SCANDINAVIAN AIRLINES SYSTEM
ANNUAL REPORT 1991

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1991 HIGHLIGHTS

Sharp Decline in Traffic Volume

European passenger traffic decreased for the first time in history in 1991. The decline in Europe totaled 6 percent.

Improved Results

SAS's income after depreciation and net financial items, including restructuring costs in SAS Airline, amounted to 497 MSEK (391). This improvement was attributable in its entirety to the second half of the year.

Sale of Stake in Saison Holdings

In March 1992, a letter of intent was signed regarding the sale of SAS's 40-percent shareholding in Saison Holdings, which owns Inter-Continental Hotels. This transaction will provide SAS with three hotels in London, Düsseldorf and Cologne.

Substantial Extraordinary Expenses

Following the write-down of the financial engagement in Saison Holdings and Continental Airlines Holdings, income after extraordinary items amounted to –1,223 MSEK (–763).

Financial Stability

Satisfactory liquidity and financial position despite two deficit years and major investments.

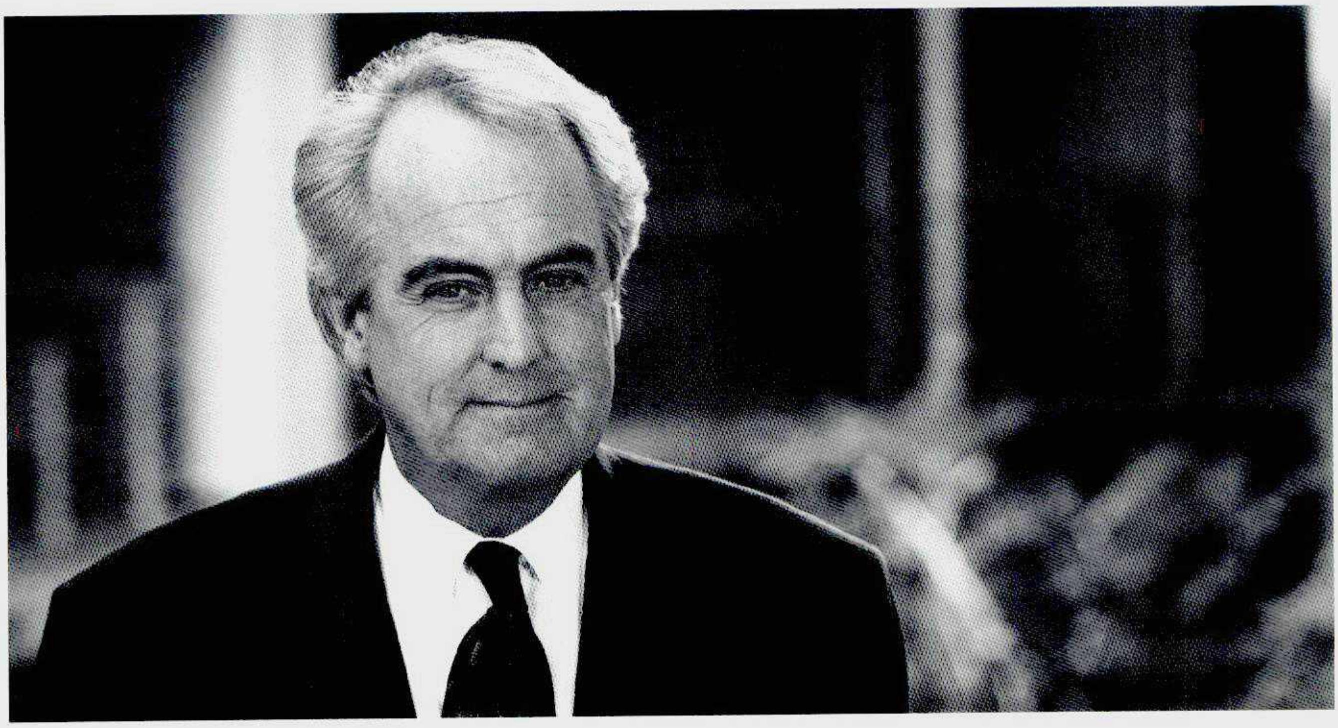
Positive Forecast

Favorable earnings are expected in 1992.

SAS GROUP – INCOME AND KEY RATIOS

MSEK	1991	1990
Operating revenue	**32,286**	31,883
Operating income before depreciation	**2,717**	2,011
Operating income after depreciation	**1,379**	649
Income after depreciation and net financial items	**497**	391
Share of income in affiliated companies	**–819**	–156
Income before extraordinary items	**–9**	38
Income before taxes	**–1,223**	–763
Investments	**5,197**	5,651
Return on capital employed, %	**7**	6
Equity/assets ratio, %	**25**	27
Average number of employees	**38,940**	40,830

THE CHIEF EXECUTIVE ON 1991



In last year's Annual Report I commented that 1990 had been the worst year for the airline industry since World War II.

The negative trend was accentuated in early 1991. The Gulf War and its aftermath combined with a profound recession in most of the Western world to precipitate a significant drop in airline travel volume, affecting other travel related industries as well, such as hotels. The development in Sweden, our largest home market, causes particular concern. Value-added tax and environmental charges had brought about higher fares and lower domestic traffic volume as early as 1990. In 1991 economic activity continued at a low level, causing international travel to decline considerably. Our estimate of international traffic to and from Sweden in 1992 indicates a volume similar to 1989. We have, in other words, lost three years' growth. Furthermore, we anticipate Swedish domestic traffic to decrease by 20 percent below 1989 levels. We have, in fact, fewer Swedish passengers in early 1992 than during the 1991 Gulf War.

In spite of difficult external conditions most SAS business units managed to improve their results over the previous year. The first six months continued weak. Then came a clear trend reversal, and during the second half our cost reduction efforts can be seen to have become effective. The result for the second half of 1991 was a considerable improvement both over the first six months and over the second half of 1990. For the year as a whole, Group income after depreciation and net financial items amounted to 497 MSEK, compared to 391 MSEK in 1990.

Our financial position remains satisfactory in comparison to the majority of our European competitors. SAS's accumulated profits before taxes and payments to parent companies for the 1982–1989 period amounted to 12,134 MSEK. During the same period, we increased our capital from 1,801 MSEK to 12,177 MSEK. The 1990 loss of 763 MSEK and this year's loss of 1,223 MSEK hurt but do not basically affect our financial stability. Our liquidity is also good with 9,371 MSEK in cash and short-term investments and another 2,500 MSEK in credit commitments on advantageous terms.

REDUCED COSTS

Action Program Produces Results

In January 1991 we introduced an action program in SAS Airline designed to reduce costs by three billion SEK before the end of 1992. The program is on course. The airline managed to adjust the traffic program to the lower demand very quickly. This is the principal reason for the result being considerably better than we had reason to believe as late as last fall.

Other business units have also successfully adjusted their supply and capacity to the changes in the market. SAS Leisure turned a sizeable loss for the first six months into a considerable profit for the year as a whole. SAS Trading and SAS Service Partner have also achieved satisfactory results in spite of slackening demand.

We have primarily rationalized activities within administrative functions. Salaries and terms of employment have been renegotiated, and we have started to introduce new and more efficient working practices. In spite of considerable staff reductions service levels have not been lowered. None of this would have been possible without the excellent cooperation of union representatives and the great loyalty of our staff.

We have withdrawn from ownership of the European reservations system Amadeus, but will remain a customer. The planned, gradual adjustment of our traffic program to the market will lead to lower resource requirements. The efficiency drive has brought about a significant increase in the utilization of both short-haul and long-haul aircraft. We have also concluded a preliminary agreement with the Saison Group to enable SAS to terminate its engagement in Inter-Continental Hotels. As compensation for our shares in Saison Holdings, SAS will acquire three profitable and favorably-located European hotels which complement our strategy. The transactions further improve SAS's balance sheet.

The action program must continue in preparation for freer competition in Europe. Our objective is an eight percent efficiency increase per year until 1995. This will give us a 40 percent increase for the 1991–1995 period. Management aims to restore SAS's long-term competitive performance by means of these aggressive measures.

CORE BUSINESS

Focus on the Traffic System

Our strategy remains unchanged. SAS is to be the best alternative for business travel. To that end SAS will market a cost efficient and time saving product in the form of air travel and related services. This involves continued automation and simplification of travel procedures.

That's why we concentrate our human and financial resources on our core business. Our principal activity is the airline business and the traffic system is its foundation. Together with our partners we are to create, expand and maintain an efficient, accessible and competitive traffic system within, to and from Europe.

We will continue our cooperation with Swissair and Austrian Airlines within the framework of the European Quality Alliance. Our part ownership of British Midland, the second largest airline in the U.K., will assume greater significance. We have a secure foothold at Heathrow, which means better customer service. In combination with British Midland, SAS is present on seven of the ten most heavily traveled international routes in Europe, with licenses to operate two more. When free competition arrives we're already in position.

We are also continuing to invest efforts in building up traffic in the old Hanseatic League area. Copenhagen will serve as the hub for feeder services from principal cities around the Baltic Sea. A number of new destinations in other parts of Eastern Europe have also been added during 1990 and 1991.

North Atlantic traffic to Newark and onward via Continental's traffic system is developing better than expected in spite of the recession. Our partnerships with Thai International and All Nippon Airways are also a profitable market success. We will, on the other hand, still abstain from operating our own service to South America, for we do not have a sufficiently large market to serve it with the kind of frequency that would interest a business traveler. Our partnership with Swissair enables us to offer our customers a good alternative.

On the Swedish domestic market an integration of SAS's and Linjeflyg's route networks has emerged as the logical consequence of the way the traffic system develops and the competitive situation changes. It is important to have a strong position on our Scandinavian home markets when facing a deregulated Europe. Integration of our resources will lead to lower costs, meaning a return to profitability and favorable fares for our customers.

Focusing on our core business means that we are carefully evaluating other business units to determine the extent to which ownership of assets is required to properly serve our customers. Hotel properties are one example. We will continue to operate and cooperate with hotels at important destinations in the Nordic countries and the rest of Europe. This we need to do in order to provide complete travel service, but we do not need to own the real estate in order to control the contents, quality and price of the product. The divestiture of hotel properties and of ownership in, for instance, the Amadeus reservations system are important steps in shrinking the balance sheet.

THE 1990s

Looking into the 1990s

In the 1960s and '70s airlines were production oriented with a strong focus on costs. During the 1980s frontiers started to disappear and airlines could market their products away from their traditional and protected home markets. SAS was a pioneer in conducting its business activities as a market oriented airline. This orientation, combined with increasing demand, caused us to be insufficiently vigilant in monitoring cost increases.

In the 1990s developments will be global. Airlines will be able to operate whichever routes they choose within and between countries. This will foster competition. Moreover, the market is stagnating. We have, however, learned the lesson from previous recessions, and will not revert to the fixation on production and costs. Rather, we will focus on developing services for the individual customer. The winner will be the one who efficiently satisfies the customer's individual needs at the lowest possible cost. Our future competitive advantage will depend on not carrying a single krona of costs that do not benefit the customer.

European developments in 1990 and 1991 demonstrated that the airline business is an unstable industry.

Many European airlines must now embark on a restructuring program similar to the one undertaken by SAS. The European Commission and member governments must agree on the frames of reference for free competition so that airlines may compete on equal terms. Legal obstacles still prevent mergers and joint ventures which are necessary to achieve economies of scale in production and distribution. Unless such obstacles are removed, European airlines will never be able to compete with the American and Asian mega-carriers whose cost levels are much lower. Government subsidies also distort the terms on which we compete. A number of governments have approved significant financial support to national carriers in order to help them out of the cash flow crisis caused by the events of 1990 and 91. Competition will not be on equal terms as long as governments are free to support national carriers directly or indirectly.

Much can be learned from what has happened in the United States. After 12 years of deregulation only four or five major carriers remain, and of these only three are reasonably profitable. There are virtually no regional carriers left. Europe, a much smaller continent, has 22 national airlines. In future there will probably not be room for more than five blocs of merged or associated airlines. Whether SAS will be in that picture depends largely on ourselves and our own ability to position ourselves forcefully in the new Europe. It will depend on how far we can develop personalized customer service. It will depend on how well we succeed in improving cost efficiency in production and distribution, alone and in cooperation with our partners.

I want to comment also on an event which occurred just as the year was drawing to a close. An SAS MD-80 developed engine trouble just after take-off from Arlanda. Thanks to the exceptional skill and presence of mind of Captain Stefan Rasmussen and his crew a catastrophe was averted and loss of life prevented. We deeply regret the traumatic experience undergone by passengers, crew and their families. I wish to express my personal thanks to all those who contributed to the crash landing at Gottröra going down in history as a positive event. It shows that our passengers may feel secure when our safety systems are put to the test. I am happy and proud to work for an airline whose safety record is among the best in the world and where the entire organization puts safety first.

A Better 1992

After two lean years we are beginning to see the light at the end of the tunnel. Recovery began during the second half of 1991 even though the market remained weak. The negative result trend was broken primarily thanks to our own efforts. It has been tough, and it will continue that way. We have accepted large non-recurring costs in order to restructure our activities. We have rationalized and undertaken considerable staff reductions. We have re-examined our commitments to those activities where ownership is not vital to the competitive strength of the traffic system. We have increased capacity utilization and slowed down our investment program in order to diminish capital requirements. The order of the day is continued aggressive adjustment to an environment of freer competition. Even though we do not expect to have the benefit of a stronger market in 1992, it is my judgment that SAS will achieve a favorable result for the year as a whole.

Jan Carlzon
President and Chief Executive Officer

GROUP OVERVIEW

The crisis for civil aviation continued in 1991. This was the result of the war in the Middle East and the recession in many countries. These developments had a negative impact on demand for most of SAS's products and services, particularly air transport and hotel accommodation. In this tough market, SAS achieved an improvement in operating income, due to a recovery in the second half after a difficult first six months.

All business units in the SAS Group were affected by the action program designed to adjust operations to the declining market. At the same time, a long-term competitive cost structure was created ahead of deregulation of civil aviation.

SAS noted a negative trend in traffic volume for the first time since 1980. The decline was greatest early in the year. Despite some recovery after the summer, the traffic volume for the full year was 6 percent lower than in 1990.

The SAS Group's total costs were reduced in 1991. Operating expenses include non-recurring costs for early retirement, severance pay, etc. at SAS Airline, amounting to 722 MSEK.

In March 1992, a letter of intent was signed with the majority shareholder, the Saison Group, regarding the sale of SAS's 40-percent shareholding in Saison Holdings B.V., which owns Inter-Continental Hotels. Under the terms of this agreement, SAS will take over three hotels: the Portman in London, the Düsseldorf Inter-Continental and the Cologne Inter-Continental. The financial and accounting effects of the planned transaction, have resulted in a reservation totaling 1,168 MSEK being made in the 1991 year-end accounts, reported as an extraordinary expense. This transaction is expected to be completed during the first half of 1992. In addition, the value of SAS's shareholding in the American company Continental Airlines Holdings has been adjusted by 70 MSEK, whereby it is written down in full.

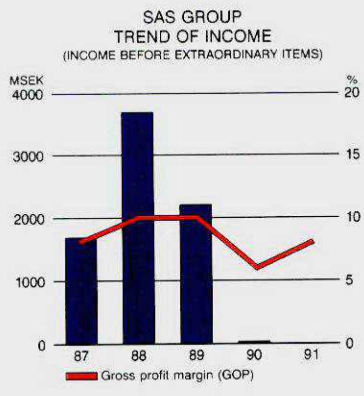
The SAS Group's operating revenue rose by 1 percent to 32,286 MSEK. Operating income increased by 35 percent to 2,717 MSEK. The reasons for this include the positive effects of the action programs and lower fuel costs compared with 1990. Depreciation and costs of leased in aircraft capacity decreased from 1,362 MSEK in 1990 to 1,338 MSEK. Net financial items decreased to –882 MSEK (–268). This was due to a higher net debt, falling interest rates in Scandinavia and negative currency exchange differences, compared with 1990.

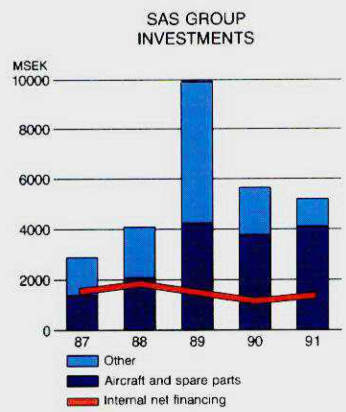
The SAS Group's income after depreciation and financial items amounted to 497 MSEK (391). After gains on the sale of flight equipment, and shares in subsidiaries and affiliated companies, totaling 313 MSEK (701), share of income in subsidiaries of –819 MSEK (–156) and unusual items of – MSEK (–898), 1991 income before extraordinary items amounted to –9 MSEK (38). Extraordinary items of –1,214 MSEK (–801) were reported, and income after extraordinary items then amounted to –1,223 MSEK (–763).

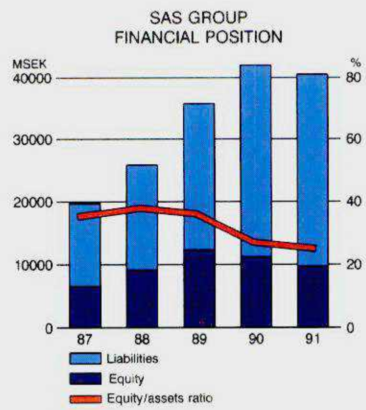
The SAS Group's 1991 investments totaled 5,197 MSEK (5,651).

The return on capital employed is reported at 7 percent (6). The equity/assets ratio fell to 25 percent (27) and the debt/equity ratio rose to 1.2.

Net financing from the year's operations, including changes in operating capital, amounted to 1,362 MSEK. The financing deficit was 2,244 MSEK.







KEY RATIOS PER BUSINESS UNIT

	SAS Airline		SAS International Hotels		SAS Service Partner		SAS Trading		SAS Leisure		Diners Club Nordic	
MSEK	**91**	90	**91**	90	**91**	90	**91**	90	**91**	90	**91**	90
Operating revenue	**21,735**	21,626	**1,604**	1,489	**4,614**	4,739	**1,684**	1,669	**4,143**	4,166	**401**	318
Income after depreciation and net financial items	**405**	213	**-384**	–91	**154**	190	**90**	122	**89**	2	**30**	24
Income after extraordinary items	**944**	–286	**-2,129**	–231	**152**	190	**56**	122	**61**	7	**30**	30
Gross profit margin (GOP), %	**10**	7	**21**	23	**6**	6	**7**	11	**5**	2	**-**	–
Net profit margin, %	**2**	–	**-**	–	**3**	4	**6**	8	**2**	–	**-**	–
Return on capital employed, %	**8**	6	**-**	2	**19**	29	**-**	–	**10**	8	**-**	–
Investments	**4,344**	4,396	**89**	281	**388**	255	**59**	66	**291**	247	**43**	15
Average number of employees:												
- Men	**12,850**	13,680	**1,260**	1,410	**6,230**	6,450	**230**	230	**1,620**	1,580	**100**	98
- Women	**8,190**	8,500	**1,520**	1,670	**4,420**	4,570	**460**	410	**1,770**	1,910	**180**	162

The Group's liquid funds amounted to 9,371 MSEK (11,388) at year-end.

The average number of employees was 38,940, a reduction of approximately 5 percent.

SAS Airline's operating revenue totaled 21,735 MSEK (21,626). Operating income before depreciation and leasing costs amounted to 2,075 MSEK (1,584) and included 722 MSEK (–) in costs for the current restructuring program. The gross profit margin rose to 10 percent (7). Net financial items were reported at –793 MSEK (373).

Gains on the sale of fixed assets amounted to 523 MSEK (486). Income before allocations and taxes amounted to 944 MSEK (–286). The 1990 loss included extraordinary expenses totaling 786 MSEK.

Investments totaled 4,344 MSEK (4,396), of which flight equipment accounted for 4,067 MSEK (3,724).

SAS International Hotels' revenues amounted to 1,604 MSEK (1,489). The corresponding figure including hotels operated through management contracts was 2,010 MSEK (2,005).

Income before depreciation amounted to 64 MSEK (81). After net financial items totaling –352 MSEK (–81), including substantial currency exchange gains realized in 1990, income amounted to –384 MSEK (–91). Income from the sale of fixed assets amounted to –92 MSEK (12). The share of income in affiliated companies was –484 MSEK (–152). Income before extraordinary items therefore decreased from –231 MSEK in 1990 to –961 MSEK. After the write-down of the shareholding in Saison Holdings B.V., income after extraordinary items amounted to –2,129 MSEK (–231).

SAS Service Partner's revenues decreased by nearly 3 percent to 4,614 MSEK. Income after depreciation and net financial items was 154 MSEK (190). Demand for most products and services declined as a result of the war in the Middle East. In Europe, SAS Service Partner's largest market, this negative trend was accentuated by the recession in most countries.

SAS Trading's revenues were unchanged from 1990 at 1,684 MSEK. Income after financial items reached 90 MSEK (122). This decrease was due to a weak sales trend in the first quarter. Income after extraordinary items amounted to 56 MSEK, including costs incurred from the sale of the mail-order company Ostermann Petersen A/S.

SAS Leisure reported largely unchanged revenues of 4,143 MSEK. Income after financial items amounted to 89 MSEK (2). This improvement was due to rapid implementation of an action program which counteracted the effects of a decline in the total market in Sweden by 10 percent, and in Norway by 23 percent.

Diners Club Nordic's revenues rose by 26 percent to 401 MSEK, due to the increased number of cardholders and more usage per card. Income after financial items amounted to 30 MSEK (24).

SAS

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THE TRAFFIC SYSTEM

International air transport is in the midst of its most serious crisis since the Second World War. Following almost a decade of favorable growth in the 1980s, the market changed dramatically in 1990. A number of negative factors affected the market simultaneously. These included the troubled situation in the Middle East and the subsequent wild fluctuations in the price of aircraft fuel, weak growth in the Western economies, and fiercer competition due to continued liberalization of international commercial aviation. The negative trend intensified in 1991 with the war in the Gulf and its aftermath which, combined with a deepened economic recession, resulted in further loss of volume for air transport and other travel-related business.

