. Scandinavian Airlines International has created an environmental index based on 2000 values, and the total index for 2004 was 94.

In 2005 the four companies within Scandinavian Airlines Businesses will prepare a new environmental index and set new environmental targets.

Scandinavian Airlines has for many years been a major sponsor of Save the Children in the three Nordic countries. It also sponsors the Norwegian Sophie Prize for sustainable development and, along with Coca-Cola, operates a fund to support environmental projects in the Nordic region.

SAS Group's sick leave*		Airline operations						Airline Support Businesses/Airline Related Businesses									Hotels
	Corporate Funct. & Scandinavian Airlines Int.	Scandinavian Airlines Danmark	SAS Braathens	Scandinavian Airlines Sverige	Spanair	Widerøe	Blue1[3]	SAS Technical Services	SAS Ground Services	SAS Cargo Group	SAS Trading	SAS Flight Academy	Jetpak Group[4]	European Aeronautical Group	SAS Media	Newco	Rezidor SAS[5]
Total number of employees	1,678	2,667[1]	2,262	2,163	2,994	1,317	521	3,248	7,992	1,421	350	181	191	85	49	1,022	589
Total sick leave, %	3.3	7.9[1]	6.4	8.6	3.3	7.4	3.6	5.1	8.9	6.9	9.5	1.4	6.2	2.6	3,3	0,7	8,3
Long-term sick leave (more than 59 days), %	2.1	3.4	4.0[1]	5.7[1]	13.9	–	1.3	1.6[4]	–	5.4	–	0.6	2.0	2.0	33.1	16.2	44.6
Sick leave for women, %	3.8	–	8.0[1]	9.1[1]	–	–	4.1	6.3[4]	–	1.3	–	2.4	3.0	4.0	3,6	–	11.5
Sick leave for men, %	3.1	–	4.4[1]	6.6[1]	–	–	2.8	3.5[4]	–	5.6	–	0.9	2.8	1.7	2,9	–	5.3
Sick leave, employees aged 29 and under, %	0.2	–	5.7[1]	6.5[1]	–	–	3.9	2.0[4]	–	–	–	1.5	0.9	1.4	0	–	4.7
Sick leave, employees aged 30-49, %	3.7	–	6.4[1]	9.1[1]	–	–	3.5	3.4[4]	–	–	–	1.4	3.8	2.7	3,4	–	10.0
Sick leave, employees aged 50 and over, %	2.8	–	7.8[1]	8.0[1]	2.0	–	0.9	4.6[4]	–	–	–	1.5	0.8	3.0	2.1	–	6.2
Total no. of occup. injuries causing more than 1 day's sick leave, %	1	120	20	13	348[2]	5	10	40	264	33	4	0	0	0	0	65[2]	0
H-value	1.6	28.1	6.3	4.2	64.6[2]	2.3	13.0	7.5	21.6	15.3	6.5	0	0	0	0	39.2[2]	0

[1] Refers to 4th quarter 2004. [2] Different definition and registration of occupational injuries. [3] Data from Finland only. [4] Data from Sweden only. [5] Data from Scandinavia only.
** Employee data is uncertain and cannot be fully verified.*

KPIs, Airline operations [1]	Scandinavian Airlines			Spanair			Braathens			Widerøe			Blue1		
	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002	2004	2003	2002
RPK, million [2]	24,339	22,354	23,621	9,930	9,324	8,690	3,902	3,610	3,623	555	502	417	731	411	332
ASK, million [2]	36,797	33,916	34,626	14,370	13,288	12,411	6,023	5,955	5,483	1,040	961	823	1,456	920	671
Cabin factor, % [2]	66.1	65.9	68.2	69.1	70.2	70.0	64.8	60.6	62.4	53.3	52.3	50.6	53.6	48.3	49.4
Fuel consumption, kg/RPK	0.049	0.050	0.051	0.041	0.042	0.045	0.048	0.050	0.047	0.073	0.076	0.078	0.087	0.097	0.093
Carbon dioxide (CO_2), emissions 1,000 tonnes	3,747	3,529	3,765	1,275	1,241	1,226	588	565	545	128	121	102	199	125	98
Nitrogen oxides (NOx), emissions 1,000 tonnes	14.12	14.11	13.72	4.98	4.98	4.12	1.69	1.62	1.55	0.33	0.32	0.26[1]	0.50	0.26	0.22
Noise impact, km^2/85dB(A) at takeoff [4]	2.44	2.60	2.64	4.27	4.47	5.50	1.70	1.75	1.98	0.33	0.34	0.33	1.60	1.22	1.27
External environment-related costs, MSEK	399	479	493	–	–	5	54	56	179	14	13	39	–	0.5	1
Environmental index [5]	76	78	78[3]	96	100	101	82	86	86	93	95	98[2]	73	75	77

