Core SAS

Service And Simplicity

SAS Group Annual Report & Sustainability Report 2008

SAS Group

A STAR ALLIANCE MEMBER

Contents

Quick guide

Policies and standards www.sasgroup.net

Ethics policy	YES
Equality policy	YES
Active diversity efforts	YES
Environmental policy	YES
Environmental management system	YES
Reporting according to IFRS	YES

Company information

Financial calendar

General Meeting	March 31, 2009
Interim Report 1 (Jan-Mar)	April 28, 2009
Interim Report 2 Jan-Jun)	August 12, 2009
Interim Report 3 (Jan-Sep)	November 5, 2009
Year-end Report 2009	February 2010
Annual Report & Sustainability Report 2009	mars 2010

The SAS Group's monthly traffic & capacity data and most recently updates financial calendar are available under Investor Relations at www.sasgroup.net

General Shareholders' Meeting

The SAS Group's Annual General Shareholders' Meeting will be held on March 31 at 3.00 p.m. Venues:
Copenhagen: Radisson SAS Scandinavia Hotel, Amager Boulevard 70.
Solna: The SAS Group head office, Frösundaviks Allé 1.
Oslo: Radisson SAS Plaza Hotel, Sonja Henies Plass 3.

Direct further question to SAS Group Investor Relations: Vice President Sture Stølen +46 8 797 14 51, e-mail: investor.relations@sas.se All reports are available in English and Swedish and can be ordered from www.sasgroup.net or from investor.relations@sas.se

The SAS Group Annual Report 2007 was number four in the world in e.com's worldwide annual ranking of annual reports. The SAS Group also won silver when the Farmandspris for best annual report was awarded in Norway.

“Service And Simplicity”

We promise to minimize your time related to traveling and we promise to maximize your value of the time spent with us. That’s Service And Simplicity.

SAS Group

The SAS Group in brief

Definitions and concepts, see p. 128 *Traffic data, see* p. 49 *More sustainability KPIs, see* p. 101

Results for the year

- Revenue for the year amounted to MSEK 53,195 (50,598), up 5.1% over the previous year.
- The number of passengers totaled 29 million.
- The SAS Group divested Spanair. Spanair is reported as a discontinued operation and the total earnings impact for 2008, including remeasurement of Spanair's assets and liabilities at fair value, amounts to MSEK –4,895.
- Income before nonrecurring items in continuing operations was MSEK –395 (1,234).
- EBT margin before nonrecurring items in continuing operations amounted to –0.7% (2.4%).
- SAS's passenger load factor in 2008 amounted to 71.2%, a decline of 2.1 percentage points.
- Net income for the period: MSEK –6,321 (636), of which MSEK –4,895 is attributable to Spanair.
- Earnings per share: SEK –38.08 (3.87).
- SAS will renew its strategic approach and is launching the Core SAS strategy program.
- To implement the Core SAS strategy, a rights issue amounting to approximately SEK 6 billion will be conducted. The rights issue is supported by the three government owners and the largest private shareholder, the Wallenberg Foundations (KAW). The banks J.P. Morgan, Nordea and SEB have also confirmed their expectation, subject to certain conditions, to enter into an underwriting agreement.

Income

Group	2008	2007
Revenue, MSEK	53,195	50,598
EBITDAR before nonrecurring items, MSEK	3,892	5,255
EBT before nonrecur. items, MSEK	–395	1,234
EBT margin before nonrecur. items	–0.7%	2.4%
CFROI	5%	14%
Earnings per share, SEK	–38.08	3.87
Market price at year-end, SEK	37.9	83.0
Dividend (proposed for 2008), SEK	0.0	0.0

Key figures

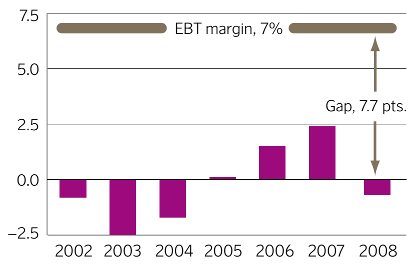
Group	2008	2007
Number of passengers, million	29.0	29.2
Equity/assets ratio	20%	35%
Adjusted debt/equity ratio	2.59	0.92
Financial preparedness % of operating revenue	17%	29%
Financial net debt, MSEK	8,912	1,231
Investment, continuing operations, MSEK	4,172	2,464

Sustainability *

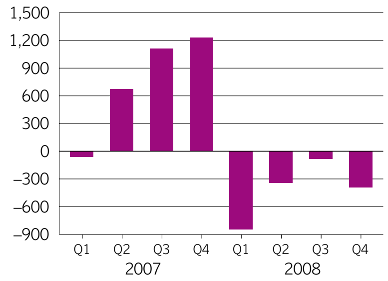
Group	2008	2007
Average number of employees	24,635	26 538
of which women	42%	41%
Sick leave	6.5%	6.4%
Carbon dioxide (CO_2), 000 tonnes	5,840	6,295
Nitrogen oxides (NO_x), 000 tonnes	24.2	25.6
Climate index	93	92