This development shows how sensitive air transport is to external factors. The widespread capacity expansion during the 1980s has made companies extremely vulnerable to loss of volume. At the same time, the downturn in the market accentuates the need to restructure the entire industry to prepare for future deregulation.

CONSOLIDATION

The Core Business

Current market trends, the structural problems facing the industry and the major changes in the operating climate during the 1990s, have led SAS to a partial reassessment and articulation of its core business. The travel service stands for freedom of choice for the customer. This means that SAS provides a number services which make travel easier. More than 90 percent of the value to the customer, however, is in the air transport segment itself and services directly related to it. It is therefore natural for SAS to concentrate its resources on developing air transport services based on the traffic system.

The core of SAS's traffic system is a dense feeder network from all key regions in Scandinavia, primarily to Copenhagen, based around a high-frequency service in the triangle between the three capitals Copenhagen, Oslo and Stockholm.

European traffic is based on providing flights from the Scandinavian capitals to as many destinations as possible with nonstop service. This requires a fleet which primarily consists of smaller aircraft seating between 110 and 135 passengers. Once volume is sufficient, nonstops are introduced from other major cities such as Aarhus, Bergen and Gothenburg. Despite its size, the Scandinavian market is relatively sparsely populated and this limits the spread of the traffic system. When volume is insufficient to justify nonstop routes from other points, Copenhagen serves as the hub for European flights.

On the intercontinental network, the strategy is to fly daily nonstops between Copenhagen and a number of important hubs on other continents. When Copenhagen nonstops reach daily operation, nonstops are added from Oslo and Stockholm to the same intercontinental hubs.

At the start of the 1980s, SAS provided nonstop service to 24 European destinations outside Scandinavia from Copenhagen, two from Oslo and seven from Stockholm. In 1991, there were 36 from Copenhagen, nine from Oslo and 17 from Stockholm.

ALLIANCES

European Alliances . . .

SAS has been the leader in forming alliances with other airlines to strengthen the competitive edge of the traffic system and offer the European business traveler, in particular, a high-quality and effective travel product.

In Europe, SAS cooperates with Swissair and Austrian Airlines within the framework of the European Quality Alliance. From the Scandinavian capitals, SAS's passengers can reach key destinations in Africa, the Middle East and India/Pakistan with only one stop via the Zurich, Geneva and Vienna hubs. Cooperation within the EQA also extends to joint production, sales and airport handling, resulting in increased efficiency and lower costs.

SAS owns nearly 25 percent of the shares in Airlines of Britain Holdings, whose largest subsidiary is British Midland. Together with British Midland, SAS has made Heathrow an important hub in the traffic system. The two airlines serve seven of the ten routes with the highest passenger volumes in Europe and hold the concessionary rights on a further two. Routes include London–Paris, London–Amsterdam and London–Dublin. SAS is thus well-positioned to face freer competition in Europe.

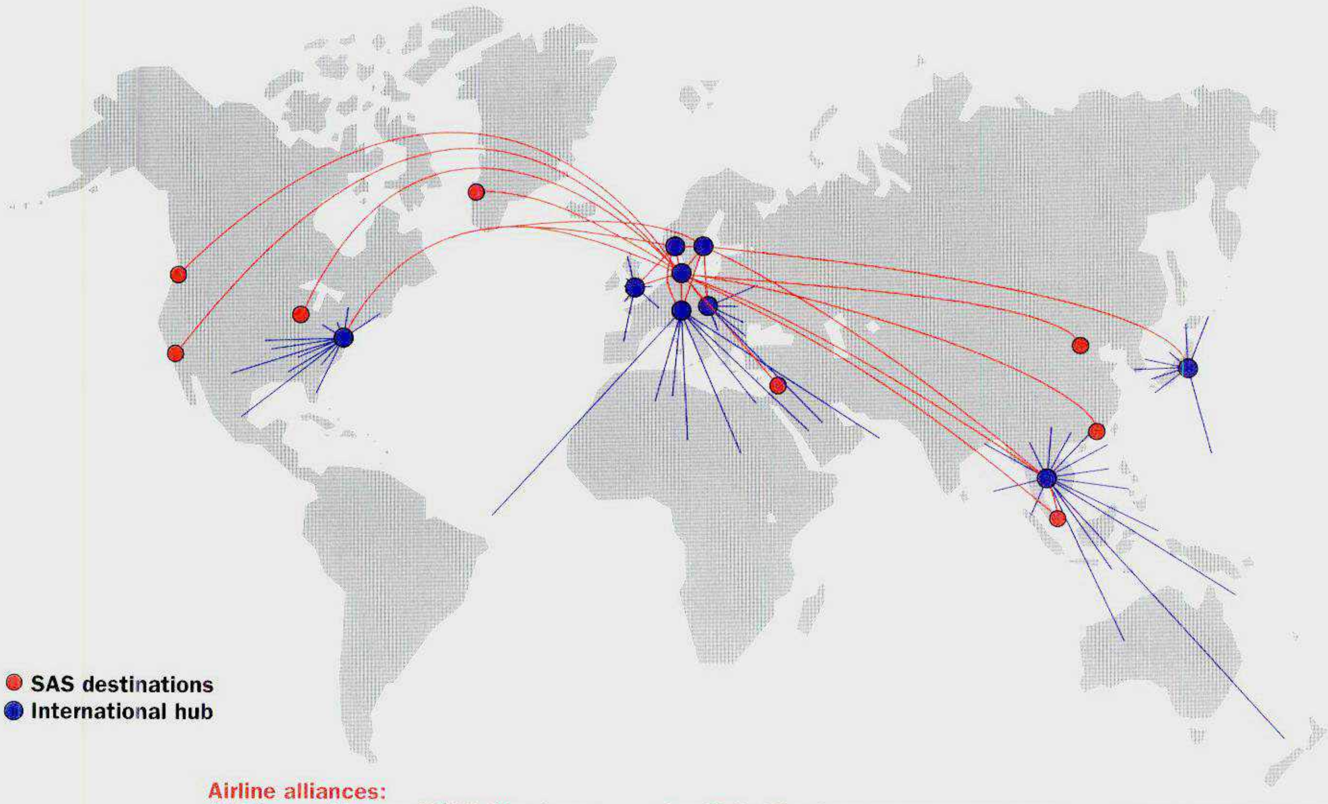
At an early stage, SAS adopted a highly aggressive strategy in developing services to Eastern Europe and the Baltic States. There are now flights to all the Eastern European capitals except Bucharest and Sofia. SAS was the first airline to start service to Tallinn in 1989, to Riga in 1990, and to Vilnius in January 1992. It is also planned to link other points in the former Hanseatic region with the traffic system using a network of feeder services to and from Copenhagen.

PARTNERS

. . . And Intercontinentally

SAS cooperates with Continental Airlines on North Atlantic routes. The reason is that, of the major U.S. carriers, only Continental has a hub in New York. Sixty percent of travelers from Scandinavia are bound for New York and 40 percent continue to central USA. Following the move of most of SAS's operations from Kennedy to Newark in 1989, transfer traffic has risen by 84.1 percent, despite the recession. This increase primarily consists of passengers who previously used other hubs. Cooperation with Continental has proved a commercial success in serving passengers flying between Scandinavia and numerous points in the U.S.

In South America, SAS has a 37-percent stake in the Chilean airline LanChile. The aim was to connect SAS's own traffic to Buenos Aires and São Paulo with LanChile's traffic system throughout the South American continent. Demand for air transport between Scandinavia and South America fell sharply in 1991. SAS therefore decided to expand its cooperation with Swissair on these routes. The ownership stake in LanChile thus no longer has the same commercial relevance.



Airline alliances:

All Nippon Airways (ANA) flies from Tokyo to 36 cities in Japan, the Far East and Australia

Austrian Airlines flies from Vienna to 55 cities in Europe, the Middle East, Africa, Asia and North America

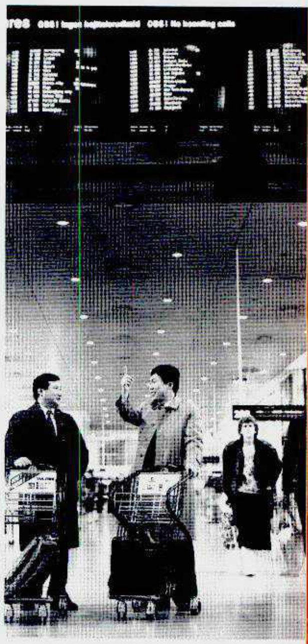
British Midland flies to 17 destinations within the British Isles and the rest of Europe

Continental Airlines flies from New York/Newark to 124 cities in North, Central and South America

LanChile flies from Santiago de Chile to 19 cities in South, Central and North America

Swissair flies from Zurich and Geneva to 112 cities in Europe, Africa, the Middle East, Asia, Canada/North America and South America

Thai International flies from Bangkok to 32 cities in the Far East and Australia



As part of the cost reduction program, service to Toronto ceased in October 1991. Instead, there are daily connections between Toronto and Scandinavia via New York. In addition, SAS and Austrian Airlines have agreed on a joint service between Copenhagen and Chicago to start in spring 1992.

In Southeast Asia, SAS's many years of cooperation with Thai International have resulted in two daily nonstop flights between Scandinavia and Bangkok with connections to Hong Kong, Malaysia and Indonesia. Service to Australia and New Zealand is provided in cooperation with the national carriers Qantas and Air New Zealand.

SAS's partner in Japan is All Nippon Airways, one of the world's biggest airlines which has a high volume of domestic traffic and is well-represented in the Pacific Basin. The alliance has increased service to daily operation between Scandinavia and Tokyo. All flights have been routed nonstop over Siberia since May 1991, reducing travel time by five hours in each direction. This has resulted in higher revenues and cost efficiencies.

SAS plans to increase services to Beijing to three flights a week from Copenhagen, starting in April 1992. In addition, SAS will probably open a route between Scandinavia and Hong Kong from the summer of 1992.

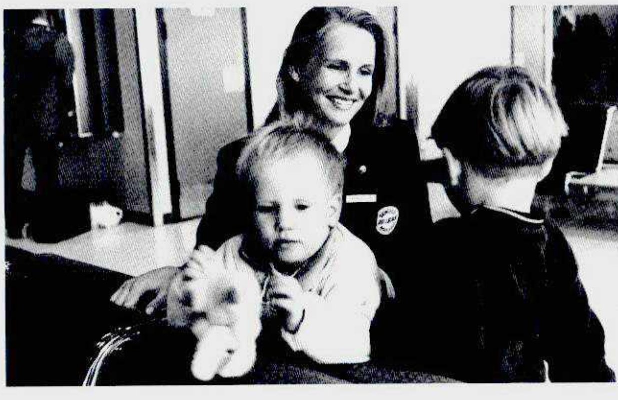
Together with its alliance partners, SAS has created a traffic system which covers 275 destinations from Copenhagen, 161 from Oslo and 244 from Stockholm, with a maximum of one stop. These include 84 destinations SAS serves on its own.

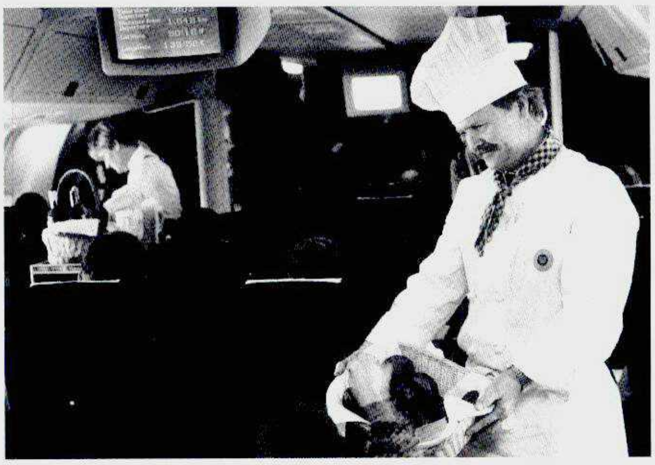
The traffic program is tailored to the needs of the business traveler. This means that it is possible to fly out in the morning and return home in the evening on most European routes. Cooperation has resulted in timetables being adapted to minimize travel time and passengers being able to use the partners' airport lounges and other facilities. Additionally, the customer can check in for the entire trip and the partners take joint responsibility in the event of delays, etc.

In addition to the traffic program and the timetables, high priority is attached to punctuality. Throughout the 1980s SAS had the best on-time record of all airlines. SAS aims to improve its on-time performance still further in the 1990s.

Strengthening the Competitive Edge

In addition to air transport, SAS conducts business activities which strengthen the competitive edge of the traffic system. It is the customer who dictates the terms under which SAS operates and whose individual needs must be met. SAS will continue its association with hotels which provide a wide range of services to the business traveler. On the other hand, hotel ownership in itself is not a condition for being able to influence and control the content, quality and price of its services. SAS will continue, however, to operate hotels in key cities in





Scandinavia and the rest of Europe, including London, Hamburg, Amsterdam and Brussels.

SAS Service Partner supplies meals onboard and at airports, where restaurants play an important role in the infrastructure. SAS Trading sells duty-free goods wholesale and retail and thus helps strengthen the competitive edge at the airports which are central to the traffic system. One example is Copenhagen Airport, where SAS Trading was the driving force behind the redevelopment and expansion. Operations are successful and show favorable profitability.

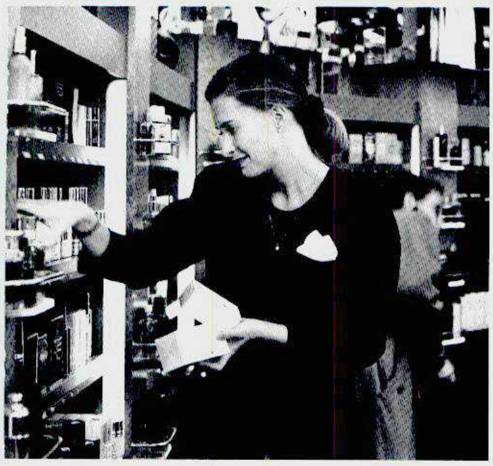
SAS will introduce EuroBonus in the spring of 1992, a frequent flier program which will reward loyal customers. A system will therefore be needed to register usage of SAS's services. The EuroBonus card will also be the key to the entire spectrum of services and form an important part of SAS's strategy to provide different levels of individual service.

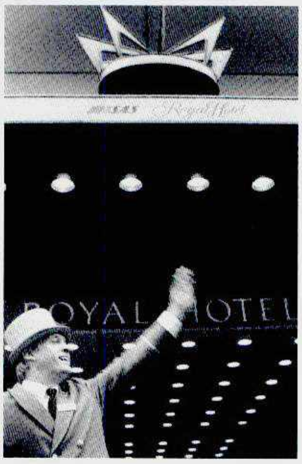
LEISURE TRAVEL

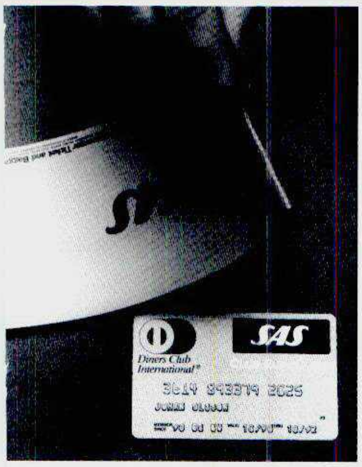
Leisure Travel an Important Complement

During the 1990s, the private travel sector is expected to grow at a faster rate than business travel. This makes SAS Leisure an important complement to the traffic system.

The differentiation between scheduled and charter flights will be erased. This means that the private traveler will increasingly use scheduled flights while the business traveler will find attractive charter alternatives. SAS Leisure owns 49 percent of the shares in Spanair, which operates charter flights, and scheduled services in Spain.







PERSONAL SERVICE

Personalized Service and Increased Efficiency

SAS's current internal restructuring is intended to create new ways to work. These put the focus on the customer in a decentralized organization with concentrations of personnel and financial resources. The customer organization consists of three main units in Denmark, Norway and Sweden, whose most important role is to serve their customers and lead the development of a personalized service before, during and after the flight. The business organization is in principle a head office unit with strategy and profit responsibility for the traffic system, its dimension and content.

The production organization is responsible for staffing and utilization of crews and technical resources.

The focus for the 1990s will be on individual customer orientation and continued improvements in efficiency. The main emphasis will be on caring for the customer and the disposition of his or her time. The accent is on freedom of choice. SAS intends to be where the customer is on the customer's terms. The challenge is to achieve this in a cost-effective manner without sacrificing safety, quality and service. Safety has the highest priority.

The customer will be able to choose between a high level of personalized services to coping for himself within a standardized procedure. For example, there are ten alternative ways to check in, from personal service at the hotel or the customer's own office to an automated stand at the airport.

The aim of the current action program was to quickly reach a competitive cost level in order to be able to expand in a deregulated market. This was largely achieved by an across-the-board reduction in overhead and production costs. In this way, the organization was quickly adapted to meet the decline in demand which occurred in 1990 and 1991.

The continuation of the program is based on revenue estimates and corresponding production costs. The aim is to achieve ongoing improvements in efficiency of between 5 and 8 percent a year, which are considered decisive for SAS's ability to meet freer competition after 1993. This work also involves a continuous evaluation and assessment of which functions and activities SAS should operate itself in order to support the traffic system.

REPORT BY THE BOARD OF DIRECTORS AND PRESIDENT*

for the fiscal year January 1, 1991 – December 31, 1991.

* A translation of the Swedish original.

SAS GROUP 1991

The SAS Group's accounts are prepared in accordance with International Accounting Standards. (Figures in parentheses refer to 1990.)

Business Environment

The crisis for civil aviation continued during the first few months of 1991 with an increase in the negative trend in airline profitability. The key factors behind this development were the war in the Middle East and its repercussions, and the weak economic development or recession in most countries.

These developments had a negative impact on demand for most of SAS's products and services, particularly air transport and hotel accommodation.

All business units in the SAS Group were affected by the action program designed to realign costs and resources to the declining market. At the same time, a long-term competitive cost structure was created ahead of deregulation of the civil aviation market.

Politically, developments in civil aviation continue to be dominated by liberalization in the EC aimed at establishing a free internal market by January 1, 1993 which will include civil aviation. During a transitional period, however, the single market will only allow foreign airlines limited rights to conduct domestic services in another country. Following delayed consideration by the EC, the civil aviation agreement between Norway, Sweden and the EC, which was signed in March 1991, is expected to come into force on July 1, 1992. The agreement negotiated between the EC and the EFTA member states, the EES Agreement, will replace the EC's civil aviation agreement with Norway and Sweden when it comes into force. It will also result in EC civil aviation rules covering air transport inside and between all the EC and EFTA states.

The Scandinavian concessions remained in force during 1991. Asian and American airlines showed an increased interest in consolidating their positions in the new Europe. The dissolution of the Soviet Union has also led to new political relations with regard to civil aviation in countries in this area.

In Scandinavia, other airlines are also trying to strengthen their position to meet an increasingly free market.

Financial Development

Development in 1991 was affected by the crisis in the Middle East, with a sharp decline in travel, primarily during and immediately after the Gulf War, and by the deep recession in SAS's largest market, Sweden.

The Association of European Airlines (AEA) reports a decline in traffic volume of more than 11 percent in the first half and nearly 7 percent for the full year 1991.

In 1991, SAS noted a negative trend in traffic volume for the first time since 1980. The decline in total traffic compared with 1990 was 6 percent. All route sectors were affected and despite a gradual recovery demand failed to reach last year's level. SAS's Swedish domestic traffic was hit particularly hard, with a 17-percent decline in volume to the 1986 level.

THE SAS GROUP'S RESULTS, SIX-MONTH FIGURES

MSEK	First* half 1991	First* half 1990	Second half 1991	Second half 1990	1991	1990
Operating revenue	15,158	15,218	17,128	16,665	32,286	31,883
Income before depreciation, etc.	392	1,004	2,325	1,007	2,717	2,011
Depreciation, etc.	–644	–684	–694	–678	–1,338	–1,362
Financial items, net	–617	–242	–265	–16	–882	–258
Income after depreciation and financial items	**–869**	**78**	**1,366**	**313**	**497**	**391**
Share of income in affiliated companies	–207	–61	–612	–95	–819	–156
Gain on the sale of fixed assets, etc.	231	352	82	349	313	701
Unusual items	–	–	–	–898	–	–898
Income before extraordinary items	**–845**	**369**	**836**	**–331**	**–9**	**38**
Extraordinary items	–200	–	–1,014	–801	–1,214	–801
Income before taxes	**–1,045**	**369**	**–178**	**–1,132**	**–1,223**	**–763**

* The six-month results are unaudited.

All business units in the SAS Group were affected by the sharp decline in demand during the first six months. Operating income for the period January to June 1991 included 640 MSEK in restructuring costs. Corresponding costs in the second half totaled 82 MSEK. The positive trend in the second half of 1991 was mainly due to higher traffic revenue and the effects of the comprehensive action programs which were started throughout the SAS Group at the beginning of 1991.

Since autumn 1990, SAS has continuously adjusted its traffic program to the current market situation. In the other business units capacity has been adjusted to the lower demand throughout the travel industry. A comprehensive action program was started at SAS Airline during the year aimed at reducing costs by 3,000 MSEK by 1993, in order to increase competitive performance in a freer market.

By year-end 1991 SAS Airline had eliminated 2,665 jobs compared with the previous year. The number of employees has also been reduced at other units.