[1] For parameters see Reporting principles www.sasgroup.net/miljo. [2] Can include scheduled traffic, charter, ad hoc flights and so-called bonus travel, etc., which means that the figures deviate from the traffic statistics of the airlines concerned, where only scheduled traffic is reported. [3] Figures corrected in 2003. [4] Weighted noise contour with respect to the number of takeoffs per day with respective aircraft type in the traffic system. [5] Environmental index comprises an aggregated flight, ground and cabin index. 1996=100.

Braathens

In September Scandinavian Airlines in Norway and Braathens formed the joint company SAS Braathens in September 2004. The result reported below covers Braathens' operations.

The total index improved by 4 points, largely due to a higher share of longer routes, primarily to Southern Europe. On these routes the number of passengers rose sharply and the cabin factor was over 70%. Braathens' average cabin factor improved from 60.6% to 64.8%. While this led to an 8-point improvement in the flight index, the total index was impacted by a sharply deteriorated cabin index.

Braathens' cabin index rose 60 points to 159, primarily due a change in the catering concept to simpler and fewer meals. While it carried more passengers, the airline served under half as many meals as in previous years. The catering suppliers have been unable to reduce their production capacity.

Braathens cooperates with the Norwegian environmental foundation Bellona on a program to introduce new green technologies and promote sustainable development. Braathens sponsors non-elite sports and has special projects to benefit children in the Murmansk region of northern Russia.

Subsidiary & Affiliated Airlines

Spanair

Spanair accounts for 25% of the Group's total passenger volume. Despite its already high efficiency, Spanair managed to utilize its aircraft fleet even more efficiently in 2004 than the year before, lowering its flight index by 4 points from 100 to 96. Its cabin index is 98, while the ground index rose to 109, partly due to a change in reporting methods. Environmental and production data from Spanair's production company AeBal is included in Spanair's data. Spanair gets some of its ground data from the passenger and ramp service company Newco.

During the year Spanair introduced SGMA, a system to improve the control and documentation of chemical handling. In 2004 Spanair had about ten legal disputes with employees, though none with any major financial consequences.

Otherwise, during the year Spanair was involved in a number of major local and international sponsorship and partnership projects with the common theme of the rights of children. Spanair also cooperates with colleges and universities.

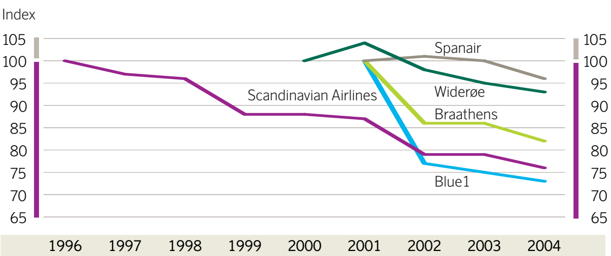
Widerøe's Flyveselskap

Widerøe, which accounts for 5% the Group's total passenger volume, improved its total index by 2 points from 95 to 93, right in line with the internal target. The improvement is primarily due to higher efficiency in utilizing the aircraft fleet, as the ground index deteriorated somewhat in 2004. Production increased because more seats were added to Widerøe's deHavilland Q-100s and Q-400s. At the same time, the cabin factor rose in 2004, lowering fuel consumption in relative terms from 0.076 to 0.073 kg/RPK. In 2004 Widerøe contracted a couple of aircraft to meet its traffic program, but expects to fulfill it with its own aircraft in 2005.

A new sea water pump to replace the exiting oil-fired boiler was installed to heat the hangars in Bodø. It is expected to save the equivalent of approximately 800 MWh of electricity a year.

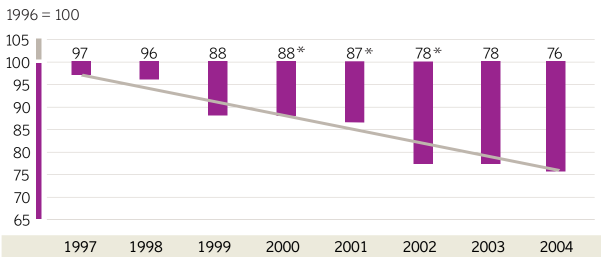
In 2004 Widerøe adopted a new environmental policy that is in

Total environmental index – Airline operations



The environmental index is environmental impact weighted for production. All airlines have improved their eco-efficiency.