INCOME AND KEY RATIOS

MSEK	1991	1990
Operating revenue	**32,286**	31,883
Operating income before depreciation, etc.	**2,717**	2,011
Depreciation	**-1,298**	-1,178
Leasing costs	**-40**	-184
Income after depreciation	**1,379**	649
Financial items	**-882**	-258
Income after depreciation and financial items	**497**	391
Share of income in affiliated companies	**-819**	-156
Gains on the sale of		
– flight equipment	**375**	452
– shares, etc.	**-62**	249
Unusual items	**–**	-898
Income before extraordinary items	**-9**	38
Extraordinary items	**-1,214**	-801
Income before taxes	**-1,223**	-763
Key ratios		
Investments	**5,197**	5,651
Return on		
– capital employed, %	**7**	6
Equity/assets ratio, %	**25**	27
Debt/equity ratio	**1.2**	0.8
Average number of employees	**38,940**	40,830

The SAS Group's operating revenue totaled 32,286 MSEK (31,883), an increase of approximately 1 percent over 1990.

Operating expenses decreased by 1 percent and operating income before depreciation, etc. increased by 35 percent to 2,717 MSEK.

Operating income was favorably affected primarily by higher traffic revenues, lower operating expenses resulting from the cost reductions achieved by the action program, and lower fuel costs compared with 1990.

In 1991, the relatively high investment in the aircraft fleet and other strategic areas continued. This resulted in increased capital costs compared with the preceding year.

Depreciation and costs of leased in aircraft capacity were somewhat lower than last year and amounted to 1,338 MSEK (1,362), mainly due to lower leasing costs. Net financial items decreased from –258 MSEK in 1990 to –882 MSEK in 1991. This was due to a higher interest-bearing net debt of 2,289 MSEK, falling interest rates on liquid funds in Scandinavian currencies and negative currency exchange fluctuations, compared with last year. Net financial items account for approximately 8 percent (3) of the average interest-bearing debt.

The SAS Group's income after depreciation and financial items amounted to 497 MSEK (391).

SAS's partner in the U.S., Continental Airlines, has been operating under the U.S. Chapter 11 bankruptcy protection since December 1990. A plan for the financial reconstruction of Continental was presented in February 1992. The stock market price of shares in Continental Airlines Holdings on December 31, 1991 was 1/2 USD (1 7/8 USD) per share. An allocation to a general shareholding reserve was made in the 1990 year-end accounts for the shares in Continental. The value of this shareholding has been further adjusted by 70 MSEK in the 1991 year-end accounts, whereby it is written down in full.

SAS International Hotels A/S owns 40 percent of the shares in Saison Holdings B.V. (SHBV), the holding company which owns Inter-Continental Hotels (IHG). SHBV's income after taxes amounted to –1,196 MSEK (–490). The crisis in the Gulf and the weak economic climate had a negative effect on operating income.

The reported net share of income in SHBV after depreciation according to IAS, 75 MSEK (–), is –553 MSEK (–175) after deduction for tax expense and minority interests of –58 MSEK (–23). (See Note 17.)

In March 1992, a letter of intent was signed with the majority shareholder, the Saison Group, regarding the sale of SAS's shareholding in SHBV. The estimated financial and accounting effects of this transaction, against the background of the current value of hotel properties and a market under pressure, have resulted in a reservation totaling 1,168 MSEK being made in the 1991 year-end accounts, reported as an extraordinary expense. This transaction is expected to be completed before the end of the second quarter of 1992.

After gains on the sale of flight equipment, shares in subsidiaries and affiliated companies, etc. totaling 313 MSEK (701), share of income in subsidiaries of –819 MSEK (–156) and unusual items – MSEK (–898), 1991 income before extraordinary items amounted to –9 MSEK (38).

Extraordinary items, mainly the write-down of shares in Saison Holdings B.V., were charged against income in the amount of –1,214 MSEK (–801). Income before taxes then amounted to –1,223 MSEK (–763).

INCOME PER BUSINESS UNIT

MSEK	1991	1990
SAS Airline	405	213
SAS International Hotels	-384	-91
SAS Service Partner	154	190
SAS Trading	90	122
SAS Leisure	89	2
Diners Club	30	24
SAS joint-Group[1]	113	-69
Income after depreciation and financial items	**497**	391
Share of income in affiliated companies	-819	-156
Gain on the sale of fixed assets, etc.	313	701
Unusual items	–	-898
Income before extraordinary items	**-9**	38

[1] Includes SAS Finance, SAS joint-Group projects and Group adjustments.

Investments during the year decreased by 454 MSEK compared with 1990 to 5,197 MSEK. Of this total, investments in flight equipment accounted for 4,095 MSEK.

The return on capital employed is reported at 7 percent in 1991, compared with 6 percent in 1990. The equity/assets ratio dropped from 27 to 25 percent and the debt/equity ratio rose to 1.2.

BALANCE SHEET

MSEK	1991	1990
Liquid funds	9,371	11,388
Other current assets	6,289	6,372
Fixed assets	24,854	24,255
Total assets	**40,514**	42,015
Current liabilities	10,471	12,805
Long-term debt	19,517	16,938
Subordinated debenture loan	823	1,086
Equity[1]	9,703	11,186
Total liabilities and equity	**40,514**	42,015

[1] Including minority interests, 64 MSEK (89).

Financing and Liquidity

Net financing from operations, including changes in working capital, amounted to 1,362 MSEK in 1991. A financing deficit of 2,244 MSEK was incurred in 1991 after balancing revenue from the sale of aircraft and other fixed assets (897 MSEK) against investments made in equipment and shares (5,197 MSEK) and advance payments for aircraft on order (694 MSEK)

External borrowing amounted to 3,897 MSEK, including full financing of 14 MD-80s through the Japanese leasing market (2,216 MSEK), borrowing from the European Investment Bank (150 MUSD), and public bond issues totaling 20,000 MJPY. Together with earlier pre-financing this amply covers the remaining requirement for the current investment program, making SAS's total funding requirements in coming years marginal. Short-term borrowing decreased sharply, as a result the SAS Group's debt was reduced by 145 MSEK during the year.

The Group's total long-term borrowing amounts to 19,123 MSEK (17,012). The amortization profile on the long-term debt gives the SAS Group very limited refinancing requirements for the next few years. The average maturity for the long-term debt is 1998.

The Group's liquid funds amounted to 9,371 MSEK at year-end, compared with 11,388 MSEK on December 31, 1990. The liquid funds are primarily in SEK, as well as USD and GBP.

SAS still has unutilized commercial paper programs of 2,000 MSEK, 1,000 MNOK, 1,000 MDKK and 200 MUSD as well as unutilized long-term credit facilities of 450 MUSD.

SAS's credit ratings are regularly assessed by two major international credit rating agencies, Moodys in the U.S. and Nippon Investor Service in Japan. The long-term debt was classified A2 by Moodys on May 14, 1991, and AA– by Nippon Investor Service on July 11, 1991. The short-term debt is rated at P1 and A–1+, respectively. These credit ratings are among the best in the air transport business and ensure SAS's access to external funding at favorable terms.

STATEMENT OF CHANGES IN FINANCIAL POSITION

MSEK	1991	1990
Net financing from operations	**1,362**	1,130
Investments	**-5,197**	-5,651
Advance payments, net	**694**	250
Sale of fixed assets, etc.	**897**	1,541
Financing deficit	**-2,244**	-2,730
Capital infusion from parent companies	**-**	305
Amortization/external borrowing	**-145**	5,949
Financial receivables, net	**372**	972
Change in liquid funds	**-2,017**	4,496

SAS Airline

SAS Airline offers a global travel service by developing and maintaining an effective and competitive traffic system under its own direction and in cooperation with other airlines through a number of alliances. SAS's own traffic system in 1991 covered 84 destinations and included domestic routes in Denmark, Norway and Sweden, intra-Scandinavian routes, routes to Europe, North and South America, and to the Middle and Far East. Together with its partners, SAS's 1992 traffic program covers 275 destinations from Copenhagen, 161 from Oslo and 244 from Stockholm, with a maximum of one stop.

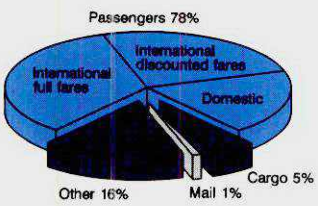
The negative traffic trend noted during the year affected all international routes and was partly due to economic recession in countries important to SAS. The greatest decline came during and immediately after the war in the Middle East. Although demand for air travel gradually recovered in some markets, it never reached the same level as in 1990. In this respect, SAS was hit harder than other members of the Association of European Airlines (AEA). This can be attributed to the low level of economic activity in Sweden, SAS's largest domestic market.

Measured in revenue passenger kilometers (RPK), the decrease was 6 percent, with a corresponding adjustment in production of 4 percent. Despite the fall in RPK, a 2-percent increase in revenues was reported due to higher prices. The decline in RPK represents an 8-percent decline in domestic traffic, 6 percent in Europe, and 5 percent on intercontinental routes. The systemwide cabin factor was 63.4 percent, a 1.3-percent decrease compared with the preceding year. This was largely due to the changeover of the aircraft fleet to larger aircraft. There was a particularly sharp decline in the full-fare business traveler segment so important to SAS. This decline is primarily attributed to the recession in Sweden. Total passenger volume was 13.9 million (15.0).

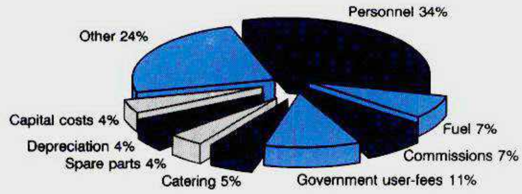
In January 1991, SAS launched a comprehensive action program designed to reduce annual costs by 3,000 MSEK. The full effect of these measures will be felt from year-end 1992. The aim of the program is for SAS Airline to meet the freer competition which will result from liberalization of European civil aviation. SAS Airline will eliminate 3,500 jobs, 1,100 in Denmark, 600 in Norway, 1,400 in Sweden, and 400 outside Scandinavia. A total of 4,000 employees, many of whom are employed part-time, will be affected by the reductions, which will be completed before year-end 1992.

At the end of 1991, the action program had the following

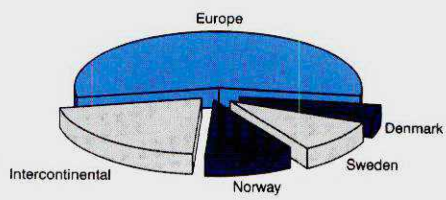
SAS AIRLINE REVENUE



SAS AIRLINE COSTS



TRAFFIC REVENUE PER ROUTE SECTOR



PRODUCTION AND TRAFFIC

	AVAILABLE TONNE-KILOMETERS			REVENUE TONNE-KILOMETERS			LOAD FACTOR	
12 months	Million	Change %	Share %	Million	Change %	Share %	%	Change %-pts
North & South Atlantic	906	–9	30	647	–7	35	71.5	1.9
Asia	501	–5	16	364	–9	20	72.6	–2.8
INTERCONTINENTAL	1,407	–8	46	1,011	–7	55	71.9	0.3
EUROPE	1,186	–3	39	550	–8	30	46.4	–2.2
DOMESTIC	474	–8	15	286	–9	15	60.2	–1.0
TOTAL NETWORK	3,067	–6	100	1,847	–8	100	60.2	–1.1

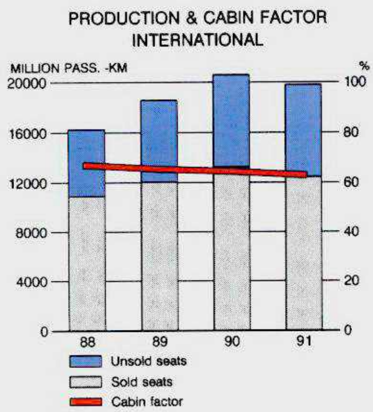
status: The number of jobs had been reduced by 2,665, of which 749 in Denmark, 490 in Norway, 1,134 in Sweden, and 292 outside Scandinavia. Costs associated with the action program have been charged against 1991 operating income.

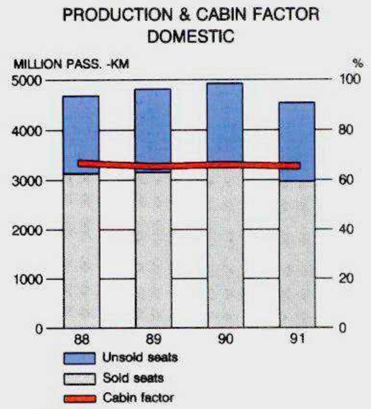
International traffic in 1991 was characterized by consolidation of the traffic system and restructuring of the traffic program. A number of unprofitable destinations were discontinued. These included Birmingham, Belgrade, Zagreb, Tampere and, from year-end 1991, Toronto and São Paulo. In addition, an agreement was reached with SAS's partner Austrian Airlines for a joint service on a new route, Vienna–Copenhagen–Chicago, to open in spring 1992.

The only new destination in 1991 was Alicante. On the other hand, frequencies were increased on a number of established routes. A second daily service was started between Copenhagen and Manchester, a third daily flight was added between Copenhagen and Paris, and the number of flights between Copenhagen and Prague rose from 8 to 12 per week. Between Copenhagen and Hamburg, Fokker 50s have been replaced by the considerably larger DC–9s. Moreover, SAS's evening flight to London now stays overnight in order to be able to offer an early flight to Stockholm. This provides a competitive edge which will be developed still further. The Express service available to London since 1990 has now been extended to include Paris. This service has boosted SAS's market share for both destinations considerably.

On the intercontinental network, service between Copenhagen and Beijing has been extended by one connection to two per week. All flights between Scandinavia and Tokyo were re-routed during the year over the fast nonstop Siberian route, allowing the route via Anchorage to be discontinued. It was also decided to add a second daily flight between Copenhagen and New York, to start in the 1992 summer program.

Cooperation within the framework of the European Quality Alliance (EQA) changed in so far as Finnair withdrew. The remaining partners, SAS, Swissair and Austrian Airlines, continued to develop their cooperation. An extended service between Scandinavia and Switzerland, and Scandinavia and Austria, as well as coordination of the airlines' timetables, has created effective connections to a number of destinations





PASSENGER, FREIGHT AND MAIL TRAFFIC

	PASSENGER		CABIN FACTOR		FREIGHT		MAIL	
12 months	Pass. km.	Change %	%	Change %-pts	Tonne-km.	Change %	Tonne-km.	Change %
North & South Atlantic	4,538	–6	74.2	1.7	216.3	–7	13.8	–24
Asia	2,326	–5	72.4	–2.8	138.3	–4	10.7	–33
INTERCONTINENTAL	6,864	–5	73.6	0.2	354.6	–6	24.5	–28
EUROPE	5,585	–6	53.4	–2.6	37.0	–2	15.3	–11
Denmark	425	–4	59.3	–2.2	4.7	–6	2.0	–15
Norway	1,271	0	62.7	–0.9	6.2	–11	4.2	–7
Sweden	1,271	–17	70.7	0.9	3.9	0	0.3	–7
DOMESTIC	2,967	–8	65.4	–0.8	14.8	–7	6.5	–10
TOTAL NETWORK	15,416	–6	63.4	–1.3	406.4	–5	46.3	–21

which SAS does not fly to itself. These are primarily in Southern Europe, the Middle East and Africa. The EQA cooperation is conducted in a number of forms at some 20 airports. In 1991, for example, it was decided to have a joint organization in Vilnius at the same time as all three companies started a service to Lithuania in January 1992.

Swissair employed some 100 pilots from SAS for its air transport operations during the year. SAS also started domestic flights in Switzerland between Zurich and Geneva. Austrian Airlines flies between Frankfurt and Linz with pilots hired in from SAS.

The cooperation with Continental Airlines in the U.S. went as planned during the year. Since the start in 1989, SAS has noted a substantial increase in transfer traffic via Newark. This cooperation has proved a commercial success and has made a considerable contribution to SAS and its ability to keep its market shares on the highly competitive North Atlantic routes. Cooperation with All Nippon Airways regarding service between Stockholm and Tokyo developed well.

During the year SAS decommissioned its last DC–10. Boeing 767s are now used on all intercontinental flights.

Danish domestic traffic, including services to Greenland was adversely affected by the decline in private and business travel. The emerging tourism in Greenland, however, provided some increase in the tourist segment.

Feasibility studies regarding the establishment of an *SAS Terminal* at SAS's main traffic hub, Copenhagen Airport, were made in 1991. The decision to extend the terminal stems from a Danish-Swedish agreement to build a fixed-link across the Öresund straits. This will prepare the way for a significant growth in one of Northern Europe's largest conurbations, the Copenhagen–Malmö region, and will link Copenhagen airport with the international road and rail network. In 1991, the Danish Civil Aviation Authority, the Danish State Railways and SAS starting cooperating on the design of a railway station adjacent to the airport terminals.

The Gulf War also affected *domestic traffic in Norway.* During the first four months of 1991, traffic was 5 percent below the same period in 1990. A recovery from May onwards resulted in total traffic for 1991 reaching the same level as the preceding year. The favorable trend in the business travel segment reported in 1990 continued during the year.

At year-end 1990, *Swedish domestic traffic* was adversely affected by value-added tax and increased environmental charges. These factors, combined with a considerable downturn in the Swedish economy and the negative effects of the Gulf War, resulted in a total decline in the Swedish domestic market of 18 percent in 1991. These events have no precedent in the history of air transport. The decline in Swedish domestic traffic was contained at just over 17 percent.

SAS succeeded in limiting the effects on earnings by a rapid adjustment of production to meet demand. Paradoxically, the cabin factor was the highest on record.

Preparations to meet the deregulation of Swedish domestic air transport were reflected in SAS's strategic planning. In February 1992, a letter of intent was signed with Bilspedition

AB and ABA for the acquisition of 51 percent of the shares in Linjeflyg. Following this acquisition, SAS will own 51 percent and ABA 49 percent of the shares.

The Group's freight operations, SAS Cargo, were restructured during the year and are now included in the four route sectors. The intention is to strengthen the position of freight operations as an integrated part of the airline.

SAS Cargo's revenues were slightly lower than in 1990, due to reduced capacity resulting from the changeover to nonstop flights on long-haul routes such as Singapore and Japan. The recession in Scandinavia and the U.S. and the decline in salmon transports from Norway to the U.S. had a negative impact on revenue from traffic over the North Atlantic. Continued growth in the markets in Japan and Southeast Asia, however, contributed to improved earnings from freight operations.

Tradevision, SAS Cargo's computer-based distribution system which provides a direct link to customers' own computer terminals, was completed during the year and has already achieved a good market position in Scandinavia.

SAS Airline's 1991 operating revenue totaled 21,735 MSEK, which was the same level as the previous year when earnings amounted to 21,626 MSEK. Traffic revenue rose by 2 percent to 18,587 MSEK. Operations were affected by the negative development in Sweden resulting from the introduction of value-added tax on travel, the increase in environmental charges and the generally weak economy.

Fuel costs totaled 1,524 MSEK (1,873), a reduction of 19 percent. The price of fuel in cents per gallon fell by 11 percent.

The current action program reduced *payroll costs* by 4 percent to 7,223 MSEK, primarily due to a reduction in the number of employees. The average number of employees was 21,040 compared with 22,180 in 1990.

In order to achieve a more even distribution of maintenance costs for the MD–80 and Boeing 767 aircraft, an allocation for these costs is being made from operating income starting with the 1991 results. Income for 1991 has therefore been charged with 103 MSEK net due to changed accounting priciples, of which 12 MSEK relates to 1991 and the remaining 91 MSEK is attributable to previous years. If the same accounting principle had been applied for 1990, income would have been charged with 16 MSEK.

Operating income before depreciation and leasing costs amounted to 2,075 MSEK (1,584) and included 722 MSEK in costs for the current restructuring program.

The gross profit margin rose from 7 to 10 percent.

Net financial items were reported at –793 MSEK (–373), which was attributable to higher net borrowing and higher interest rates and other financing costs.

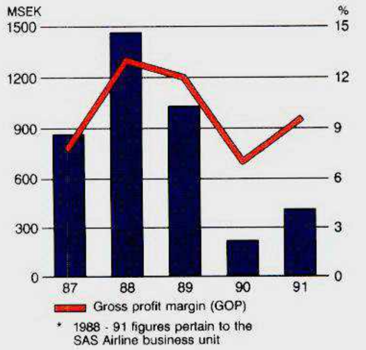
Income after depreciation and financial items totaled 405 MSEK (213). Gains on the sale of fixed assets, including 3 DC–10s, amounted to 523 MSEK (486).

Income before allocations and taxes amounted to 944 MSEK (–286). The 1990 loss included extraordinary expenses totaling 786 MSEK.

Investments totaled 4,344 MSEK (4,396), of which flight equipment accounted for 4,067 MSEK (3,724).

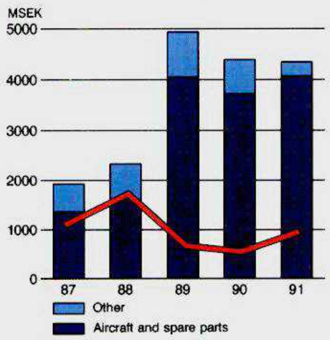
Twenty-four new aircraft were added to *the fleet* during the

SAS AIRLINE
TREND OF INCOME*
(INCOME AFTER DEPRECIATION AND NET FINANCIAL ITEMS)



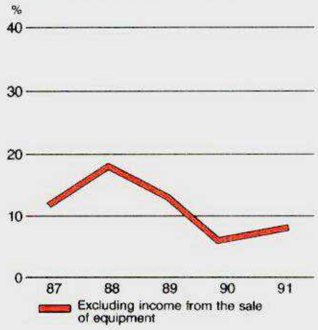
* 1988 - 91 figures pertain to the SAS Airline business unit

SAS AIRLINE
INVESTMENTS*



* 1989 - 91 figures pertain to the SAS Airline business unit

SAS AIRLINE
RETURN ON CAPITAL EMPLOYED*



* 1989 - 91 figures pertain to the SAS Airline business unit

year, including three Boeing 767s, 19 MD–80s and two F–50s. Seventeen aircraft were decommissioned during the year: two DC–10s, two MD–80s and 13 DC–9–41s.