Total environmental index – Scandinavian Airlines (excluding Braathens)



** The figures in the index are corrected for errors in the underlying data.*

line with the SAS Group's sustainability and environmental policies. At the same time, an environmental management system was made a part of the existing HES manual. In 2005 all managers affected are to go through the SAS Group's intranet-based environmental training program.

In 2004 a manager training program was conducted, to be followed up in 2005 with a development program for 100 managers. The program includes corporate social responsibility and has a special focus on sick leave.

Blue1

Blue1, which accounts for 4% of the Group's passenger volume, improved its total index in 2004 by 2 points from 75 to 73. Flight operations account for the big improvement in the total index. First of all, this is due to a sharp rise in production and simultaneous rise in the cabin factor. Production, i.e. available seat kilometers (ASK), rose 58% from 920 to 1,456 million. This is due to the introduction of a couple of new routes between Helsinki and the rest of Europe and new domestic routes in Finland. The cabin factor rose by 10 percentage points from 48.3% to 53.6%. In 2004 Blue1 received IATA's IOSA Certificate, an acknowledgement of the airline's quality. This certificate means that Blue1 may henceforth operate in full partnership with other airlines, so-called code-share.

In 2004, "theme days" were held for managers during which the company's social responsibility was discussed. It was decided that all managers, purchasers and employees in Blue1's environment group will go through the SAS Group's intranet-based environmental training program in 2005.

Blue1 has extensive outreach activities, including cooperation with educational institutions, the government and major customers and is involved in cultural, environmental and sports activities.

airBaltic

airBaltic, which is 47% owned by the SAS Group, is based in Riga, Latvia. In 2004 airBaltic saw robust growth. The volume of revenue passengers doubled, and a base was established in Vilnius, the capital of Lithuania. The ongoing changeover to Boeing 737s helped to improve the environmental index by 18 points to 82. Fuel consumption was 0.067 (0.075) kg/RPK.

airBaltic's production data is not consolidated with the Group's data.

SAS Facility Management (SFM)

Since January 2005, SAS Facility Management is a subsidiary of the SAS Group, responsible for managing all owned and leased buildings in Scandinavia. Virtually the entire SAS Group's stock of buildings and properties has been sold and are now leased. The Group has the option to buy them back during the period 2008 to 2012. According to the leases, SFM has the entire operational responsibility, including the environmental liability.

In turn, SFM's contracts with tenants like STS or SGS obligate them to meet all the environmental commitments.

Some of the operations in these buildings require permits or concessions. It is the performers of the activity, primarily STS and SGS, that have the permits or concessions, but SFM has the ultimate responsibility for facility requirements being met *(More about permits and concessions on page 63).* SFM negotiates with electricity and energy suppliers, purchases waste management services and specifies appropriate environmental requirements for its suppliers.

In autumn 2004, SFM began an energy-saving campaign, aimed a saving 8% in the coming year. However, this saving was already achieved by year-end 2004 and resulted in cost savings of approximately MSEK 11.

As of January 1, 2005, SFM was given responsibility for managing a further 110,000 m^2, which is formerly property owned by Braathens.

KPIs Airline Support Businesses/Airline Related Businesses

	2004	2003	2002
Energy consumption, GWh [1]	183	200	205
Water consumption, 1 000 m^3 [1]	162	167	162
Unsorted waste, tonnes [1]	344	550	786
Hazardous waste, tonnes [1]	655	459	532
Fuel consumption, vehicles, 1 000 liter	3,876	3,553[2]	6,315
Glycol consumption, m^3	4,081	3,149	4,516
Average number of employees	12,755	13,798	17,376

[1] *Data from Facility Management.*
[2] *Partly changed reporting method.*

Estonian Air

Estonian Air is 49% owned by the SAS Group and is based in Tallinn, Estonia. The airline flies four Boeing 737s. In 2004 passenger volume rose 33%. The cabin factor improved to 58.5% (57.3%) and fuel consumption was 0.053 (0.058) kg/RPK, which, taken together, improved the index by 14 points to 86.

Estonian Air's production data is not consolidated with the Group's data.

Airline Support Businesses

SAS Ground Services (SGS)

Providing passenger and ramp service at 150 airports in 37 countries, SGS is the SAS Group's largest company in terms of the number of employees.