SAS has invested a total of approximately 15,000 MSEK in new aircraft between 1985 and 1991, including approximately 4,000 MSEK in 1991. Aircraft for a total of approximately 600 MUSD are contracted for delivery in future years.

SAS's AIRCRAFT FLEET DECEMBER 31, 1991

Aircraft type	Owned/ leased	Leased in	Total	Leased out	On order
Boeing 767–300	13		13	2[1]	1
Boeing 767–200	2		2		2
Douglas MD–81	29		29		7
Douglas MD–82	14		14		4
Douglas MD–83	1		1	1[2]	
Douglas MD–87	12		12		4
Douglas DC–9–21	9		9	1[3]	
Douglas DC–9–41	21	13	34		
Douglas DC–9–51	1		1	1[4]	
Fokker F–50	13	9	22		
Total	115	22	137	5	18

[1] Leased out to Air Europe S.p.A.
[2] Leased out to Scanair.
[3] Leased out to Nordic East.
[4] Leased out to Hawaiian Airlines.

SAS International Hotels

SAS International Hotels (SIH) operates first-class hotels in Norway, Denmark, Sweden, Finland, the Netherlands, Belgium, Germany, Austria and Kuwait. Operations include a 40-percent shareholding in Saison Holdings B.V., which owns the Inter-Continental Hotels Group. In March 1992, a letter of intent was signed with the majority shareholder, the Saison Group, regarding the sale of SAS's shareholding in Saison Holdings B.V.

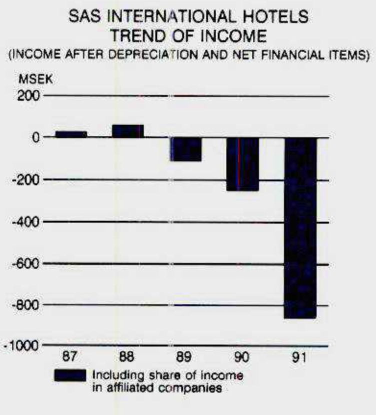
1991 income has been charged with a loss in SHBV and a write-down of the value of the shareholding corresponding to the terms of the planned agreement. The marketing cooperation between SIH and the Inter-Continental Hotels Group has been a success for both parties and will continue.

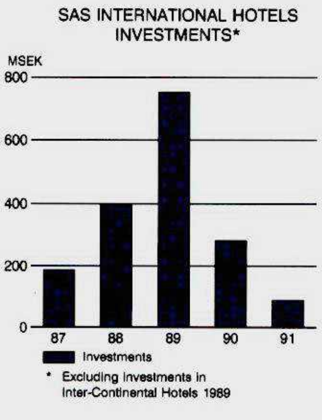
1991 was a difficult year for the hotel industry worldwide. The deepened recession in important markets, especially the U.S., the U.K. and Scandinavia, and the Gulf War and its aftermath, had a negative effect on the earnings of both SIH and the Inter-Continental Hotels Group. SIH managed to reverse this trend to some extent by successful cultivation of the private travel segment and a comprehensive cost-reduction program.

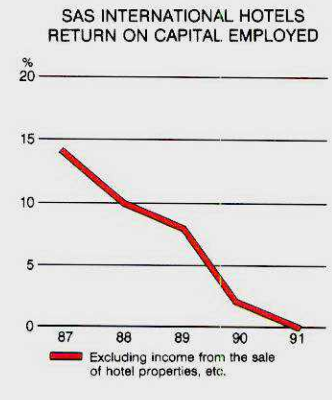
The hotel market in Scandinavia remained weak throughout the year. Although the trend in Sweden in the early months was acceptable, the doubling of value-added tax on hotel rooms rapidly led to a deterioration to the level of neighboring countries by the end of the year. The decline in the domestic markets was partly compensated by increased market shares elsewhere, particularly in Germany and Belgium.

A new hotel, SAS Royal Hotel, was opened in central Helsinki to operate under a long-term management contract. Operation of SAS Kuwait Hotel was suspended in connection with the war, when the building was partly destroyed. Renovation work is being carried out with the aim of re-opening in mid-1992.

During the year 80 percent of the shares in SAS Palais Hotel in Vienna were sold to finance an extension of operations. This transaction provided a capital gain of 54 MSEK. The hotel is







being enlarged to 255 rooms, with the addition of larger restaurant and bar facilities, as well as banquet and conference rooms. SAS intends to keep its 20-percent stake and operate the hotel under a long-term management contract.

In 1989, two hotel properties were sold under a sale and leaseback agreement. A 150 MSEK allocation has been made to cover leasing costs which are not expected to be contained in the income from hotel operations in the present economic climate.

SAS International Hotels' revenues amounted to 1,604 MSEK (1,489) in 1991. Including hotels operated through management contracts, operating revenues amounted to 2,010 MSEK (2,005).

Income before depreciation amounted to 64 MSEK (81).

Income after net financial items amounted to –384 MSEK (–91). Net financial items totaled –352 MSEK (–81), the 1990 figure included substantial currency exchange gains. Income from the sale of fixed assets amounted to –92 MSEK (12), including the 1991 allocation for leasing costs, 150 MSEK. Share of income in affiliated companies was –484 MSEK (–152). Income before extraordinary items therefore decreased from –231 MSEK in 1990 to –961 MSEK in 1991.

Investments totaled 89 MSEK (282) in 1991.

During the year SAS International Hotels A/S received 2,000 MSEK from the SAS Consortium in the form of a capital contribution. In this connection, loans were repaid to the SAS Consortium for a corresponding amount.

The reported net share of income in SHBV after depreciation according to IAS, 75 MSEK (–), was –553 MSEK (–175) after deduction for tax expense and minority interests totaling –58 MSEK (–23).

SAS Service Partner

SAS Service Partner's operations include Airline Catering, Terminal Catering and Contract Catering.

SAS Service Partner's markets in 1991 were heavily affected by the aftermath of the Gulf War. The greatest impact was felt in the countries closest to the war zone, Turkey and Saudi Arabia. In Europe, the negative trend was accentuated by the recession, where key markets for SAS Service Partner, such as the U.K. and Scandinavia, were particularly weak.

A comprehensive action program was carried out during the year to adapt production to meet the lower demand. The results of these efforts have helped to limit the negative effects of developments in SAS Service Partner's markets.

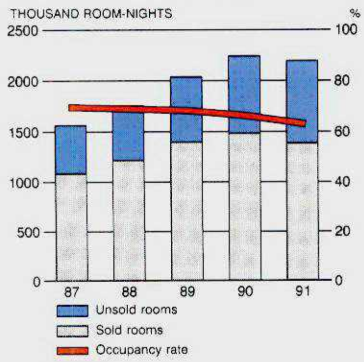
Overall, SAS Service Partner's earnings are down on 1990.

Airline Catering, however, reports an improvement in earnings. This is gratifying in view of the weak market development, fiercer competition and the pressure on prices in the wake of the decline in airline profitability.

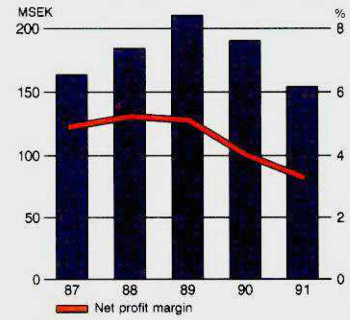
New flight kitchens were opened at Gatwick Airport outside London and in Dublin. A flight kitchen was taken over in the Netherlands at Amsterdam's Schiphol Airport.

An agreement was signed in Spain for catering services on the new express train which will run between Madrid and Seville in conjunction with the opening of the world exhibition in Seville in April 1992. In view of planned development of the intra-European train network during the 1990s, railway cater-

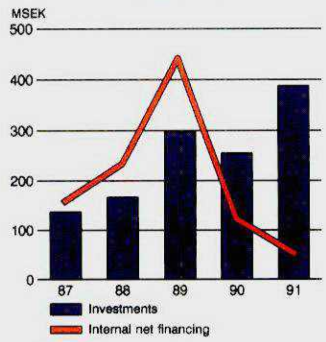
SAS INTERNATIONAL HOTELS
OCCUPANCY RATE



SAS SERVICE PARTNER
TREND OF INCOME
(INCOME AFTER DEPRECIATION AND NET FINANCIAL ITEMS)



SAS SERVICE PARTNER
INVESTMENTS



ing is considered an attractive new business area, where the similarity with air transport provides opportunities to utilize SAS Service Partner's production expertise.

Terminal Catering operates restaurants with 350 sales outlets at some 40 airports, primarily in Europe, with a total of 120 million passengers a year.

Terminal Catering's operations have been affected by the economic downturn and, despite intensive efforts to adjust production, the product area reports a considerable fall in earnings compared with 1990.

During the year contracts were signed for the operation of restaurants at the King Abdul Aziz Airport in Jeddah, Saudi Arabia. A contract has been signed at Hamburg Airport for the operation of restaurants in a newly built terminal and the contract at the airport in Palma de Mallorca was extended.

A contract for the operation of a number of restaurants in a new terminal, under construction at Schiphol, was signed in January. The terminal is expected to go into operation in May 1993.

Contract Catering includes the nonflight-related areas Company Restaurants, Hospital Catering, Industrial Catering and Patient Hotels.

Industrial Catering signed new contracts with offshore companies in the British and Norwegian areas of the North Sea. Hospital Catering and Patient Hotels extended their operations in Sweden. Hospital Catering gained a foothold in Norway during the year, while Company Restaurants continues to increase its assignments in Denmark and Sweden.

SAS Service Partner's 1991 revenues totaled 4,614 MSEK, a 2.7-percent decrease compared with 1990. Income after depreciation and net financial items was 154 MSEK (190). Investments amounted to 388 MSEK (255).

SAS Trading

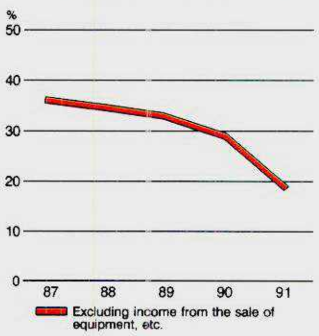
SAS Trading develops and operates retail, wholesale and media business related to air transport. SAS Trading's core business is retail sales, which are conducted in 40 shops at 20 airports in five countries. SAS Trading's volume makes it one of the five largest players in its field in the world.

Revenues totaled 1,684 MSEK in 1991, the same level as last year. Income after financial items reached 90 MSEK (122). This decrease was due to a weak first quarter resulting from the general decline in air travel, and losses in Ostermann Petersen A/S. Despite this, earnings were sustained through adjustment of operations.

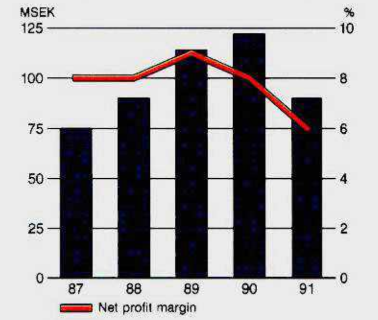
During the spring, two new department stores were opened at Arlanda's international terminal and a new shopping center was inaugurated at Fornebu Airport (Norway). SAS Trading handles the operation of two perfume retail stores opened in November by NK Parfym, in Stockholm and Gothenburg. SAS Trading consolidated its operations in 1991 through the closure of personnel stores and hotel shops and the sale of the mail-order company Ostermann Petersen A/S.

New commitments include cooperation over the development and operation of inflight sales for the airlines LanChile and Spanair. A contract was also signed for the purchase and distribution of duty-free goods for two shipping companies, Larvik Line and Scandi Line.

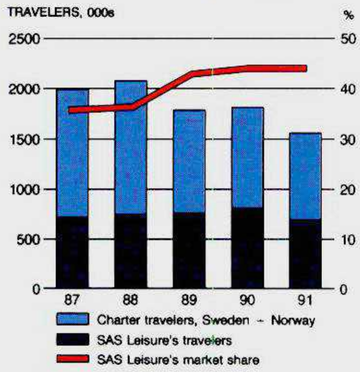
SAS SERVICE PARTNER
RETURN ON CAPITAL EMPLOYED



SAS TRADING
TREND OF INCOME
(INCOME AFTER DEPRECIATION AND NET FINANCIAL ITEMS)



SAS LEISURE
MARKET SHARE, SWEDEN AND NORWAY
INCLUSIVE-TOUR OPERATIONS



SAS Leisure

SAS Leisure's activities are divided into three product areas: inclusive-tour operations, hotel operations and charter airline services. The principal markets are Sweden and Norway where in 1991 the total number of travelers numbered 1,175,000 and 384,000, respectively. This represents a decrease of 10 percent in Sweden and 23 percent in Norway compared with 1990. The business unit has a 44-percent (44) share of the Swedish market and a 46-percent (45) share of the Norwegian market. The decline in the number of travelers was largely due to the war in the Middle East. Hotels and charter airline services were hardest hit.

Comprehensive counter-measures were taken which soon offset the negative effects. An action program was started immediately and had a favorable impact on costs throughout SAS Leisure during the year. This trend is expected to continue in the future. The earnings trend in the second half was remarkably favorable and the full-year results represent a considerable improvement over the previous year. The business unit strengthened its market position compared with 1990.

717,000 trips were produced and sold through tour operators in Sweden and Norway, 11 percent less than in 1990. The greatest downturn came in the first half due to the Gulf War. This was followed by a recovery, which made up for part of the decline.

From 1991 onwards, SAS Leisure is represented in Finland with a 50-percent shareholding in Toivelomat, the co-owner is Finnair-owned Aurinkomatkat. This company reported a market share of approximately 6 percent in 1991. At year-end 1991, Vingresor started operating in Denmark, making SAS Leisure an inclusive-tour operator in the four Nordic countries.

Sunwing, SAS Leisure's own hotel chain, was seriously affected by the war. Some facilities were forced to close down entirely or partly in February and March, while others opened in time for the summer season.

The second phase of the Cala Bona facility on Mallorca was opened in June. The hotel is now complete and has 800 beds. Sunwing's total bed capacity at year-end was 9,100.

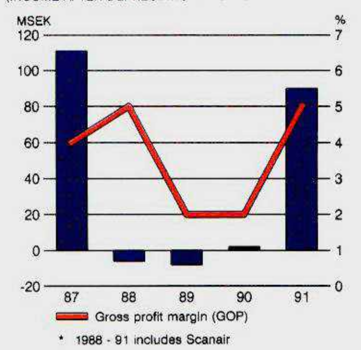
Charter airline services were also adversely affected by the war. The substantial reduction in travel resulted in operators canceling or combining departures. A trimming program was initiated to raise productivity and reduce costs for the airline Scanair. Another one of Scanair's six DC–10s was leased out while MD–80 capacity was leased in from SAS.

SAS Leisure's revenues fell by 0.6 percent to 4,143 MSEK. Income after depreciation and net financial items amounted to 89 MSEK, compared with 2 MSEK in 1990. Investments totaled 291 MSEK (247) and pertained mainly to completion of the Sunwing facility in Cala Bona on Mallorca, and the acquisition of an MD–83 from SAS.

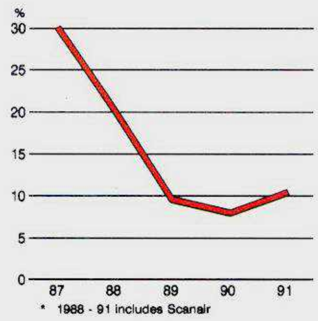
Spanair, in which SAS Leisure has a 49-percent shareholding, increased its fleet of leased MD–83s from eight to nine. Spanair also took two Boeing 767–300s on a long lease for long-distance routes from Spain to various resorts in the U.S. and Central America. The share of income in Spanair amounted to 10 MSEK (4).

At the end of 1991, SAS Leisure acquired the outstanding 30 percent of the shares in the tour operator Always which is now a wholly owned subsidiary.

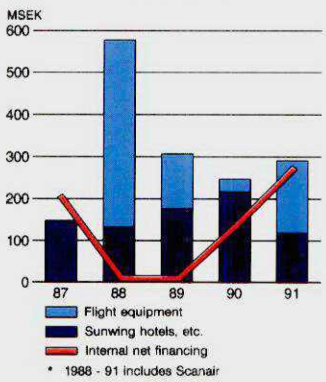
SAS LEISURE
TREND OF INCOME*
(INCOME AFTER DEPRECIATION AND NET FINANCIAL ITEMS)



SAS LEISURE
RETURN ON CAPITAL EMPLOYED*



SAS LEISURE
INVESTMENTS*



Diners Club Nordic

The company has franchise rights to Diners Club in Denmark, Norway, Sweden and Finland. Diners Club Nordic reported continued favorable growth despite the recession and increased competition from new and established players in the business and private credit card market. The number of cards increased by 6 percent to 296,000. New services include AT&T's Calling Card in the Nordic countries, which was very well received, and administration of the credit card operations of the Swedish department store NK, with some 120,000 cardholders. It has also been decided that Diners Club Nordic will extend its area of responsibility to include the Baltic States.

Revenues rose by 26 percent in 1991 from 318 MSEK to 401 MSEK, due to the increased number of cardholders and more usage per member and card. Income after net financial items amounted to 30 MSEK (24).

Affiliated Companies

Affiliated companies are companies in which the SAS Group's ownership is between 20 and 50 percent. These include, among others, Saison Holdings B.V. (40%), Airlines of Britain Holdings PLC (25%), Aviation Holdings PLC (27%), Spanair S.A. (49%), and LanChile S.A. (37%). During the year SAS sold its shareholdings in Amadeus (25%), Travel Management Group Sweden AB (23%), and Widerøe's Flyveselskap A/S (22%).

The aircraft leasing company Aviation Holdings PLC had a very difficult year. Although the company received a 29 MUSD capital infusion in January 1991, and 29 MUSD in the form of a convertible debenture loan from its owners (including 19 MUSD from SAS), the negative trend in the air transport industry and the financial market resulted in Aviation Holdings PLC experiencing serious liquidity problems during 1991. Additionally, the company was forced to allocate a substantial amount to reserves due to the sharp fall in the market value of its aircraft fleet. Aviation Holdings PLC's estimated 1991 income is nearly –200 MUSD (20). The SAS Group's share of this loss amounts to –325 MSEK (36) (see Note 7).

At Airlines of Britain Holdings PLC, a particularly strong recovery was noted in the operations of British Midland compared with 1990. Adjustment of production to meet lower demand resulted in a higher cabin factor. Yield also improved over 1990 due to price increases. The company's income before taxes amounted to 2 MGBP (–12). SAS's share of this income (25%), including a 20 MSEK (20) write-down of goodwill, is –13 MSEK (–53).

The Chilean airline LanChile S.A. reports an improvement in income for 1991 of 11 MUSD, from –8 MUSD in 1990 to 3 MUSD. This favorable development is primarily due to rationalization carried out during the year including a reduction of overcapacity in the aircraft fleet. New routes to Frankfurt and Mendoza were opened towards the end of 1991. SAS's share of income in LanChile (37%) is booked at 8 MSEK (–25).

The SAS Group's income before extraordinary items includes share of income in affiliated companies before taxes of –819 MSEK (–156). The Group's equity in affiliated companies amounted to 1,441 MSEK (3,458).

Investments

The SAS Group's 1991 investments amounted to 5,197 MSEK. SAS Airline accounted for 4,344 MSEK of investments, SAS International Hotels for 89 MSEK, SAS Service Partner for 388 MSEK and SAS Leisure for 146 MSEK. Investments in aircraft and other flight equipment totaled 4,095 MSEK (3,755).

During 1991, SAS acquired all properties in Norway, except an administrative building and a hangar at Fornebu Airport outside Oslo, from SAS's Norwegian parent company DNL for a total of 370.5 MSEK. This acquisition was financed by a long-term loan from DNL for the amount of the purchase price.

Personnel

The average number of employees in the various business units of the SAS Group in 1991 was 38,940 (40,830), of whom 21,040 (22,180) were employed in SAS Airline, 2,780 (3,080) in SAS International Hotels, 10,650 (11,020) in SAS Service Partner and 3,390 (3,490) in SAS Leisure.

The number of employees in the SAS Consortium totaled 19,190 (20,820), including 6,690 (7,530) in Denmark, 4,380 (4,680) in Norway and 6,230 (6,610) in Sweden.

The Group's total payroll, including costs incurred from restructuring, payroll-related costs, etc., was 10,936 MSEK, compared with 10,941 MSEK in 1990. Corresponding costs for the Consortium amounted to 6,855 MSEK (7,022).

EMPLOYEES – SAS GROUP

	1991		1990	
	Men	Women	Men	Women
Denmark	**6,090**	**3,770**	6,380	3,940
Norway	**4,330**	**4,130**	4,580	4,170
Sweden	**5,820**	**4,560**	6,140	4,920
U.K.	**1,760**	**1,230**	1,600	1,080
Germany	**890**	**650**	730	820
Spain	**930**	**640**	920	640
Greece	**240**	**180**	210	220
USA	**190**	**270**	290	280
Turkey	**750**	**100**	1,380	150
Other	**1,350**	**1,060**	1,320	1,060
Total	**22,350**	**16,590**	23,550	17,280

SAS and the Environment

SAS is actively involved in the creation of a tenable industrial development, which meets daily needs of energy and technology while incorporating external demands and the needs of the industry. The aim of SAS's environmental policy is to make SAS a good neighbor to society, its customers and employees. During 1990 and 1991 SAS has set goals and guidelines to ensure that this aim and environmental requirements are met.

SAS's greatest environmental contribution is the continued changeover of the fleet to aircraft which use less fuel and cause considerably less pollution. Thirteen DC–9s were replaced by MD–80s in 1991. The rest of the DC–9 fleet will be gradually phased out over the next few years.

In Norway, SAS and the Civil Aviation Authority have built a new engine testing plant at Fornebu, resulting in a considerable noise reduction in the area. The investment amounted to 14 MSEK. In addition, a computerized climate control system has led to a 50-percent reduction in energy consumption and a similar decrease in emissions from the airport.