SGS's greatest environmental impact consists of deicing aircraft with glycol, waste generation and traffic from vehicular transportation at airports. SGS also operates a bus service between Oslo and Gardermoen. For this purpose, SGS owns 14 buses and 3 minibuses and one automobile.

SGS's employees, whose duties include baggage handling, sometimes have a mentally and physically stressful working environment. A delivery problem prevented SGS from putting the RampSnake baggage handling system into operation. As a result, the working environment did not improve to the extent planned.

In 2004 SGS invested 25 MSEK on in-house human resource development.

SAS Technical Services (STS)

STS, which provides technical maintenance of aircraft and engines, has Scandinavian Airlines as its biggest customer. STS accounts for most of the operations in the Group requiring an environmental permit. STS also accounts for the greatest use of chemicals and generates the most hazardous waste. The waste is then collected by approved waste management firms. A purification plant for wastewater from the workshop at Gothenburg's Landvetter Airport was built in 2004. Investment in the plant came to MSEK 8.3.

Since 2004 STS also includes Braathens' previous technical division at Sola Airport in Stavanger and Estonian Maintenance in Tallinn.

At Oslo Airport, STS exceeded the quantity of water it was permitted to release into the municipal sewer system by 300 m^3. The

infringement, which was discussed with Ullensaker Municipality, had no adverse consequences.

In 2004, SAS Facility Management and STS at Oslo Airport underwent an unannounced audit by the Office of the County Governor of Oslo and Akershus, the local environmental authority. No nonconformances were noted, but the auditors pointed out areas for potential improvement. These improvements were then carried out.

During the year, STS continued to publish environmental information about chemicals used in productionon on STS's intranet. The system is called SafeProduction. A new chemical supplier will be contracted with in 2005. STS will see whether this supplier can perform chemical management tasks.

STS Sweden conducted training of all mechanics in handling solvents and training those affected in handling thermosetting plastics.

As a result of internal dialogs on the environment and working environment, STS switched to a more eco-friendly diesel, replaced certain gasoline-powered vehicles with electric ones and began to use tires that are better for human health and the environment.

There was a dialog with Scandinavian Airlines on a new method for cleaning aircraft engines to reduce their fuel consumption.

There is an ongoing dialog with suppliers to reduce the use of hazardous chemicals.

SAS Cargo Group

SAS Cargo conducts air freight operations mainly in Scandinavian Airlines, Braathens, Blue1 and Lufthansa aircraft and provides land-based shipment via SAS Cargo Trucking. Surface transportation is provided by an external shipper, Kim Johansen International Transport A/S, which also reports the environmental impact of surface shipments. Emission data from air freight is reported for the Group company concerned and Lufthansa.

Winning sustainability symbol

SAS Cargo's sustainability symbol was designed through an in-house contest in connection with its environmental and quality certification.

We care for the future

SAS Cargo engages in an active, regular dialog with, above all, its major customers in which environmental and quality issues are on the agenda. In 2004 a major customer dialog with NovoNordisk, Novozymes and DHL/Danzas Air & Ocean led to the development of an emission calculator with more destinations and a calculator for truck transportation.

Since SAS Cargo is environmentally and quality certified according to ISO 14001 and ISO 9001:2000, it conducts environmental and quality audits twice a year.

In 2004 SAS Cargo began campaigns, including a contest, to involve all employees in efforts to achieve environmental improvements.

More information is available in SAS Cargo's environmental report, which can be read at **www.sascargo.com**

Newco Airport Services

A subsidiary of Spanair, Newco Airport Services provides Spanair's passenger and ramp service and passenger service for the SAS Group airlines with Spanish destinations. Operating at 19 Spanish airports, Newco also has a number of customers outside the SAS Group.

In 2004 Newco saw a production increase of 7.1%, causing total energy consumption to rise to 1,172 (1,099) MWh. Fuel consumption was 1,644 (1,595) million liters, while hazardous waste amounted to 19.7 tonnes.

In early 2004, an environmental management system was introduced based on ISO14001. All training now includes elements aimed at raising employees' environmental awareness. Newco has 1,022 employees.

Airline Related Businesses

SAS Flight Academy (SFA)

SAS Flight Academy conducts pilot and cabin crew training for airlines worldwide, including the SAS Group's airlines. In this way, SFA is engaged in the transfer of expertise to countries in Asia and Eastern Europe in particular. A vital element of pilot training is knowledge of optimizing flight procedures in order to utilize aircraft in an environmentally adapted way.

In 2004 SFA in Norway moved into new premises at Oslo Airport. The premises are specially adapted to SFA's operations, which is very energy-intensive. SFA's energy consumption is expected to fall after the move.