At Sweden's Arlanda Airport, emissions have been reduced by 5,000 tonnes annually through a transfer from oil to gas heating. This corresponds to a reduction of 38 percent. The 6 MSEK investment will have paid for itself within three years. The energy savings campaign has also resulted in a 1 MSEK cut in electricity consumption per year.

At Arlanda's technical office, 1,000 employees have attended training in the environment, the working environment and the social environment.

In Copenhagen, a 1.6 MSEK investment in control and changeover of light fittings in the administrative and hangar buildings has resulted in an annual electricity saving of 1.2 MSEK.

Centrally, SAS has introduced waste sorting at all offices in Denmark, Norway and Sweden, in order to optimize recycling.

Vehicles. At Arlanda Airport all vehicles have changed over to "green" diesel and unleaded petrol, which has reduced emissions by 7 tonnes a year. All passenger buses at Copenhagen Airport have changed over to "green" diesel. SAS has funded and operates an unleaded gas station on the ramp.

Study. Arlanda's technical office has carried out a total study of the environmental impact of its operations and set up goals and action plans for future improvements.

The technical office at Fornebu has conducted a similar study to meet the internal control requirements which came into force in Norway on January 1, 1992.

Research and development. SAS has started two development projects with the support of the Danish Environment Ministry. The first is for sorting waste onboard aircraft. The second concerns guidelines for the purchase of environmentally suitable products for onboard service. Both projects aim to minimize the volume of waste and optimize recycling.

Environmental charges. SAS paid approximately 52 MSEK in environmental charges for its domestic flights in 1991.

The SAS Consortium

The SAS Consortium was formed by the three national airlines of Denmark, Norway and Sweden: Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL), and AB Aerotransport (ABA), respectively. The SAS Consortium comprises SAS Airline, SAS Trading, SAS Finance, the SAS Group's executive management and joint-Group projects.

At the end of each fiscal year the SAS Consortium's assets, liabilities and earnings are divided between the parent companies according to their respective share of ownership – DDL, 2/7; DNL, 2/7; and ABA, 3/7.

The SAS Consortium's operating revenue amounted to 22,340 MSEK (22,399). Income before extraordinary items amounted to –852 MSEK (163). Net financial items, totaling –383 MSEK (–479), include dividends from subsidiaries and affiliated companies totaling 57 MSEK (55) and capital gains on the sale of flight equipment totaling 429 MSEK (452). In 1991, the SAS Consortium incurred considerable losses on the sale of the subsidiaries SAS International Hotels Holding A/S and SAS Holding A/S. These sales were made in conjunction with restructuring. Income from the sale of shares in the above subsidiaries and other companies amounted to –2,095 MSEK (466).

After extraordinary items of 24 MSEK (–801), income before allocations and taxes amounted to –828 MSEK (–638).

From 1991 onwards, the SAS Consortium's accounts are prepared in accordance with the same principles as the SAS Group, except for the accounts of subsidiaries and affiliated companies. See Note 1, and the section Significant valuation and accounting principles. The SAS Consortium's accounts are presented separately in the following financial statements and notes.

The Scanair and SAS Commuter Consortia

The Scanair and SAS Commuter Consortia have the same ownership structure and legal status as the SAS Consortium and are consolidated in the SAS Group within the business units SAS Leisure and SAS Airline, respectively. Scanair's and SAS Commuter's statements of income and balance sheets are reported in summary in the section on the Group's ownership in this annual report.

Allocation of Income and Equity

Allocations are made by SAS's parent companies: DDL in Denmark, DNL in Norway, and ABA in Sweden, all of which also pay taxes in their respective countries on their share of the SAS Consortium's profit.

The Board of Directors and the President propose to the SAS Assembly of Representatives that no transfers be made to the parent companies and that the SAS Consortium's deficit for the year, totaling –828 MSEK, be charged against the SAS Consortium's capital account, which will thereafter total 8,454 MSEK.

1992 Forecast

1992 is expected to be another weak year for international commercial aviation.

In Scandinavia, the year began with passenger volumes which, in some areas, are even lower than during the Middle East crisis at the start of 1991.

The comprehensive action program initiated towards year-end 1990 at all units of SAS continues.

Favorable earnings are expected in 1992.

Stockholm, March 5, 1992

Tage Andersen	Tor Moursund	Curt Nicolin
Lars P. Gammelgaard	Bjørn Eidem	Krister Wickman
Leif Christoffersen	Ingvar Lilletun	Ralf Frick

Jan Carlzon
President
and Chief Executive Officer

SAS GROUP CONSOLIDATED STATEMENT OF INCOME

MSEK	1991	1990
Operating revenue—Note 2	32,286	31,883
Operating expense—Note 3	29,569	29,872
Operating income before depreciation, etc.	2,717	2,011
Depreciation, etc.—Note 4	1,338	1,362
Operating income after depreciation, etc.	1,379	649
Dividend income	–	10
Financial items, net—Note 6	-882	–268
Income after depreciation and financial items	497	391
Share of income in affiliated companies—Note 7	-819	–156
Gain on the sale of flight equipment—Note 8	375	452
Gain on the sale of shares, etc.—Note 9	-62	249
Unusual items—Note 10	–	–898
Income before extraordinary items	-9	38
Extraordinary items—Note 11	-1,214	–801
Income before taxes	-1,223	–763
Taxes payable by subsidiaries and affiliated companies—Note 12	-90	–100
Minority interests	-17	–3
Income before taxes relating to the SAS Consortium	-1,330	–866

SAS GROUP CONSOLIDATED BALANCE SHEET (Note 1)

MSEK **ASSETS**	**1991**	1990
Current Assets		
Liquid funds—Note 13	**9,371**	11,388
Accounts receivable	**3,456**	3,280
Prepaid expense and accrued income	**839**	1,074
Other accounts receivable	**1,107**	1,062
Expendable spare parts and inventory--Note 14	**843**	879
Prepayments to suppliers	**44**	77
Total current assets	**15,660**	17,760
Fixed assets		
Restricted accounts—Note 15	**74**	98
Shares and participations—Note 16	**264**	370
Equity in affiliated companies—Note 17	**1,441**	3,458
Other long-term accounts receivable	**726**	790
Goodwill and other intangible assets—Note 18	**461**	533
Long-term prepayments to suppliers—Note 20	**758**	1,452
Fixed assets—Note 21		
Construction in progress	**344**	459
Aircraft	**14,728**	11,360
Spare engines and spare parts	**899**	1,000
Maintenance and aircraft servicing equipment	**174**	201
Other equipment and vehicles	**1,803**	1,846
Buildings and improvements	**2,960**	2,489
Land and land improvements	**222**	199
Total fixed assets	**24,854**	24,255
TOTAL ASSETS	**40,514**	42,015
Assets pledged, etc.—Note 28	**787**	591

MSEK **LIABILITIES AND EQUITY**	**1991**	1990
Current liabilities		
Accounts payable	**1,457**	1,500
Taxes payable	**157**	143
Accrued expense and prepaid income	**3,733**	3,958
Unearned transportation revenue, net—Note 22	**1,167**	1,268
Prepayments from customers	**436**	390
Current portion of long-term debt	**553**	1,172
Other current liabilities	**2,968**	4,374
Total current liabilities	**10,471**	12,805
Long-term debt		
Bond issues—Note 23	**8,844**	9,144
Other loans—Note 24	**8,450**	6,147
Other long-term debt—Note 25	**2,223**	1,647
Total long-term debt	**19,517**	16,938
Subordinated debenture loan—Note 26	**823**	1,086
Minority interest	**64**	89
Equity—Note 27		
Capital	**9,295**	10,011
Restricted reserves	**593**	1,399
Unrestricted reserves	**1,081**	553
Net income for the year	**–1,330**	–866
Total equity	**9,639**	11,097
TOTAL LIABILITIES AND EQUITY	**40,514**	42,015
Contingent liabilities—Note 29	**892**	687

SAS CONSORTIUM STATEMENT OF INCOME (Note 1)

MSEK	1991	1990
Operating revenue—Note 2	**22,340**	22,399
Operating expense—Note 3	**20,664**	20,993
Operating income before depreciation, etc.	**1,676**	1,406
Depreciation, etc.—Note 4	**748**	914
Operating income after depreciation, etc.	**928**	492
Dividend income—Note 5	**57**	55
Financial items, net—Note 6	**-440**	-534
Income after depreciation and financial items	**545**	13
Gain on the sale of flight equipment—Note 8	**429**	452
Gain on the sale of shares, etc.—Note 9	**-2,095**	466
Unusual items—Note 10	**269**	-768
Income before extraordinary items	**-852**	163
Extraordinary items—Note 11	**24**	-801
Income before allocations and taxes[1]	**-828**	-638

[1] Allocations and taxes are made by the SAS Consortium parent companies.

SAS CONSORTIUM BALANCE SHEET (Note 1)

MSEK ASSETS	1991	1990
Current Assets		
Liquid funds—Note 13	**8,696**	10,664
Accounts receivable, subsidiaries	**1,475**	3,302
Accounts receivable	**1,285**	1,485
Prepaid expense and accrued income	**543**	678
Other accounts receivable	**786**	833
Expendable spare parts and inventory—Note 14	**343**	408
Prepayments to suppliers	**5**	28
Total current assets	**13,133**	17,398
Fixed assets		
Shares and participations in subsidiaries—Note 16	**1,552**	1,351
Other shares and participations—Note 16	**66**	89
Long-term accounts receivable, subsidiaries and affiliated companies—Note 19	**2,186**	1,050
Other long-term accounts receivable	**548**	483
Intangible assets—Note 18	**178**	252
Long-term prepayments to suppliers—Note 20	**728**	1,402
Fixed assets—Note 21		
Construction in progress	**132**	162
Aircraft	**13,608**	10,068
Spare engines and spare parts	**553**	653
Maintenance and aircraft servicing equipment	**133**	156
Other equipment and vehicles	**387**	570
Buildings and improvements	**1,154**	1,131
Land and land improvements	**80**	67
Total fixed assets	**21,305**	17,434
TOTAL ASSETS	**34,438**	34,832

MSEK LIABILITIES AND EQUITY	1991	1990
Current liabilities		
Accounts payable, subsidiaries	**1,805**	789
Accounts payable, suppliers	**689**	828
Accrued expense and prepaid income	**2,602**	3,122
Unearned transportation revenue, net—Note 22	**1,167**	1,268
Current portion of long-term debt	**350**	766
Other current liabilities	**1,454**	3,237
Total current liabilities	**8,067**	10,010
Long-term debt		
Bond issues—Note 23	**8,830**	9,144
Other loans—Note 24	**7,624**	5,364
Other long-term debt—Note 25	**640**	300
Total long-term debt	**17,094**	14,808
Subordinated debenture loan—Note 26	**823**	879
Reserves—Note 27	**0**	135
Equity—Note 27		
Capital		
DDL	**2,652**	2,754
DNL	**2,652**	2,754
ABA	**3,978**	4,130
Total capital	**9,282**	9,638
Net income for the year	**–828**	–638
Total equity	**8,454**	9,000
TOTAL LIABILITIES AND EQUITY	**34,438**	34,832

	1991	1990
Assets pledged, etc.—Note 28	**31**	11
Contingent liabilities—Note 29	**1,470**	870

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	SAS GROUP		SAS CONSORTIUM	
MSEK	**1991**	1990	**1991**	1990
THE YEAR'S OPERATIONS				
Income before taxes	**-1,223**	–763	**-828**	–638
Depreciation	**1,298**	1,178	**708**	730
Revaluations, write-downs, etc.	**1,263**	737	**-245**	672
Gain on the sale of fixed assets	**-463**	–701	**1,666**	–918
Other, net	**630**	–255	**-250**	–330
	1,505	196	**1,051**	–484
Payments made to the parent companies	**–**	–595	**–**	–595
Funds provided by the year's operations	**1,505**	–399	**1,051**	–1,079
Change in:				
Inventories	**36**	39	**65**	160
Current receivables	**-281**	320	**52**	18
Current liabilities	**102**	1,170	**-17**	1,320
Change in working capital	**-143**	1,529	**100**	1,498
Net financing from the year's operations	**1,362**	1,130	**1,151**	419
INVESTMENTS				
Aircraft	**-3,993**	–3,544	**-3,993**	–3,544
Spare parts	**-102**	–211	**-68**	–180
Buildings, improvements and other equipment	**-879**	–1,361	**-171**	–710
Shares and participations, goodwill, etc.	**-223**	–535	**-6**	–257
Total investments	**-5,197**	–5,651	**-4,238**	–4,691
Advance payments for flight equipment, increase (–), decrease (+), net	**694**	250	**674**	300
Sale of fixed assets, etc.	**973**	1,541	**1,062**	2,726
Other	**-76**	–	**234**	–
Net investments	**-3,606**	–3,860	**-2,268**	–1,665
Financing deficit	**-2,244**	–2,730	**-1,117**	–1,246
EXTERNAL FINANCING				
Long-term receivables	**397**	946	**980**	768
Repayments and early redemption	**-4,042**	–578	**-3,553**	–325
Borrowings	**3,897**	6,527	**3,857**	5,651
Capital infusion from parent companies/new share issue	**–**	305		
Change in minority interest	**-25**	26		
Capital infusion—subsidiaries and affiliated companies			**-2,135**	–
External financing, net	**227**	7,226	**-851**	6,094
CHANGE IN LIQUID FUNDS				
(Cash, bank balances and short-term investments))	**-2,017**	4,496	**-1,968**	4,848
Liquid funds at beginning of the year	**11,388**	6,892	**10,664**	5,816
Liquid funds at year-end	**9,371**	11,388	**8,696**	10,664

NOTES TO THE FINANCIAL STATEMENTS

Significant valuation and accounting principles

General

The SAS Group's financial statements are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC).

The same accounting principles are applied by the SAS Consortium with the exception that shares in affiliated companies which are reported according to the equity method by the SAS Group, are reported according to the purchase method by the SAS Consortium. The SAS Consortium also reports shares in subsidiaries according to the purchase method.

Consolidated financial statements

Definition of consolidated and affiliated companies.

The consolidated financial statements of the SAS Group include the SAS Consortium, its wholly owned subsidiaries and those partly owned companies in which the SAS Consortium has a controlling interest. The consolidated financial statements also include the Consortia Scanair and SAS Commuter. Certain wholly owned subsidiaries which are closely connected with the business of the SAS Consortium are directly included in the accounts of the SAS Consortium. For further information see Note 16, the specification of shares and participations.

Income and expenses of companies acquired or sold during the fiscal year are included in the Consolidated Statement of Income for the period during which they belonged to the SAS Group.

Holdings in major affiliated companies in which the SAS Group's ownership is between 20 and 50 percent, or in which the SAS Group has a controlling interest, are reported according to the equity method.

Principles of consolidation

The consolidated financial statements are prepared according to the purchase method, whereby the Group's acquisition value of stocks and participations is offset against equity in the acquired companies, including the equity share in untaxed reserves at the date of acquisition.

Accordingly, the Consolidated Balance Sheet includes equity in acquired companies only to the extent it was earned after the date of acquisition.

The difference between acquired equity and the SAS Group's reported acquisition value is reported either as an adjustment of the subsidiaries' assets and liabilities, or as consolidated goodwill/negative badwill.

The book value of shares in major affiliated companies is reported in accordance with the equity method. This means that the SAS Group's share of the affiliated companies' equity amounts to the share of equity including untaxed reserves taking into account deferred taxes according to the tax rates in the country concerned and any residual values of surpluses/deficits. Regarding the reporting of equity in Saison Holdings B.V., see Note 17.

The SAS Group's share of affiliated companies' income before allocations and taxes, adjusted for depreciation/dissolution of acquired surplus/deficit values, is reported in the Consolidated Statement of Income. The SAS Group's tax expense includes the Group's share of affiliated companies' reported taxes and estimated taxes on allocations.

Translation of foreign subsidiaries' financial statements

The financial statements of foreign subsidiaries are translated into Swedish kronor using the current-rate method. All subsidiaries' assets and liabilities are thus converted to Swedish kronor at year-end rates of exchange, while all income statement items are translated at the average annual rate of exchange. SAS's share of such translation difference is transferred directly to the equity of the SAS Group.

Other valuation and accounting principles

Receivables and liabilities in currencies other than Swedish kronor (SEK).

Current and long-term receivables and liabilities in currencies other than Swedish kronor are translated at year-end market rates of exchange. When the rate of exchange on the payment date is secured by a forward contract, translation is carried out at the rate of exchange of the forward contract currency.

The difference between the forward rate and the current market price on the date of the contract (forward premium) is an interest rate difference, which is reported under net interest income. Currency exchange differences arising from forward contracts are reported in the Income Statement under other financial expenses.

When a loan has been subject to a currency swap (where, in principle, interest expenses and repayments are paid in a currency other than the original one – a swap currency), the loan is stated after translation to the swap currency's year-end rate of exchange.

Advance payments on flight equipment are accounted for at the rate of exchange on the date of payment.

Realized and unrealized currency exchange losses and gains on receivables and liabilities are reported above net income.

Exchange rates to SEK for some principal currencies are:

Currency			Year-end rate 1991	Year-end rate 1990	Average rate 1991	Average rate 1990
Denmark	DKK	100	**94.10**	97.45	**94.64**	95.70
Norway	NOK	100	**93.00**	95.90	**93.35**	94.45
USA	USD		**5.56**	5.71	**6.05**	5.98
U.K.	GBP		**10.41**	10.83	**10.67**	10.48
Switzerland	CHF	100	**411.60**	439.71	**422.45**	424.91
Germany	DEM	100	**366.25**	375.35	**364.85**	365.67
Japan	JPY	100	**4.42**	4.21	**4.50**	4.09
	ECU		**7.43**	7.70	**7.49**	7.48

Expendable spare parts and inventory

Expendable spare parts and inventory are stated at the lower of cost or market value. Appropriate deduction for obsolescence has been made.

Fixed assets and depreciation

Fixed assets are stated in the Balance Sheet at cost less accumulated depreciation. Depreciation is booked according to plan based on the assets' estimated economic lives.

Since 1988, a reducing balance method of depreciation has been applied to flight equipment over the economic life of such investments, meaning that the asset is fully depreciated after approximately 19 years.

This method results in an even distribution of capital costs over the useful lives of the assets and a favorable matching of costs and revenues. According to this schedule, depreciation during the first year amounts to 2 percent, thereafter increasing by 0.33 percentage points annually, i.e. 2 1/3 percent in the 2nd year, 2 2/3 percent in the 3rd year, etc.

Interest expenses on advance payments for aircraft not yet delivered, are capitalized. Once the aircraft in question goes into operation, depreciation is begun on the capitalized interest charges, in accordance with the principle for flight equipment.

Maintenance and aircraft servicing equipment and other equipment and vehicles are depreciated over a period of 5 years. The annual depreciation of buildings varies between 2 and 20 percent. Goodwill and other intangible assets are depreciated over their estimated economic lives; long-term strategic investments in SAS's operations are depreciated over a period of up to 15 years, and other investments over a 5-year period.

Major modifications and improvements of fixed assets which increase their value are capitalized and depreciated over their estimated economic lives. Improvements to the Group's own and leased premises are, in principle, depreciated over their estimated useful lives, but not to exceed the length of the leasing period for the premises.

Pension commitments

All pension commitments calculated on actuarial grounds have been covered by the payment of insurance premiums and allocations to pensions.

Traffic revenue

Ticket sales are reported as traffic revenue only upon completion of the air travel in question. The value of tickets sold but not yet used is reported as unearned transportation revenue. This item is reduced either when SAS or another airline completes the transportation or after the ticketholder has requested a refund. A portion of unearned transportation revenue covers tickets sold which are expected to be unused. A reserve against the unearned transportation revenue liability is assessed annually. This reserve is reported as revenue the following year.

Maintenance costs

Routine aircraft maintenance and repairs are charged to income as incurred. From 1991 onwards, allocations are made for future heavy maintenance costs for the MD-80s and Boeing 767s, in order to obtain a more even distribution of maintenance costs,

Other income and expense

Income from the sale of flight equipment, hotel properties/operations, etc. and unusual items is shown in the Statement of Income after depreciation and financial items. Such items have a direct connection with the company's normal operations and often contribute to various financing operations. The extent of these items and their effect on earnings can vary considerably from year to year. They are therefore reported separately, to allow an accurate assessment of operating income.

Extraordinary income and expense

Only items which lack a clear connection with the company's regular operations are reported as extraordinary. In addition, the entries must be of a non-recurring nature and may not be expected to amount to major sums.

SAS Consortium

The SAS Group's accounts are prepared in accordance with IAS. Out of regard for local regulations concerning accounting and taxation in Denmark, Norway and Sweden, the main deviation in the principles applied by the SAS Consortium is that shares in affiliated companies are reported at cost, and dividends are transferred to income.

See Note 1 for changed accounting principles for the SAS Consortium starting in the 1991 fiscal year.

Definitions of financial terms and ratios

Gross profit margin (GOP). Operating income before depreciation, etc., in relation to operating revenue.

Net profit margin. Income before extraordinary income and expense, but excluding gains on the sale of the sale of equipment, etc., in relation to operating revenue.

Pretax return on capital employed. Operating income after depreciation plus share of income in affiliated companies and financial income, in relation to the average capital employed. Capital employed equals total assets less noninterest-bearing liabilities.

Pretax return on equity. Income before gains/losses on the sale of equipment and extraordinary items in relation to the average equity. Equity includes minority equity shares.

Debt/equity ratio. Interest-bearing liabilities minus interest-bearing assets in relation to adjusted equity.

Equity/assets ratio. Equity plus deferred taxes and minority interests as a percent of total assets.

Net financing from operations. Funds provided internally including change in working capital.

NOTES*

* All amounts in MSEK unless otherwise stated.

Note 1 – Changed accounting principles

SAS Group

To make the 1991 and 1990 financial statements comparable, some items relating to the 1990 fiscal year have been reclassified.

SAS Consortium

The following principles have been changed to adapt the accounting principles applied by the SAS Consortium to those of the SAS Group:

–Receivables and liabilities in foreign currencies: Exchange gains and losses are reported above income during the period in which they are incurred.