Jetpak Group

In 2004, the Jetpak Group, which markets surface and air courier services, worked to get its environmental management system certified according to ISO14001, which is planned to take place in 2005.

European Aeronautical Group (EAG)

EAG produces route manuals for airlines. The biggest environmental impact is paper consumption. However, the amount of paper used is expected to plummet since both the German and Austrian civil aviation authorities – as the first in the world – have approved the use of EAG's electronic route manuals.

SAS Media

SAS Media operates in publishing, media sales, advertisement production and design within the SAS Group.

SAS Media's biggest environmental impact is via subcontractors like printing plants and courier companies. Environmental aspects were included in the printing and repro purchases made in 2004. A management training program focusing on the working environment was held during the year. A similar program focusing on the external environment will be conducted in 2005.

SAS Trading

In 2004, SAS Trading engaged in tax-free and other retailing in airports in Scandinavia, Poland and the Baltic states. Operations generate huge quantities of packaging waste. This is included in the airport owners' waste system and is also reported by them.

SAS Trading lost the vital concession in Norway, which has reduced Trading's total business by approximately 65%. As a consequence, an industry solution for operations in Eastern Europe and Scandinavia is currently being considered. A first step has been taken through selling shops and concessions in Eastern Europe in February 2005. The remaining retail operation in Scandinavian will then be sold during the first half of 2005.

Hotels

Rezidor SAS operates 190 hotels. One is wholly owned; the others are operated on a lease, management or franchise basis. The environmental data reported in the table was taken from the 121 hotels under the Radisson SAS brand operating on ownership, lease or management contracts.

The hotels under the Park Inn, Country Inn and Regent brands report environmental data, too. This data is consolidated at the Group level by Rezidor SAS but not in the SAS Group's report.

Hotels operating under franchise also report environmental data, but to avoid double counting, this data is not consolidated in externally published reports, since the hotels often belong to chains with their own environmental reporting.

Like those under lease or management contracts, more and more franchise hotels are formulating action plans based on Rezidor SAS's Responsible Business program. All hotels are to introduce the program, but not all are equally far along, due to when they were acquired. For example, there was no requirement to introduce the Responsible Business program in contracts written before the program was adopted.

In 2004, hotel operations' total CO_2 emissions rose, due in large part to an increased use of oil for heating. While energy consumption per m^2 rose, energy consumption per guest night fell from 75 to 72 kWh owing to a rise in occupancy. Total resource efficiency rose because water consumption per guest night also fell in 2004.

The total number of employees, including hotels under franchise, rose, coming at year-end to approximately 18,600. Of these, 68% have undergone environmental training since 2002.

KPIs Rezidor SAS Hospitality

	2004	2003	2002
Water consumption per guest night, liters	454	473	423
Energy consumption per m^2, kWh	281	276	289
Renewable energy sources (electricity), %	23	23	26
Unsorted waste per guest night, kg	1.85	1.85	2.13
Carbon dioxide (CO_2), emissions, 1,000 tonnes	7.20	6.86	6.40
Environmental management system	Yes	Yes	Yes
Environmental policy/targets	Yes	Yes	Yes
Average number of employees *	4,436	3,474	3,117

Data pertains to Radisson SAS hotels, excluding franchise.
** Owned and leased Rezidor SAS hotels only.*

In all, 11 hotels in Norway, Denmark and Finland have some form of environmental certification issued by a third party. In Norway these are the pan-Nordic Swan eco-label and the Environmental Lighthouse, in Demark The Green Key and in Finland the Green Hotel certificate.

One of Radisson SAS's hotels in Trondheim had guests who came down with Legionnaire's disease in 2004. No claims for damages have been received so far.

In 2004 Rezidor SAS began to construct a database to ensure that its hotels can comply with the environmental and working environment legislation in the various parts of the world they operate in.

The Responsible Business program urges the hotels to get involved locally to contribute to sustainable development. This involves activities connected with "Hotel Environment Action Month" in September, and socially related activities during the year under the motto "Be a local hero."

Statement of limited review

To the readers of the SAS Group's sustainability report for the financial year 2004

We have performed a limited review of the sustainability information disclosed in the SAS Group's sustainability report for the 2004 financial year, and related accounting principles on the Internet (www.sasgroup.net/miljo). The sustainability report consists of sustainability information provided in the SAS Group Annual Report & Sustainability Report 2004.

Our engagement has consisted of performing a limited review of quantitative and qualitative sustainability information in the sustainability report. The purpose of our limited review is to express whether we have found any indications that the sustainability information in the sustainability report has not, in all material aspects, been prepared in accordance with the criteria stated below. The limited review has been performed in accordance with FAR's draft standard on independent limited reviews of voluntary separate sustainability reports.

SAS Group Management approved the sustainability report in February 2005. The SAS Group Board of Directors submitted the annual report on March 8, 2005, and was informed of the sustainability report at the same time. SAS Group Management is responsible for organizing and integrating sustainability work with the operations of the Group. Our task is to express an opinion on the sustainability information in the sustainability report based on our limited review.

The sustainability report has been prepared on the basis of the SAS Group's accounting principles for sustainability reporting (www.sasgroup.net/miljo). These form the criteria used to evaluate our limited review.

The scope of our limited procedures included the following activities:

- Discussions with management on the sustainability related operational risks, and disclosures thereof.
- Review of information of the scope and limitations of the content of the sustainability report.
- Review of the company's principles for reporting of sustainability information.
- Limited review of the Group's systems and routines for registration, accounting and reporting of environmental data.
- Interviews and visits to a number of units in order to ensure that material conditions are disclosed in the sustainability report and that sustainability data is reported on an in all material aspects standardized format and in accordance with the accounting principles.
- Review of the documentation, performed on a test basis, on which the information in the environmental report is based.
- Review of the disclosures of external environment-related costs, other environment-related costs and environment-related investment.
- Review of compliance with laws, permits and conditions.
- Review of whether the contents of the Sustainability Report, pages 99-117, contradict the information in the rest of SAS Group's 2004 annual report.

Based on our limited review procedures, nothing has come to our attention that causes us to believe that SAS Group's sustainability information disclosed in the sustainability report for the financial year of 2004 has not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, March 8, 2005

Deloitte & Touche AB

Svante Forsberg
Authorized Public Accountant

Elisabeth Werneman
Authorized Public Accountant

Definitions & concepts

AEA • The Association of European Airlines.

AOC • Air Operator Certificate.

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 net 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 net 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.

Book equity • Book shareholders's equity.

Breakeven load factor • The load factor that makes traffic revenue equal to operating expenses.

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 (x7) • 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 • Adjusted 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.

Dow Jones Sustainability Indexes, DJSI • Global indexes tracking the financial performance of the leading sustainability-driven companies worldwide.

Earnings per share (EPS) • Income after tax divided by the total number of shares.

EBIT (including capital gains) • Operating income.

EBITDA margin • EBITDA divided by operating revenue.

EBITDA, Operating income before depreciation • Operating income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

EBITDAR margin • EBITDAR divided by operating revenue.

EBITDAR, Operating income before depreciation and leasing costs • Operating 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.

EBT • Income before tax.

ECAC, European Civil Aviation Conference • Forum for cooperation between and coordination of European national authorities on civil aviation matters.

EEA • European Economic Area

EIRIS • Ethical Investment Research Services. Independent analysis organization providing information about the social, environmental and ethical performance of companies.

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 • Book equity plus minority interests in relation to total assets.

EV, Enterprise value • Average market capitalization (market value of shareholders' equity) plus average net debt during the year and 7 times the net 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 (x 7) • Financial net debt plus capitalized leasing costs (x 7).

Financial net debt, market adjusted, NPV • Financial net debt plus present value of leasing costs for aircraft, NPV.

Global Compact • Challenge issued by UN Secretary-General Kofi Annan to business leaders to live up to nine principles in the areas of human rights, labor and the environment.

Gross profit margin • Operating income before depreciation in relation to operating revenue.

IATA, International Air Transport Association • A global association of more than 200 airlines.

ICAO, International Civil Aviation Organization • The United Nations' specialized agency for international civil aviation.

Interest coverage ratio • Operating income plus financial income in relation to financial expenses.

Interline revenues • Ticket settlement between airlines.

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.

Non revenue passengers • Passengers traveling on bonus, charter or ad hoc flights.

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. The annual survey measures 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 book equity after tax • Income after tax in relation to average book shareholders' equity.

Return on capital employed • Operating income plus financial income in relation to average capital employed. Capital employed refers to total capital according to the balance sheet minus noninterest-bearing liabilities.

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.

ROIC • Return on invested capital.

RPK, Revenue passenger kilometers • 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.

Runway incursion • Any occurrence in the airport runway environment involving an aircraft, vehicle, person, or object on the ground that creates a collision hazard.

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, operational • Airline operations' total operating expenses minus non-traffic related revenue per ASK.