–Capitalization of interest: Interest expenses associated with the financing of major investments in fixed assets, such as advance payments for aircraft, can be capitalized if the acquisition extends over a long period.

–Pension commitments: All earned pension benefits are entered as a liability as incurred during the period the commitment arises.

The net effect of the above changed accounting principles on 1991 income is positive and amounts to 120. Accumulated values relating to previous years have increased the Consortium's capital account in a net amount of 282. See Note 27, Equity.

Note 2 – Operating revenue

		1991	1990
Traffic revenue:	Passengers	**16,883**	16,476
	Freight	**1,092**	1,139
	Mail	**200**	217
	Other	**424**	338
Other operating revenue		**3,741**	4,229
SAS Consortium operating revenue		**22,340**	22,399
Subsidiary operating revenue		**11,907**	11,612
Group eliminations		**–1,961**	–2,128
SAS Group operating revenue		**32,286**	31,883

Subsidiary operating revenue includes traffic revenue totaling 1,105 (1,215) from Scanair. SAS Airline's traffic revenue is reported after deducting discounts, which amounted to 842 (740).

Reversals of unnecessary reserves for unearned transportation revenue have added 302 (263) to traffic revenue. See the section "Traffic revenue" in principles of accounting on page 33.

Note 3 – Operating expenses

	SAS Group		SAS Consortium	
	1991	1990	**1991**	1990
Personnel/payroll costs	**10,410**	10,941	**6,329**	7,022
Aircraft fuel	**1,735**	2,119	**1,524**	1,873
Restructuring costs	**722**	–	**722**	–
Other operating expenses	**16,702**[1]	16,812[1]	**12,089**	12,098
Total	**29,569**	29,872	**20,664**	20,993

Other operating expenses of the SAS Consortium include government user-fees, commissions, purchased services, supplies, etc.

[1] The net effect of the changed accounting principle for allocation of costs for heavy maintenance on MD-80s and Boeing 767s, amounts to 103. Of this amount, 91 is attributable to the period until year-end 1990. The total amount has been charged against other operating expenses.

Note 4 – Depreciation, etc.

	SAS Group		SAS Consortium	
	1991	1990	**1991**	1990
Goodwill and intangible assets	**102**	62	**25**	24
Aircraft	**378**	345	**331**	312
Spare engines and spare parts	**53**	56	**28**	34
Maintenance and aircraft servicing equipment	**73**	60	**56**	48
Other equipment and vehicles	**555**	516	**198**	246
Buildings and improvements	**137**	139	**70**	66
Sub-total	**1,298**	1,178	**708**	730
Leasing costs for aircraft capacity	**40**	184	**40**	184
Total	**1,338**	1,362	**748**	914

Note 4, continued

In 1990, 15 DC–9s, one DC–10 and five Fokker–27s were sold in connection with the changeover of the aircraft fleet. SAS Airline leased back the DC–9s and the DC–10 for a short period (operational leasing) to maintain capacity during the transition to MD–80s and Boeing 767s. On the date of the sale, a 290 allocation was made against future additional costs of leasing these aircraft. Leasing costs, 161 (94), paid for leasing back the aircraft have been deducted from the allocation.

Flight equipment is depreciated on a reducing balance over the investments' economic lives, resulting in full depreciation after 19 years. The book value of the aircraft fleet placed in relation to estimated market value indicates that the surplus values existing in previous years have been eliminated. It is not necessary, however, to adjust the value of the aircraft fleet.

Note 5 – Dividends

SAS Consortium	1991	1990
Dividends from:		
SAS Service Partner A/S	41	43
SAS Aviation Investments Ltd.	14	–
Dividends from subsidiaries	55	43
Dividends from affiliated companies	1	3
Other dividends	1	9
Total dividends	57	55

Note 6 – Financial items, net

SAS Group	1991	1990
Interest income	1,458	1,198
Interest expense	–2,184	–1,712
Capitalized interest on prepaid aircraft	97	147
Interest, net	–629	–367
Allocation of accrued currency exchange gains at the start of 1988	73	73
Currency exchange differences, net	–262	–2
Other	–64	28
Other financial items, net	–253	99
Total financial items, net	–882	–268

SAS Consortium	1991	1990
Interest from subsidiaries	555	393
Other interest income	1,336	1,036
Total interest income	1,891	1,429
Interest paid to subsidiaries	–453	–224
Other interest expenses	–1,656	–1,457
Capitalized interest on prepaid aircraft	97	–
Total interest expenses	–2,012	–1,681
Interest, net	–121	–252
Currency exchange differences, net	–260	–268
Other	–59	–14
Other financial items, net	–319	–282
Total financial items, net	–440	–534

Note 7 – Share of income in affiliated companies

SAS Group	1991	1990
Saison Holdings B.V.	–495	–152
LanChile S.A.	8	–25
Airlines of Britain Holdings PLC (ABH)	–13	–53
Polygon Insurance Company Ltd.	–5	5
Grønlandsfly A/S	0	–9
Aviatour Gruppo S.p.A.	0	0
Spanair S.A.	10	4
SIHSKA A/S	–15	0
SAS Casinos Denmark A/S/Casino Copenhagen K/S	14	0
Tenerife Sol S.A.	–1	–2
Aviation Holdings PLC	–325	36
Asiana Catering Inc.	–1	–
Toivelomat O.Y.	–10	0
International Service Partner Inc.	–1	0
Club de Vacaciones S.A.	0	3
Københavns Lufthavns Forretningscenter K/S	31	29
Plusresor AB	2	0
SAS Royal Viking Hotel AB	–	–1
Others	–18	9
Total	–819	–156

Share of income in affiliated companies is reported before taxes. SAS's share of income in some affiliated companies is based on the companies' unaudited preliminary reports. Share of income includes depreciation of goodwill totaling 21 (27). The share of income in Aviation Holdings PLC includes a reserve for reconstruction costs.

Note 8 – Gain on the sale of flight equipment

In 1991 three DC-10s were sold in connection with the changeover to a new aircraft fleet. One of these DC-10s was sold to Electra Aviation which belongs to Aviation Holdings PLC, in which the SAS Group has a 27-percent stake. A 54 allocation has been made for intra-Group profit. One MD-80 was decommissioned due to a crash during the year. Insurance compensation has been received and included in the year-end accounts.

SAS Group	1991	1990
SAS Airline	429	452
Allocation to reserve for intra-Group profit	–54	–
Total	375	452

SAS Consortium	1991	1990
SAS Airline	429	452
Total	429	452

Note 9 – Gain on the sale of shares, etc.

SAS Group	1991	1990
Shares in SAS Palais Hotel AG, Vienna	54	–
Properties	–150[1]	34
Shares in Linjeflyg AB	–	196
Shares in Amadeus	64	–
Shares in Travel Management Group Sweden AB	30	–
Operations in Ostermann Petersen A/S including value adjustment property	–55	–
Other shares	–5	19
Total	–62	249

[1] In 1989, two hotel properties were sold under a sale and leaseback agreement. A 150 allocation has been made to cover leasing costs which are not expected to be contained in the income from hotel operations in the present economic climate.

SAS Consortium	1991	1990
Shares in SAS International Hotels Holding A/S	–1,196	–
Shares in SAS Holding A/S	–913	–
Other shares	14	432
Properties	–	34
Total	–2,095	466

Note 10 – Unusual items

SAS Group	1991	1990
Allocation to shareholding reserve for associated and affiliated companies	–	–780
Allocation to reserve for pension commitments	–	–118
Total	–	–898

SAS Consortium	1991	1990
Write-down of shares in subsidiaries	–418	–
Write-down of receivables in subsidiaries	–54	–366
Reversal of write-down of receivables in subsidiaries	279	–
Reversal of/allocation to shareholding reserve	462	–402
Total	269	–768

Note 11 – Extraordinary items

SAS Group	1991	1990
Restructuring costs (severance pay, early retirement)	24	–165
Development costs, write-downs of intangible assets, etc.	–	–636
Write-down of shares in affiliated and associated companies	–1,238	–
Total	–1,214	–801

SAS Consortium	1991	1990
Restructuring costs	24	–165
Development costs, write-downs of intangible assets, etc.	–	–636
Total	24	–801

Note 12 – Subsidiaries' and affiliated companies' taxes

SAS Group	1991	1990
Taxes payable by subsidiaries	–106	–106
Full taxes payable by affiliated companies	–52	–18
Reversed deferred tax pertaining to untaxed reserves	68	24
Total	–90	–100

The Statement of Income and Balance Sheet of the SAS Group include only taxes payable by subsidiaries and affiliated companies, since the tax liability in Denmark, Norway and Sweden relating to the activities of the SAS Consortium lies with its parent companies. Taxes during the period are calculated as paid taxes plus estimated tax on taxable allocations made during the period. Allocations to reserves in previous fiscal periods were split between deferred taxes and equity.

Note 13 – Liquid Funds

	SAS Group		SAS Consortium	
	1991	1990	1991	1990
Cash and bank accounts	1,169	1,364	628	783
Short-term investments	8,202	10,024	8,068	9,881
Total	9,371	11,388	8,696	10,664

The balance of the liquid funds of the SAS Consortium includes 71 (77) in a restricted tax deduction account in Norway. On December 31, 1991, short-term investments consisted primarily of deposits with banks, treasury bills, bonds and commercial papers. Short-term investments are reported at the lower of cost or market value. Uncompleted interest arbitrage transactions are reported net and amounted to 448 (1,821) on December 31, 1991. No assets have been pledged.

Note 14 – Expendable spare parts and inventory

	SAS Group		SAS Consortium	
	1991	1990	1991	1990
Expendable spare parts,				
– flight equipment	529	502	273	298
– other	43	76	22	67
Inventory	271	301	48	43
Total	843	879	343	408

Note 15 – Restricted accounts

SAS Group	1991	1990
Development reserve	1	1
Special investment reserve	73	95
Regional development reserve	–	2
Total	74	98

Note 16 – Shares and participations

	Number of shares	Percent holding		Par value in 000s	Book value
SAS Consortium – *Subsidiaries*					
SAS International Hotels A/S, Oslo	22,087,797	100	NOK	2,208,780	775.0
SAS Leisure AB, Stockholm	3,000,000	100	SEK	300,000	300.0
SAS Holding B.V., Rotterdam	190,000	100	NLG	255,627	116.0
SAS Flight Academy Holding AB, Stockholm	20,000	100	SEK	2,000	100.0
SAS Service Partner A/S, Copenhagen	90,000	100	DKK	90,000	70.5
Diners Club Nordic A/S, Oslo	25,100	100	NOK	28,000	70.0
Scandinavian Aero Engine Services AB, Stockholm	450,000	75	SEK	45,000	45.0
Scandinavian Multi Access Systems AB, Stockholm	190,000	95	SEK	19,000	19.5
Scandinavian Airlines Data Holding A/S, Copenhagen	300	100	DKK	20,000	19.2
SAS Media Partner AB, Stockholm	5,000	100	SEK	500	12.3
SAS Ejendom A/S, Copenhagen	20,000	100	DKK	20,000	11.0
SAS Capital B.V., Rotterdam	501	100	NLG	2,500	7.7
Bromma Tryck AB, Stockholm	9,000	100	SEK	900	1.8
Danair A/S, Copenhagen	1,710	57	DKK	1,710	1.2
Travel Management Group Norway A/S, Oslo	50,000	100	NOK	5,000	1.1
SAS Trading Holding A/S, Copenhagen	300	100	DKK	300	0.9
SAS Oil Denmark A/S, Copenhagen	300	100	DKK	300	0.3
SAS Cargo Center A/S, Copenhagen	300	100	DKK	300	0.2
Other					0.7
Total shares and participations in subsidiaries					1,552.4

The wholly owned subsidiaries Scandinavian Airlines System of North America Inc., and SAS France S.A., with a combined book value of 1.4, are directly included in the accounts of the SAS Consortium.

Note 16, continued	Number of shares	Percent holding		Par value in 000s	Book value
Affiliated companies					
Grønlandsfly A/S, Godthåb	219	37.5	DKK	9,000	22.6
Polygon Insurance Co. Ltd., Guernsey	5,825,810	33	GBP	5,826	19.0
Jetpak AB, Stockholm	25,000	50	SEK	2,500	2.5
Scandinavian Info Link AB, Stockholm	13,334	34	SEK	10,333	2.3
Copenhagen Excursions A/S, Copenhagen	29	24.5	DKK	294	1.0
Scanator AB, Stockholm	500	50	SEK	50	0.1
Other					0.2
Total, affiliated companies					47.7
Other companies					
Norwegian Show Case A/S, Oslo	3,750	9	NOK	3,750	5.4
Dar-es-Salaam Airport Handling Co. Ltd., Dar-es-Salaam	27,000	15	TAS	2,700	1.4
Amadeus Marketing S.A., Madrid	17,800	8	PTS	178,000	1.0
Airline Tariff Publishing Company, Washington D.C.	17,737	4.2	USD	18	0.4
Other					10.1
Total other companies					18.3
Total other stocks and participations					66.0
SAS Group					
Shares and participations					
Coronado A/S, Oslo[1]	699,999	19.9	NOK	147,000	136.7
Copenhagen International Hotels K/S, Copenhagen	–	11.3	DKK	134,300	97.3
Continental Airlines Holdings Inc.[2]	7,303,000	16.8	USD	73,030	0.0
Other					11.8
SAS Consortium's shareholdings in other companies					18.3
Total					264.1

[1]SAS International Hotels has signed an option agreement with Coronado Holding B.V., the Netherlands and the parent company Fastighets AB Coronado, Sweden, regarding its shareholding in Coronado A/S, Norway. Under this agreement, SAS International Hotels can transfer the shares to the above-named companies at a price of 147 MNOK with the addition of annual interest of 7.4 percent, from January 1, 1994 until December 31, 1995.
[2]The market value of SAS's shares in Continental Airlines Holdings Inc. totaled 20.3 on December 31, 1991.

					Book value in SAS Group[1]
Affiliated companies owned by other Group companies					
Saison Holdings B.V.	400	40	USD	500,000	940.0
LanChile S.A.	95,089,014	37	USD	36,151	210.1
Airlines of Britain Holdings PLC (ABH), Derby	14,937,312	24.9	GBP	3,734	188.5
Aviatour Gruppo S.p.A.	7,200,000	32	ITL	7,200,000	39.0
Spanair S.A., Madrid	367,500	49	ESB	367,500	29.5
SIHSKA A/S, Copenhagen	17,720	50	DKK	17,720	0
Tenerife Sol S.A.	23,000	50	ESB	230,000	13.9
SAS Casinos Denmark A/S/Casino Copenhagen K/S	500	50	DKK	500	13.6
SAS Palais Hotel AG	1,000	20	ATS	1,000	13.3
Aviation Holdings PLC	29,411,600	26.78	USD	2,941	0
Toivelomat O.Y.	500	50	FIM	5,000	7.4
Club de Vacaciones S.A.	1,700	16.7	ESB	42,500	4.4
Plusresor AB	165	33	SEK	165	3.4

Affiliated companies owned by other Group companies are not included in the SAS Group's book value of shares and participations. These are reported together with the SAS Consortium's affiliated companies as equity in affiliated companies, see Note 17.
[1]Excluding shareholding reserves.

Note 17 – Equity in affiliated companies

SAS Group	1991	1990
Saison Holdings B.V.	940	2,787
LanChile S.A.	210	178
Airlines of Britain Holdings PLC (ABH)	189	209
Polygon Insurance Company Ltd.	82	89
Grønlandsfly A/S	46	46
Aviatour Gruppo S.p.A.	39	39
Spanair S.A.	30	20
SIHSKA A/S	0	14
SAS Casinos Denmark A/S/ Casino Copenhagen K/S	14	1
Tenerife Sol S.A.	14	30
SAS Palais Hotel AG	13	–
Aviation Holdings PLC	0	148
Asiana Catering Inc.	10	–
Toivelomat O.Y.	7	4
International Service Partner Inc.	5	6
Club de Vacaciones S.A.	4	4
Københavns Lufthavns Forretningscenter K/S	3	4
Plusresor AB	3	1
Amadeus	–	81
TMG Sverige AB	–	13
Other	6	10
Shareholding reserve	–174	–226
Total	1,441	3,458

Equity in affiliated companies includes acquired goodwill in ABH, written down to 143 (163).

Saison Holdings B.V.'s annual report is prepared in accordance with U.K. GAAP.

In addition to the year's share of income after taxes and minority shares, totaling –553, the value of equity has been affected by currency exchange differences of –126 and a write-down of 1,168 to the anticipated value in connection with a sale of the shares.

In accordance with U.K. GAAP, Saison Holdings B.V. makes no depreciation of buildings and long-term leasing contracts. From 1991 depreciation of these assets is charged against the SAS Group's income in the amount of 75 (–).

Note 18 – Goodwill and other intangible assets

	SAS Group		SAS Consortium	
	1991	1990	1991	1990
Consolidated goodwill	229	235		
Development costs	37	80	–	49
Other intangible assets	195	218	178	203
Total	461	533	178	252

Other intangible assets include the net book value of a non-recurring payment made for access to and user-rights for the terminal at Newark Airport outside New York amounting to 70 (80), and for the cooperation agreement with Continental Airlines, 108 (123).

Development costs carried forward from December 31, 1990 were written down by 49 in the SAS Group and in the SAS Consortium.

Note 19 – Long-term accounts receivable, subsidiaries and affiliated companies

SAS Consortium	1991	1990
SAS Commuter	533	56
SAS International Hotels A/S	469	138
SAS Leisure AB	447	324
SAS Flight Academy AB	350	353
Diners Club Nordic A/S	150	–
Scandinavian Aero Engine Services AB	94	46
SAS Data Denmark A/S	34	–
SAS Data Sverige AB	30	40
Scandinavian Multi Access Systems AB	30	25
SAS Data Norge A/S	21	–
SAS Oil Denmark A/S	14	14
SAS Media Partner AB	5	8
SAS Holding B.V.	–	36
SAS Trading Holding A/S	–	3
Other	9	7
Total	2,186	1,050

Note 20 – Long-term advance payments to suppliers

SAS Consortium	1991	1990
Boeing (B–767)	188	537
McDonnell Douglas (MD–80)	537	822
Fokker (F–50)	–	38
Other (engines)	3	5
Total	728	1,402

In the SAS Group, an additional 30 (50) pertained to long-term advance payments to SAS Group subsidiaries.

Note 21 – Fixed assets

	Cost		Accumulated depreciation		Book value	
SAS Group	1991	1990	1991	1990	1991	1990
Construction in progress	344	459	–	–	344	459
Aircraft[1]	16,717	13,344	1,989	1,984	14,728	11,360
Spare engines and spare parts	1,180	1,539	281	539	899	1,000
Maintenance and aircraft servicing equipment	558	529	384	328	174	201
Other equipment and vehicles	4,372	4,104	2,569	2,258	1,803	1,846
Buildings and improvements	3,693	3,097	733	608	2,960	2,489
Land and land improvements	225	202	3	3	222	199
Total	27,089	23,274	5,959	5,720	21,130	17,554

Note 21, continued

SAS Consortium	Cost 1991	Cost 1990	Accumulated depreciation 1991	Accumulated depreciation 1990	Book value 1991	Book value 1990
Construction in progress[2]	**132**	162	**–**	–	**132**	162
Aircraft	**15,483**	11,978	**1,875**	1,910	**13,608**	10,068
Spare engines and spare parts	**777**	1,160	**224**	507	**553**	653
Maintenance and aircraft servicing equipment	**474**	457	**341**	301	**133**	156
Other equipment and vehicles	**1,064**	1,777	**677**	1,207	**387**	570
Buildings and improvements	**1,480**	1,395	**326**	264	**1,154**	1,131
Land and land improvements	**83**	70	**3**	3	**80**	67
Total	**19,493**	16,999	**3,446**	4,192	**16,047**	12,807

[1]Includes aircraft covered by purchase options amounting to 416.
[2]Transfer of capitalized interest to aircraft amounted to 28 of capitalized interest included on January 1, 1991, 101.

Changes in the book value of aircraft in the SAS Consortium were as follows:

Cost, December 31, 1990	11,978	
Investments	3,993	
Sale 1991	–888	
Accumulated capitalized interest (Jan. 1, 1991)	275	
Capitalized interest in 1991	125	15,483
Accumulated depreciation,		
December 31, 1990	1,910	
Depreciation 1991	331	
Reversal of depreciation upon sale of aircraft, 1991	–371	
Accumulated depreciation on capitalized interest (Jan. 1, 1991)	5	1,875
Book value December 31, 1991		13,608

The insurance value of the aircraft was 21,363 on December 31, 1991. This includes the insurance value of leased aircraft in the amount of 1,283.

Of the year's aircraft acquisitions, 14 (1990: 17) MD-80s and 0 (5) B-767s were acquired formally through 10-15-year leasing contracts. On behalf of the SAS Consortium, a number of banks have agreed to pay all accruing leasing fees and an agreed residual value at the expiry of each leasing period for 15 MD-80s. The SAS Consortium has irrevocably reimbursed the banks for these payments. The combined nominal value of the banks' payment commitment on behalf of the SAS Consortium was approximately 2,010 (2,137) on December 31, 1991.

With regard to 20 (7) other leased aircraft, the terms of the leasing contracts (especially pertaining to SAS's purchase options during the contract period and at the termination of the leasing contract, as well as the financial risk regarding the value of the aircraft) are such that the agreement, from SAS's point of view, is comparable to a purchase.

The acquisition value of the new aircraft amounted to 2,044. The 35 (22) aircraft are reported at 5,732 (4,036) in the Balance Sheet.

The SAS Consortium's aircraft fleet can be specified as follows:

	1991	1990
Owned	**7,876**	6,307
Formally leased (paid)	**1,834**	1,886
Other leased	**3,898**	2,150
Book value	**13,608**	10,343

Note 22 – Unearned transportation revenue, net

Unearned transportation revenue consists of sold, but unutilized tickets. See p. 33, Traffic revenue.