Unit cost, total • Airline operations' total operating expenses including the capacity cost of aircraft 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.

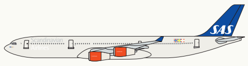
Wet lease agreement • Leasing in of aircraft including crew.

Yield • See Unit revenue.

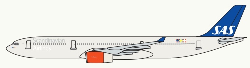
Aircraft fleet

The SAS Group's aircraft fleet at January 1, 2005

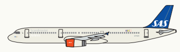
Scandinavian Airlines Businesses' aircraft fleet



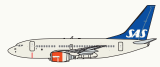
Airbus A340-300
Number of aircraft: 7
Number of seats: 261
Max. takeoff weight: 275.0 tonnes
Max. load: 43.0 tonnes
Length: 63.7 m
Wingspan: 60.3 m
Cruising speed: 875 km/h
Range: 12,800 km
Fuel consumption: 0.039 l/seat kilometer
Engine: CFM56-5C4



Airbus A330-300
Number of aircraft: 4
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
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: 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
Range: 3,000 km
Fuel consumption: 0.031 l/seat kilometer
Engine: IAE V2530-A5

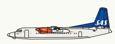


Boeing 737-400/500/600/700/800
Number of aircraft: 4/14/30/15/17
Number of seats: 150/120/95-123/131-134/ 132-179
Max. takeoff weight: 68/65.3/57.6-59.9/ 60.5-61.7/70.5-75.1 tonnes
Max. load: 17/13.9/13.0/15.0-15.6/ 19.0 tonnes
Length: 36.4/31.0/31.2/33.6/39.5 m
Wingspan: 28.9/29.9/34.3/33.6/34.3 m
Cruising speed: 800-850 km/h
Range: 3,570/4,120/1,900-2,900/ 2,200-4,660/2,000-3,700 km
Fuel consumption: 0.031/0.033/0.044/ 0.029-0.042/0.034 l/seat kilometer
Engine: CFM 56-3/CFM 56-3/CFM 56-7B/ CFM56-7B/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
Range: 2,800 km
Fuel consumption: 0.039 l/seat kilometer
Engine: IAE V2525-D5

MD-81/82/87
Number of aircraft: 12/31/15
Number of seats: 141-150/141-150/120
Max. takeoff weight: 63.5/67.8/63.5 tonnes
Max. load: 14.6/17.1/14.8 tonnes
Length: 45.1/45.1/39.8 m
Wingspan: 32.9 m
Cruising speed: 825 km/h
Range: 2,600/2,700/3,500 km
Fuel consumption: 0.043/0.043/0.048 l/seat kilometer
Engine: P&WJT8D-217C/-217C -219/-217C

deHavilland Q400
Number of aircraft: 24
Number of seats: 58-72
Max. takeoff weight: 29.3 tonnes
Max. load: 7.5 tonnes
Length: 32.8 m
Wingspan: 28.4 m
Cruising speed: 660 km/h
Range: 1,000-2,000 km
Fuel consumption: 0.039 l/seat kilometer
Engine: P&W 150A



Fokker F50
Number of aircraft: 8
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
Range: 1,400 km
Fuel consumption: 0.038 l/seat kilometer
Engine: P&W 125B

Spanair's aircraft fleet

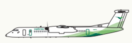
Airbus A321-200
Number of aircraft: 5
Number of seats: 200
Max. takeoff weight: 93 tonnes
Max. load: 25 tonnes
Length: 44.5 m
Wingspan: 34.1 m
Cruising speed: 840 km/h
Range: 3,800 km
Fuel consumption: 0.024 l/seat kilometer
Engine: V2533-A5

Airbus A320-200
Number of aircraft: 14
Number of seats: 162
Max. takeoff weight: 77 tonnes
Max. load: 19 tonnes
Length: 37.6 m
Wingspan: 34.1 m
Cruising speed: 840 km/h
Range: 3,500 km
Fuel consumption: 0.027 l/seat kilometer
Engine: V2527-A5

MD-82/83/87
Number of aircraft: 10/20/1
Number of seats: 155/170/120
Max. takeoff weight: 66.7/72.6/63.5 tonnes
Max. load: 19.1/17.7/15.4 tonnes
Length: 45.1/45.1/39.8 m
Wingspan: 32.9 m
Cruising speed: 815/825 km/h
Range: 3,200/3,500/3,500 km
Fuel consumption: 0.043/0.040/0.047 l/seat kilometer
Engine: P&WJT8D-217C/-219/-219

Boeing 717
Number of aircraft: 4
Number of seats: 115
Max. takeoff weight: 51.7 tonnes
Max. load: 12.9 tonnes
Length: 37.8 m
Wingspan: 28.5 m
Cruising speed: 825 km/h
Range: 2,800 km
Fuel consumption: 0.037 l/seat kilometer
Engine: BR 715

Widerøe's aircraft fleet



deHavilland Q100/300/400
Number of aircraft: 17/10/3
Number of seats: 37-39/50/76
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
Cruising speed: 514/525/667 km/h
Range: 1,400/1,500/1,800 km
Fuel consumption: 0.038/0.037/ 0.040 l/seat kilometer
Engine: PW121/123/150 Turboprop

Blue1's aircraft fleet

Avro RJ-85/100
Number of aircraft: 7/2
Number of seats: 84/99
Max. takeoff weight: 42.2/46.0 tonnes
Max. load: 11.3/12.1 tonnes
Length: 28.6/31.0 m
Wingspan: 26.3 m
Cruising speed: 780 km/h
Range: 2,300/2,200 km
Fuel consumption: 0.053/0.046 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
Range: 1,800 km
Fuel consumption: 0.042 l/seat kilometer
Engine: Rolls Royce AE 2100A

Production: The SAS Group and Wildeco.
Form: Wildeco.
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Printing: Jernström Offset.
Environmentally friendly papers: Galerie One Silk and Silverblade Silk.

Quality assurance of business processes

Dependability & IT security

The SAS Group continuously develops processes to improve dependability and IT security. Dependability also includes regularity in airline operations.

Airline operations

Operational disruptions in traffic can be defined as anything from delays to canceled flights. Most such disruptions adversely impact customers and impose extra costs on the airline. The reasons for operational disruptions may vary from computer glitches to poor ground and weather conditions, which affect all airlines at an airport. Another problem can be an accident, damaging a second aircraft, for example, which also has adverse consequences for passengers.

The SAS Group has long experience in tackling unforeseen problems with the smallest possible impact on travelers. The Group's network and cooperation with Star Alliance™ and other partners enables it to resolve problems quickly, minimizing the adverse effects on passengers. A canceled flight in Europe is normally dealt with within 2-6 hours, and an intercontinental flight within 12 hours. If an aircraft is damaged and has to be taken out of service for several days, traffic planning is adjusted to minimize any disruptions. For instance, having a long-haul aircraft out of production has a negative financial impact of nearly MSEK 1, and a short-haul aircraft of approximately MSEK 0.25. These effects cannot normally be compensated for by insurance. When traffic is low, there are available aircraft that can be deployed quickly. When traffic is high, the SAS Group has detailed plans so that any operational disruptions have the smallest possible adverse impact.

IT security

To ensure adequate IT security, the SAS Group uses the latest technology. The SAS Group installs an increasing number of business applications to benefit its customers, partners, suppliers, etc. When these applications are accessed via the Internet, they are protected by Internet firewalls. When access takes place via a communication channel other than the Internet, they are protected by customer firewalls.

The demand and need for employees to work from home and on business trips with access to the internal network are also growing. Such access is protected by dialup products with one-time passwords, encrypted communication and personal firewalls on the PC.

The Group's networks detected and rejected just over four million computer viruses in 2004. Operations were not impacted by computer viruses in 2004.

As of February 2005, the SAS Group established backup computer centers for the most vital production platforms in its mainframe and server environments (IBM, AS400, Unisys and Windows/Unix). The backup computer centers can be put into service within 30 minutes in the event of a computer crash because data is duplicated immediately in two different places.

Approvals & certifications

Jetpak Group, Spanair and SAS Cargo Group are ISO 9000 certified. SAS Cargo is also ISO 14001 certified. Jetpak is under way with its ISO 14001 certification process. The long-term goal is for all environmental management systems in the Group to be documented and comply with the international ISO 14001 environmental management standard. Blue1 is IOSA certified through IATA. SAS Technical Services Maintenance Organization and SAS Maintenance Training were approved during the year as EASA Part 145 and 147 organizations, respectively. Previously these units were JAA approved, but since civil aviation rules in Europe now fall under the EU, the European Aviation Safety Agency (EASA) is the responsible authority. 145 and 147 organizations were required to make the transition to EASA during 2004, but Part M (airlines) has until September 28, 2005.

Research & development

Due to the nature of the industry, the SAS Group does not engage in any R&D activities. Nor does the Group capitalize any R&D costs. However, the Group does support R&D in such areas as renewable aviation fuels.

sasgroup.net

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