The reserve for unearned transportation revenue is estimated at 270 (220) on December 31, 1991.

Note 23 – Bond issues

The SAS Consortium's bond issues totaled 8,840 (9,889). Issues are in the following amounts and currencies:

SAS Consortium		1991	1990
USD	U.S. dollars	**3,428**	4,758
ECU	European Currency Unit	**743**	770
NOK	Norwegian kronor	**622**	912
CHF	Swiss francs	**1,236**	1,320
JPY	Japanese yen	**1,347**	555
SEK	Swedish kronor	**211**	240
LUF	Luxembourg francs	**71**	73
DKK	Danish kroner	**470**	487
FRF	French francs	**712**	774
		8,840	9,889
Less: redemption in 1992 and 1991, respectively		**–10**	–745
Total		**8,830**	9,144
The SAS Group also has:			
DKK	Danish kroner	**14**	–
Total		**8,844**	9,144

SAS's own bonds totaling 719 were purchased in 1991 and are netted under this balance sheet item.

Specification of individual issues:

SAS Consortium Issued amount		Interest rate %	Tenor	Outstanding debt in MSEK
150 M	Swedish kronor	11.500	79/94	30
250M	Norwegian kronor	10.125	85/93	232
100 M	European Currency Unit	9.000	85/95	743
150 M	U.S. dollars	10.125	85/95	751
400 M	Luxembourg francs	7.375	87/94	71
100 M	U.S. dollars	7.125	88/98	567
50 M	U.S. dollars	10.650	88/08	278
700 M	French francs	9.250	89/99	712
200 M	U.S. dollars	10.000	89/99	847
200 M	U.S. dollars	9.125	89/99	985
100 M	Swiss francs	5.000	89/01	412
100 M	Swiss francs	6.125	89/99	412
100 M	Swiss francs	7.000	90/00	412
500 M	Danish kroner	9.000	90/00	470
500 M	Norwegian kronor	10.750	90/95	390
200 M	Swedish kronor	14.000	90/00	181
5,000 M	Japanese yen	7.000	90/98	178
10,000 M	Japanese yen	6.921	90/97	362
10,000 M	Japanese yen	6.100	91/01	365
10,000 M	Japanese yen (FRN)	variable	91/96	442
Total				8,840
The SAS Group also has:				
15 M	Danish kroner	11.000	87/98	14
Total				8,854

The above loans have been partly subject to currency swap agreements.

Note 23, continued

Bond issues are due for redemption as follows:

1992	10
1993	242
1994	81
1995 and thereafter	8,521
Total	8,854

Note 24 – Other loans

The SAS Group's other long-term loans amount to 8,450 (6,147), of which the SAS Consortium accounts for 7,624 (5,364). The loans are denominated in currencies as follows:

		SAS Group 1991	SAS Group 1990	SAS Consortium 1991	SAS Consortium 1990
ATS	Austrian schillings		13		13
NOK	Norwegian kronor	**41**			
DKK	Danish kroner	**46**	40	**1**	
SEK	Swedish kronor	**33**	37		37
JPY	Japanese yen	**2,000**	1,801	**1,962**	1,782
DEM	German marks	**260**	28	**102**	
BEF	Belgian francs	**215**	216		
NLG	Dutch guilders	**50**	473	**50**	50
GBP	British pounds	**2,161**	2,249	**2,098**	2,185[1]
USD	U.S. dollars	**2,731**	1,317	**2,614**	1,317
ECU	European Currency Unit	**1,028**		**816**	
CHF	Swiss francs	**321**		**321**	
	Other		5		
Total		**8,886**	6,179	**7,964**	5,384
Less: repayments in 1992 and 1991, respectively		**–436**	–32	**–340**	–20
Total		**8,450**	6,147	**7,624**	5,364

The above loans have been partly subject to currency swap agreements. The loans for the Consortium mature as follows:

1992	340
1993	178
1994	432
1995 and thereafter	7,014
Total	7,964

[1] The SAS Consortium's Other loans included 1,561 (GBP) which was reported among Other long-term debt in 1990.

Note 25 – Other long-term debt

SAS Group	1991	1990
PRI	**41**	49
Other pension commitments	**431**	244
Deferred taxes	**221**	317
Accrued currency exchange gain	**72**	140
Other liabilities	**1,458**	897
Total	**2,223**	1,647

SAS Consortium	1991	1990
Other pension commitments[1]	**395**	–
Other liabilities	**245**	300
Total	**640**	300

[1] See Note 1, regarding changed accounting principles for the SAS Consortium. Pension commitments were previously reported as contingent liabilities.

The Pension Registration Institute (PRI) is a non-profit service organization that manages employee pension plans.

Deferred taxes are attributable to subsidiaries' reserves and are calculated in accordance with the full-tax method (calculated tax on allocations).

Accrued currency exchange gains as of January 1, 1988 are allocated over the average maturity of the loans.

Note 26 – Subordinated debenture loan

A perpetual 200 million Swiss franc subordinated loan was floated during the 1985/86 fiscal year. There is no set maturity date on the loan. The SAS Consortium has the exclusive right to terminate the loan once every five years. The interest rate, fixed for periods of 10 years, at present amounts to 5 3/4 percent p.a.

Note 27 – Equity

SAS Group	Paid-in capital	Restricted reserves	Unrestricted reserves	Year's profit	Total equity
December 31, 1990	10,011	1,399	553	–866	11,097
Income 1990	–716		–150	866	
Reversal of restricted reserves		–769	769		
Change in translation difference		–29	–64		–93
Other[1]		–8	–27		–35
Income 1991				–1,330	–1,330
December 31, 1991	**9,295**	**593**	**1,081**	**–1,330**	**9,639**
SAS Consortium					
December 31, 1990	9,638			–638	9,000
Change in accounting principles[2]					
– Currency exchange reserve	135				135
– Capitalized interest	376				376
– Pension liability	–229				–229
Income 1990	–638			638	
Income 1991				–828	–828
December 31, 1991	**9,282**			**–828**	**8,454**

[1] Includes the effect of changed Group structure. [2] See Note 1.

Note 27, continued

The following specifications show the difference between Equity and Income in the SAS Group and the SAS Consortium, resulting from different accounting principles for subsidiaries and affiliated companies.

Equity	
Equity in the SAS Consortium	**8,454**
Difference between equity/Consortium's book value of shares in subsidiaries	804
Differences between equity share/acquisition value of affiliated companies owned directly by the Consortium	63
Equity in the Commuter and Scanair Consortia	318
Total equity in SAS	**9,639**

Income	
Income after extraordinary items in SAS Consortium	**–828**
Reversal of write-down of shares in subsidiaries and capital losses on shares in subsidiaries, etc.	1,863
Income before extraordinary items in subsidiaries	–1,031
Extraordinary items in subsidiaries	–1,238
Share of income in affiliated companies owned directly by the Consortium	–12
Income in the Commuter and Scanair Consortia	23
Income before taxes in the SAS Group	**–1,223**
Taxes in subsidiaries and affiliated companies	–90
Minority interests	–17
Income before taxes attributable to the SAS Consortium	**–1,330**

Note 28 – Assets pledged

	SAS Group		SAS Consortium	
	1991	1990	**1991**	1990
Mortgages in real estate	**719**	518	**–**	–
Corporate mortgages	**15**	15	**–**	–
Receivables	**42**	37	**31**	11
Securities on deposit	**11**	21	**–**	–
Total	**787**	591	**31**	11

Note 29 – Contingent liabilities

	SAS Group		SAS Consortium	
	1991	1990	**1991**	1990
Travel guaranties	**–**	–	**441**	426
Other contingent liabilities for subsidiaries	**–**	–	**372**	–
Total contingent liabilities for subsidiaries	**–**	–	**813**	426
Contingent liabilities, others	**892**	687	**657**	215
Pension commitments[1]	**–**	–	**–**	229
Total	**892**	687	**1,470**	870

[1] Pension commitments previously reported under contingent liabilities in the SAS Consortium have been booked as a liability.

In addition to these contingent liabilities, certain commitments which could reach 82 (59) have been made formally through leasing agreements in connection with the acquisition of aircraft. (See Note 21.)

SAS is also responsible for due payment for formally leased aircraft according to Note 21.

1991 contingent liabilities include 208 (20 MGBP) as a guarantee for a credit facility on behalf of Airlines of Britain Holdings.

Contingent liabilities include a gross amount of 339 (127) attributable to swap transactions in foreign currencies for loans where the currency swapped to has a lower value than the original loan.

The SAS Consortium's contingent liabilities include a guarantee provided in connection with the takeover of properties from DNL.

AUDITORS' REPORT

for Scandinavian Airlines System (SAS)
Denmark–Norway–Sweden

We have audited the Financial Statements of the SAS Group and the SAS Consortium for 1991. Our audit has been performed according to generally accepted auditing standards.

The Financial Statements of the SAS Group and the SAS Consortium are based upon the accounting principles described in the section of the Annual Report entitled "Significant Valuation and Accounting Principles."

In our opinion the Financial Statements present fairly the financial position of the SAS Group and the SAS Consortium on December 31, 1991, and the results of their operations for the fiscal year then ended, in accordance with the principles described above.

Stockholm, March 19, 1992

Arne Brendstrup	Bernhard Lyngstad	Roland Nilsson
Ole Koefoed	Olav Revheim	Sören Wikström

Authorized Public Accountants

FINANCIAL SUMMARY

TRAFFIC/PRODUCTION		1991	1990	1989	1988	1987[3]
Number of cities served		**82**	85	81	79	82
Kilometers flown, scheduled	(millions)	**190.7**	188.4	169.4	152.9	138.9
Total airborne hours	(000)	**286.6**	298.3	268.3	243.7	221.2
Total numbers of passengers carried	(000)	**13,949**	14,962	14,005	13,341	12,662
Available tonne kilometers, total	(millions)	**3,074.4**	3,278.4	3,060.4	2,707.4	2,444.2
Available tonne km, charter		**7.5**	12.0	10.2	10.9	17.0
Available tonne km, scheduled		**3,066.9**	3,266.4	3,050.2	2,696.5	2,427.2
Revenue tonne km, scheduled	(millions)	**1,847.2**	2,002.9	1,876.5	1,719.7	1,597.6
Passengers and excess baggage		**1,394.5**	1,514.5	1,396.0	1,269.0	1,168.3
Freight		**406.4**	429.8	423.1	397.1	380.3
Mail		**46.3**	58.6	57.4	53.6	49.0
Total load factor, scheduled	(%)	**60.2**	61.3	61.5	63.8	65.8
Available seat km, scheduled	(millions)	**24,317**	25,475	23,320	20,941	19,019
Revenue seat km, scheduled	(millions)	**15,416**	16,493	15,229	14,027	13,207
Cabin factor, scheduled	(%)	**63.4**	64.7	65.3	67.0	69.4
Average passenger trip length	(km)	**1,108**	1,102	1,087	1,053	1,045
Traffic revenue/revenue tonne km	(SEK)	**10.52**	9.26	8.82	8.76	8.55
Airline oper. expense/avail. tonne km	(SEK)	**6.45**	5.90	5.50	5.40	5.47
Revenue tonne km/employee, scheduled		**99,300**	99,000	90,000	84,400	77,900
Revenue passenger km/employee, scheduled		**828,800**	815,300	730,400	688,400	644,000

GROUP, MSEK

INCOME STATEMENTS	1991	1990	1989	1988	1987
Revenue	**32,286**	31,883	28,786	27,556	24,288
Operating income before depreciation	**2,717**	2,011	2,658	2,681	1,850
Depreciation, etc.	**1,338**	1,362	1,414	1,174	993
Financial items, net	**-882**	-258	-98	150	368
Share of income in affiliated companies	**-819**	-156	83	127	92
Gain on the sale of fixed assets, etc.	**313**	701	977	1,906	372
Unusual items	**–**	-898	–	–	–
Income before extraordinary items	**-9**	38	2,206	3,690	1,689
Extraordinary items	**-1,214**	-801	–	–	–
Income before taxes	**-1,223**	-763	2,206	3,690	1,689

STATEMENTS OF CHANGES IN FINANCIAL POSITION	1991	1990	1989	1988	1987
Net financing from the year's operations	**1,362**	1,130	1,550	1,885	2,559
Investments, total	**-5,197**	-5,651	-9,922	-3,938	-3,493
Sale of fixed assets, etc.	**1,591**	1,791	1,877	1,932	1,065
Financing deficit/surplus	**-2,244**	-2,730	-6,495	-121	131
Capital infusion from parent companies	**–**	305	1,750	–	1,050
Net borrowings	**227**	6,921	3,804	2,847	344
Change in liquid funds	**-2,017**	4,496	-941	2,726	1,525

BALANCE SHEETS	1991	1990	1989	1988	1987
Liquid funds	**9,371**	11,388	6,892	7,833	5,107
Current assets, other	**6,289**	6,362	7,590	5,297	4,692
Fixed assets[1]	**24,854**	24,265	21,245	12,955	10,149
Current liabilities	**10,471**	12,805	11,508	9,200	6,852
Long-term debt[2]	**20,404**	18,113	12,042	7,698	6,372
Equity	**9,639**	11,097	12,177	9,187	6,724
Total assets	**40,514**	42,015	35,727	26,085	19,948

KEY RATIOS	1991	1990	1989	1988	1987
Gross profit margin (GOP), %	**8**	6	10	10	8
Net profit margin, %	**–**	–	4	7	5
Return on capital employed, %	**7**	6	10	16	13
Equity/assets ratio, %	**25**	27	36	38	36

SAS CONSORTIUM[4], MSEK

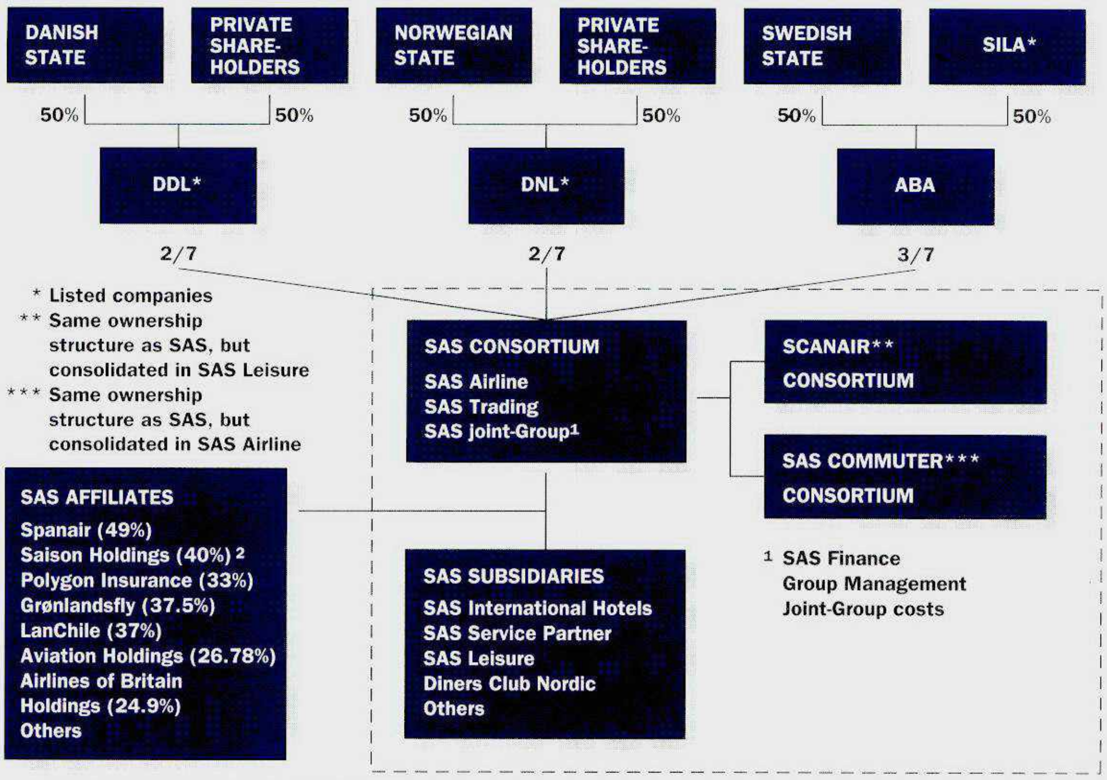
INCOME STATEMENTS	1991	1990	1989	1988	1987[3]
Traffic revenue	**18,599**	18,170	16,289	15,528	14,179
Other operating revenue	**3,741**	4,229	4,220	3,983	3,581
Operating revenue	**22,340**	22,399	20,509	19,511	17,760
Operating income before depreciation	**1,676**	1,406	2,077	2,175	1,344
Depreciation, etc.	**748**	914	1,062	808	730
Financial items, net	**-383**	-479	156	23	190
Gain on the sale of fixed assets, etc.	**-1,666**	918	289	965	319
Unusual items	**269**	-768	–	–	–
Income before extraordinary items	**-852**	163	1,460	2,355	1,123
Extraordinary items	**24**	-801	–	–	–
Income before allocations and taxes	**-828**	-638	1,460	2,355	1,123
STATEMENTS OF CHANGES IN FINANCIAL POSITION					
Net financing from the year's operations	**1,151**	419	1,060	1,906	2,049
Investments in flight equipment	**-4,061**	-3,724	-4,074	-1,622	-1,694
Investments, other	**-177**	-967	-1,650	-1,296	-1,100
Sale of fixed assets, etc.	**1,970**	3,026	900	673	1,008
Financing deficit/surplus	**-1,117**	-1,246	-3,764	-339	263
Capital infusion from parent companies		–	1,750	–	1,050
Net borrowings	**-851**	6,094	2,406	1,798	101
Change in liquid funds	**-1,968**	4,848	392	1,459	1,414
BALANCE SHEETS					
Liquid funds	**8,696**	10,664	5,816	5,424	3,965
Current assets, other	**4,437**	6,734	7,842	4,124	3,273
Fixed assets	**21,305**	17,434	15,764	11,170	8,374
Current liabilities	**8,067**	10,010	8,998	6,839	4,641
Long-term debt	**17,917**	15,687	10,150	5,986	4,954
Equity and reserves	**8,454**	9,135	10,274	7,893	6,017
Total assets	**34,438**	34,832	29,422	20,718	15,612
KEY RATIOS					
Gross profit margin (GOP), %	**8**	6	11	11	8
Net profit margin, %	**4**	–	6	7	5
Return on capital employed, %	**10**	7	11	16	12
Equity/assets ratio, %	**24**	26	35	38	39

PERSONNEL (average)					
Consortium	**19,190**	20,820	20,290	20,830	20,890
Group	**38,940**	40,830	39,060	36,150	34,900

[1] Including restricted account balances.
[2] Including minority interests.
[3] Refers to 15-month period, 1986/87.
[4] The SAS Consortium includes the Group Management, SAS Airline, SAS Trading and SAS joint-Group.

OWNERSHIP STRUCTURE

OWNERSHIP STRUCTURE



2 Letter of intent regarding sale in 1992

The three national carriers Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL), and AB Aerotransport (ABA) are the parent companies of the SAS Consortium. The parent companies have transferred responsibility to the SAS Consortium for scheduled air transport, and to Scanair for charter air services. A third consortium, SAS Commuter, is a production unit for the SAS Consortium. The current consortium agreement will run until December 31, 2005.

DDL and DNL each own two-sevenths of the three consortia, while ABA owns three-sevenths.

At the end of each accounting period the consortia's profits, assets and liabilities are reported in the accounts of the three parent companies in a 2–2–3 ratio.

The consortia's highest decision-making body is the Assembly of Representatives, comprising the parent companies' boards of directors. The Assembly of Representatives appoints the consortia's boards of directors, approves the financial statements, and decides on the amount of profit to be transferred from the consortia to the parent companies.

Responsibility for overall operations rests with the Chief Executive of the SAS Group. SAS Commuter is managed within the framework of SAS Airline. Scanair is a profit center of SAS Leisure.

Capital and Taxes

The consortia's equity is made up of the capital account, which consists of funds contributed by the parent companies and surpluses retained in operations. The capital account can only be increased through contributions from the parent companies.

The consortia are not tax-paying entities. The parent companies make allocations for tax purposes and pay taxes on their share of the consortia's profits in accordance with their respective national regulations. The consortia's subsidiaries pay taxes in their respective countries.

DDL (Det Danske Luftfartselskab A/S)

DDL's primary business surrounds its shareholdings in the consortia SAS, Scanair and SAS Commuter, and related capital management. In addition, DDL owns hangars, repair shops and warehouses at Copenhagen Airport, which are leased to SAS on a commercial basis. Annual revenues from these operations amount to roughly 13 MDKK. DDL also owns the site on which the SAS Royal Hotel is located in Copenhagen.

Fifty percent of the company's shares are owned by the Danish government. Of the remainder, 21 percent is registered in the shareholders' names. DDL's shares are listed on the Copenhagen Stock Exchange.

DDL's share capital totaled 50.8 MDKK at year-end 1991.

DNL (Det Norske Luftfartselskap A/S)

DNL's operations primarily concern its shareholdings in the three consortia, and related capital management. At the end of 1991, DNL sold the major part of its properties in the form of repair shops, hangars and offices in Oslo, Bodø, Bergen and Tromsø to SAS for a capital gain of 203 MNOK.

DNL's shares are divided into equal numbers of A and B shares. All A-shares are owned by the Norwegian government, while B-shares are owned by private investors and traded on the Oslo Stock Exchange. Approximately 12 percent of DNL's shares are held by foreign investors.

DNL's share capital amounted to 314.5 MNOK at year-end 1991.

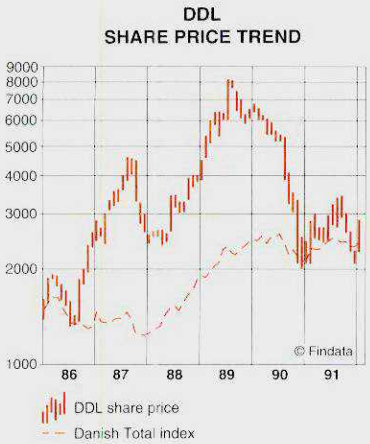
ABA (AB Aerotransport)

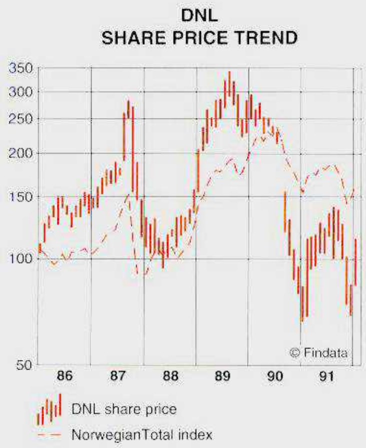
In addition to the air transport services ABA conducts through its shareholdings in the three consortia, ABA owns 50 percent of Linjeflyg and 25 percent of Swedair. In February 1992, a letter of intent was signed with Bilspedition AB and ABA for the acquisition of 51 percent of the shares in Linjeflyg. Following this acquisition, SAS will own 51 percent and ABA 49 percent of the shares.

ABA also conducts its own real estate and capital management activities, as well as printing operations through its affiliated companies Grafon AB, owned equally by ABA, Bonniers and Esselte, and Sörmlands Grafiska AB, owned equally by ABA, Bonniers and Grafon.

The Swedish government owns 50 percent of ABA's shares. The other half is owned by SILA (Svensk Interkontinental Lufttrafik AB), which is listed on the Stockholm Stock Exchange. Major shareholders in SILA include listed companies such as Investor, Incentive, Volvo and Stora, as well as LO (the Swedish Trade Union Confederation), Folksam Insurance Company, mutual funds and other institutions.

SILA's share capital amounted to 352.5 MSEK at year-end 1991.





SCANAIR CONSORTIUM STATEMENT OF INCOME

MSEK	1991	1990
Operating revenue	1,519	1,550
Operating expenses	1,533	1,600
Operating income before depreciation	-14	-50
Depreciation	23	17
Operating income after depreciation	-37	-67
Net financial items	8	23
Income before extraordinary items	-29	-44

SAS COMMUTER CONSORTIUM STATEMENT OF INCOME

MSEK	1991	1990
Operating revenue	513	333
Operating expenses	-384	-388
Operating income before depreciation	129	-55
Depreciation	20	2
Operating income after depreciation	109	-57
Net financial items	-50	25
Income before extraordinary items	59	-32

SCANAIR CONSORTIUM BALANCE SHEET

MSEK	1991	1990
Liquid funds	25	16
Other current assets	203	299
Total current assets	228	315
Fixed assets	98	106
Total assets	326	421
Current liabilities	290	354
Long-term debt	–	1
Equity	36	66
Total liabilities and equity	326	421

SAS COMMUTER CONSORTIUM BALANCE SHEET

MSEK	1991	1990
Liquid funds	41	14
Other current assets	13	12
Total current assets	54	26
Fixed assets	819	834
Total assets	873	860
Current liabilities	58	582
Long-term debt	533	56
Equity	282	222
Total liabilities and equity	873	860

The Scanair Consortium

Scanair, which is part of SAS Leisure, is the largest charter airline in the Nordic countries. Scanair conducts traffic primarily from Sweden and Norway mainly to destinations around the Mediterranean and to the Canary Islands.

Scanair's fleet consists of six DC–10–10s, two of which were leased out during 1991. The fleet was complemented during the year by two MD–83s leased in from SAS and by leased marginal capacity from SAS at weekends.

The charter market in 1991 was affected by the war in the Middle East. A dramatic fall in demand in the spring, resulted in Scanair reducing its fleet of DC–10s by two aircraft. Demand recovered again after the end of the war. Additional MD–83 capacity gave greater flexibility and an increased share of the Scandinavian charter market.

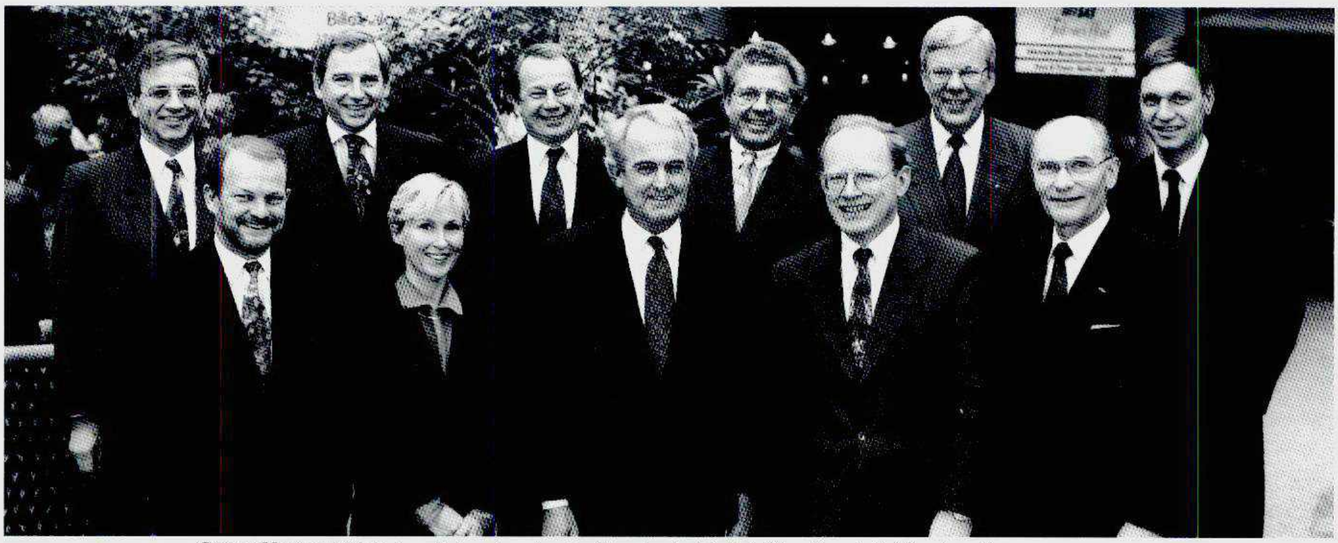
Scanair's sales totaled 1,519 MSEK (1,550), of which charter air services accounted for 74 percent. Inflight sales and leasing revenues accounted for the remainder. Income before extraordinary items amounted to –29 MSEK (–44). The income loss resulting from the Gulf War is estimated at 70 MSEK.

The SAS Commuter Consortium

SAS Commuter is a production company which conducts air transport on behalf of SAS in Scandinavia and northern Europe. The traffic program is handled by a a fleet of 20 Fokker 50s. Thirteen of these aircraft were used in EuroLink, a southern traffic system based in Copenhagen, while the remaining seven planes were used in NorLink, a northern system based in Tromsø, Norway.

Approximately 45,000 flights carrying a total of 1,180,000 passengers were carried out during the year. Operating revenue totaled 513 MSEK (333). Income before extraordinary items amounted to 59 MSEK (–32).

SAS GROUP ORGANIZATION



Group Management *Lars Kleivan, Ivar Samrén, Göran Lundqvist, Kurt Ritter, Sven A. Heiding, Lars Thuesen, Christer Sandahl, Leena Thörnell, Jan Carlzon, Steffen Harpøth, Kjell Fredheim.*

SAS Group Management

JAN CARLZON
President and Chief Executive Officer

STEFFEN HARPØTH
Executive Vice President Deputy to the President

KJELL FREDHEIM
Executive Vice President Chief Operating Officer

LARS THUESEN
Senior Vice President Chief Financial Officer

SVEN A. HEIDING
Senior Vice President Commercial Development

SAS Airline

KJELL FREDHEIM
Executive Vice President Chief Operating Officer

PER STENDEBAKKEN
Vice President, Strategic Marketing

NILS BENGTSSON
Vice President, Business Control

LEIF HÅKANSSON
Vice President, Purchasing

KARL MIHRO
Vice President, Staff Relations

LENNART SVANTEMARK
Vice President, Foreign Affairs

HANS ÅKE LILJA
Vice President, Quality Management

LEENA THORNELL
Director, Information

ULF ABRAHAMSSON
Vice President, Fleet Development

Business Units

PETER HØJLAND
Vice President, SAS Airline Denmark

JAN REINÅS
Vice President, SAS Airline Norway

PETER FORSSMAN
Vice President, SAS Airline Sweden

VAGN SØRENSEN
Vice President, SAS Airline International

GEIR OLSEN
Vice President, Customer Programmes

Production Units

ALF ASHEIM
Vice President, SAS Properties

BJÖRN BOLDT-CHRISTMAS, *Vice President, Marketing Automation Division*

RAGNAR HELLSTADIUS
Vice President, Technical Division

JAN SUNDLING
Vice President, Operations Division

JOHAN JUHLIN
Vice President, Flight Operations

BJØRN GRØN
Director, Movement Control Center

SAS International Hotels

KURT RITTER
President

JAY D. MAXWELL
CFO & Vice President, Business Development

KNUT KLEIVEN
Operational Controller

KNUT REGBO
Corporate Counsel

ROLAND GAELENS
Vice President, Food & Beverage Operations

HÅKON FLAK
Vice President (acting), Sales & Marketing

CHRISTIAN PETZOLD
Vice President, Technical Development

FINN SCHULZ
Director, Management Information Systems

RICHARD MIGNAULT
Vice President, Human Resources

KNUT LØVSTUHAGEN
Director, Public Relations

BAHRAM SADR-HASHEMI
Senior Vice President, Area Denmark, Austria and The Netherlands

PER KJELLSTRÖM
Vice President, Area Sweden and Finland

BJØRN GULLAKSEN
Vice President, Area Norway, Germany and Belgium

ARILD HOVLAND
Vice President, Area Far East

SAS Service Partner

IVAR SAMRÉN
President

PER BRAAGAARD
Senior Vice President, Finance

VAGN HAAGENSEN
Senior Vice President, Personnel

LENNART GUSTAFSSON
Senior Vice President, Strategy

Business Units

ANDERS WESTMARK
Executive Vice President, Airline Catering

HANS CHR. MORTENSEN
Executive Vice President, Contract Catering

LENA ANDERSSON
Executive Vice President, Terminal Catering

SAS Trading

GÖRAN LUNDQVIST
President

STEN RAMEL
Director, Finance

OLLE BJORK
Director, Data & Information Systems

JAN-ERIC CARLSSON
Director, Personnel

SØREN ZAGULA
General Manager, SAS Trading Denmark

RUNAR BERTHELSEN
General Manager, SAS Trading Norway

STEFAN SCHLYTER
General Manager, SAS Trading Sweden

ANN-CHRISTINE TORISSON
General Manager, SAS Flight Shop

SVEN-GUNNAR HJORTH
Managing Director, SAS Media Partner

SAS Leisure

CHRISTER SANDAHL
President

INGVAR STÅHL
Director, Finance and Business Control

LENNART PELLVIK
Director, Commercial

REIDAR SVEDAHL
Director, Business Development

PER HULTMAN
Director, Research and Strategic Development

SAM WEIHAGEN
Director, SAS Leisure Services

THOMAS WIHLBORG
Director, SAS Leisure Systems

OLLE TONNERVIK
Managing Director, Ving Sweden

ÅKE LARSSON
Managing Director, Always Sweden

P-O NYHAGEN
Managing Director, Ving Norway

PER BRAATHEN
Managing Director, Saga Norway

THOMAS ROSENQVIST
Managing Director, Scanair

CLAES BERNHARD
Managing Director, Sunwing Group

Diners Club Nordic

LARS KLEIVAN
President, Vice President SAS Group

TOM JOHANSEN
Vice President, Finance

TINE KIRSTAN
Vice President, Marketing

Business Units

KURT THYREGOD
Managing Director, Denmark

SVEN T. OTTESEN
Managing Director, Norway

ERIK HALLBERG
Managing Director, Sweden

HENRY GRIMM
Managing Director, Finland

KJELD TYLLESEN
Vice President, Back-Office Services & Systems

NIELS FAUERSKOV PETERSEN
Vice President, Credit Collection & Service

SAS Group Staffs

LEIF FRANDSEN
Vice President, Chief Auditor, SAS Group

LARS LIDMAN
Vice President, General Counsel

INGRID ÅKESSON
Vice President, Chief Operating Officer SAS Finance

ULLA EDLUND
Director, Group Accounting

OLOF EKMAN
Director, Personnel

LISBETH LOWMARK
Director and assistant to the President

MARIA NIKULA
Director, Corporate Secretary

JOHAN TORNGREN
Director, Corporate Finance, SAS Finance

HANS WESTERSTAD
Director, Polygon Insurance Co.

BENNY ZAKRISSON
Director, Projects and Financial Analyses

BOARD OF DIRECTORS

Ingvar Lilletun, Leif Christoffersen, Krister Wickman, Ralf Frick, Jan Carlzon, Lars P. Gammelgaard, Bjørn Eidem, Tor Moursund, Curt Nicolin, Tage Andersen.

CURT NICOLIN born 1921, Hon. Dr. Eng. Chairman of SAS's Board 1991. Swedish Chairman of SAS's Board since 1973 and Chairman of ABA's executive committee, as representative of the private Swedish owners, and Chairman of the Board of SILA. Chairman of the Board of Incentive. Member of the Boards of numerous companies and organizations.
Personal Deputy: Peter Wallenberg.

TOR MOURSUND born 1927, Supreme Court Attorney. First Vice Chairman of SAS's Board 1991. Norwegian Chairman of SAS's Board since 1983 and Chairman of the Board of DNL, as representative of the Norwegian Government. Member of the Boards of numerous Norwegian companies.
Personal Deputy: Ragnar Christiansen.

TAGE ANDERSEN born 1927, Second Vice Chairman of SAS's Board 1991. Danish Chairman of SAS's Board since 1990 and Chairman of DDL's Board, as representative of the private Danish owners. Former Chairman of management at Den Danske Bank. Member of the Boards of several Danish companies.
Personal Deputy: Povl Hjelt.

BJØRN EIDEM born 1942, Supreme Court Attorney. Member of SAS's Board since 1983 and Vice Chairman of DNL's Board, as representative of the private Norwegian owners. Senior Vice President of Fred. Olsen & Co. Chairman of the Boards of Norges Handels-og-Sjøfartstidende and Widerøe's Airlines. Member of the Boards of Ganger Rolf, Bonheur and Harland & Wolff.
Personal Deputy: Mads Henry Andenæs.

LARS P. GAMMELGAARD born 1945, B. Pol. Sc. Member of SAS's Board since 1991 and Vice Chairman of DDL's Board, as representative of the Danish Government. Chairman of the Danish Conservative Party and member of the Danish parliament (Folketinget) since 1979. Minister of Fishing 1986–89.
Personal Deputy: Jimmy Stahr.

KRISTER WICKMAN born 1924, LL.B and Ph.L. Member of SAS's Board since 1974 and Chairman of ABA's Board, as representative of the Swedish Government. President of the National Swedish Pension Insurance Fund 1981–90. Chairman of the Swedish Authors Foundation and Obligationsfrämjandet. Member of the Boards of AGA, Spectra-Physics, Nordic PCN and VPC (the Swedish Securities Register Center).
Personal Deputy: Bengt Dennis.

Employee Representatives

RALF FRICK born 1931. Member of SAS's Board since 1986. Employed in SAS Airline Sweden.
Deputies: Harry Sillfors and Leif Kindert.

INGVAR LILLETUN born 1938. Member of SAS's Board since 1979. Employed in SAS Airline Norway.
Deputies: Randi Kile and Svein Vefall.

LEIF CHRISTOFFERSEN born 1946. Member of SAS's Board since 1991. Employed in SAS Airline Denmark.
Deputies: Ib Jensen and Jens Tholstrup Hansen.

ASSEMBLY OF REPRESENTATIVES

Denmark

NIELS FRANDSEN
Chairman
TAGE ANDERSEN
KARL BREDAHL
LARS P. GAMMELGAARD
JØRGEN L. HALCK
SVEND AAGE HEISELBERG
POVL HJELT
SVEND JAKOBSEN
AXEL AF ROSENBORG
JIMMY STAHR

Employee representatives
LEIF CHRISTOFFERSEN
IB JENSEN
JENS THOLSTRUP HANSEN

Norway

JOHAN FR. ODFJELL
First Vice Chairman
MADS HENRY ANDENÆS
RAGNAR CHRISTIANSEN
BJØRN EIDEM
JANNIK LINDBÆK
TORSTEIN LJØSTAD
TOR MOURSUND
GISLAUG MYRSET
FRED. OLSEN
OLE RØMER SANDBERG

Deputy
HELGA GITMARK

Employee representatives
RANDI KILE
INGVAR LILLETUN
SVEIN VEFALL

Sweden

BO RYDIN
Second Vice Chairman
ROLF CLARKSON
BENGT DENNIS
GUNNEL FÄRM
BO AXSON JOHNSON
LEIF LEWIN
CURT NICOLIN
BIRGER ROSQVIST
JAN-OLOF SELÉN
BJÖRN SVEDBERG
JAN WALLANDER
PETER WALLENBERG
KRISTER WICKMAN

Deputies
PEDER BONDE
ULF DAHLSTEN
GÖSTA GUNNARSSON
CARL-OLOV MUNKBERG
TOM WACHTMEISTER

Employee representatives
RALF FRICK
LEIF KINDERT
HARRY SILLFORS

AUDITORS

Denmark

ARNE BRENDSTRUP
Authorized Public Accountant
SCHØBEL & MARHOLT
member firm
DRT International

OLE KOFFOED
Authorized Public Accountant
KPMG
C. JESPERSEN
member firm
KPMG

Norway

BERNHARD LYNGSTAD
Authorized Public Accountant
FORUM
TOUCHE ROSS
member firm
DRT International

OLAV REVHEIM
Authorized Public Accountant
FORUM
TOUCHE ROSS
member firm
DRT International

Sweden

ROLAND NILSSON
Authorized Public Accountant
BOHLINS REVISIONSBYRÅ AB
member firm
KPMG

SÖREN WIKSTRÖM
Authorized Public Accountant
TRG
REVISION AB
member firm
DRT International

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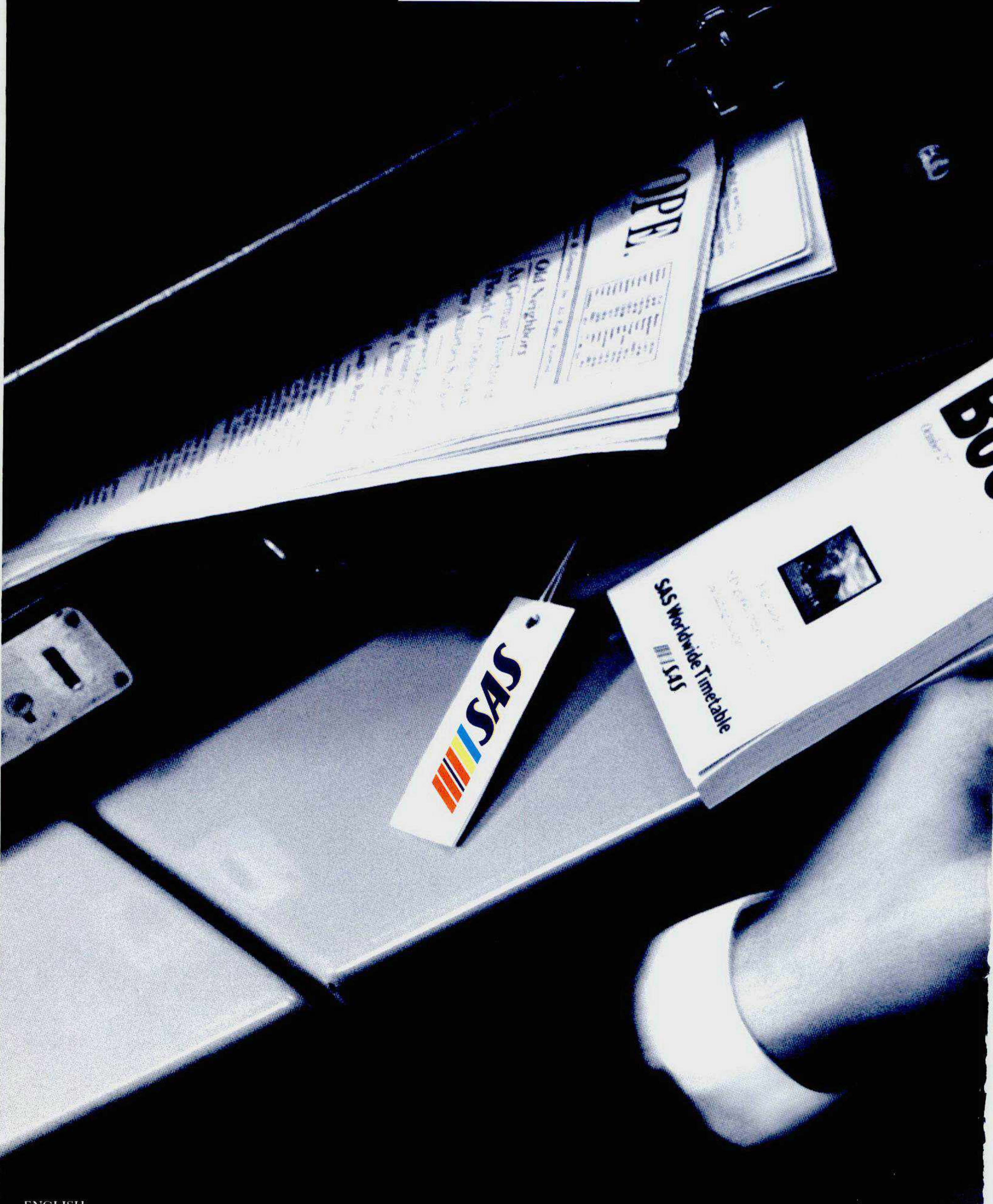
SCANDINAVIAN AIRLINES SYSTEM
ANNUAL REPORT 1991



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