* *For definitions, see Sustainability Report* p. 101-124

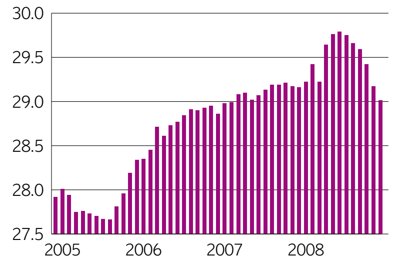
Income before tax and nonrecurring items
%



EBT before nonrecurring items
MSEK, quarterly rolling, continuing operations



Passengers carried
Million, 12-month rolling average



Full-year 2009

2008 was characterized by historic volatility in the financial markets. Problems in the financial markets have adversely affected the real economy, which has led to a sharp decline in growth and harsh market conditions in the Nordic region, which is SAS's home market.

Growth in 2009 is expected to be negative and official forecasts have been revised downward in the Nordic region and on a global scale. As a result of this, the market's passenger growth is expected to be negative in 2009. Uncertainty regarding the price of jet fuel remains, although the price has fallen substantially in line with the weakening of the economy.

Factors expected to negatively impact yield are primarily the weaker GDP trend and the risk of higher oil prices, combined with a stronger USD. However, the initiatives being undertaken by SAS within the Core SAS framework are expected to have a positive effect on yield.

SAS Group
Business structure 2008

The Annual Report reflects this structure

SAS Scandinavian Airlines	SAS Individually Branded Airlines	SAS Aviation Services
Scandinavian Airlines Norge Scandinavian Airlines Danmark Scandinavian Airlines Sverige Scandinavian Airlines International	Widerøe Blue1 Spanair *(being divested)* [1] airBaltic *(divested January 2009)* [1]	SAS Ground Services SAS Tech SAS Cargo
	Affiliated: Estonian Air	

[1] *Reported as a discontinued operation.*

SAS Group
New business structure 2009

Reporting to reflect this structure as of the first quarter of 2009

Core SAS	SAS Individual Holdings
SAS Scandinavian Airlines Widerøe Blue1	*Operations being divested:* Estonian Air bmi All Cargo *(excl. belly)* Skyways Air Greenland Spirit Trust Spanair *(being divested)* airBaltic *(divested)* Cubic *(divested)*

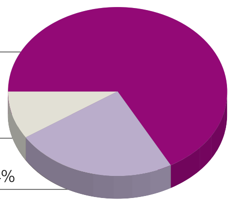
The companies in brief

Competitors, see analysis of competitors, p.16 *For return requirements, see company concerned* *More sustainability KPIs, see* p.101

Markets

- SAS Scandinavian Airlines' base is the Nordic countries, from which it flies to destinations within the Nordic region and to the rest of Europe, the U.S., Asia and the Middle East.
- SAS Individually Branded Airlines' main markets are Norway and Finland.
- SAS Aviation Services' main market is Northern Europe, with most of its activities in Scandinavia.

Operating revenue by business area



Scandinavian Airlines' share of total revenue was 67% in 2008. SAS Individually Branded Airlines' operating revenue was reduced because Spanair is reported as a discontinued operation.

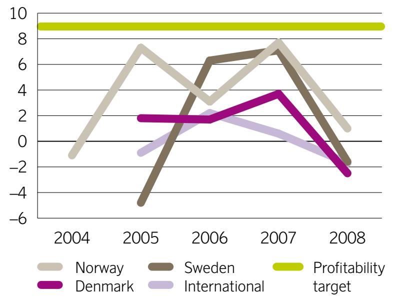
Ranking and degree of target achievement, EBIT

	Profitability target	Deviation	Outcome
SAS Cargo	4%		3.5%
SAS Tech	5%		1.7%
SAS Ground Services	4%		–1.6%
Widerøe	7%		0.6%
SAS Norge	9%		1.0%
Blue1	9%		–0.7%
SAS Sverige	9%		–1.6%
SAS International	9%		–1.7%
SAS Danmark	9%		–2.5%

SAS Scandinavian Airlines

Key figures	2008	2007
Revenue, MSEK	**42,223**	40,155
EBIT before nonrecur. items, MSEK	**–200**	2,001
EBIT margin before nonrecur. items	**–0.5%**	5.0%
EBT before nonrecur. items, MSEK	**–177**	1,767
Number of passengers, mill.	**25.4**	25.4
Average number of employees	**7,336**	7,598
of which women	**57%**	49%
Carbon dioxide (CO_2), 000 tonnes	**4,124**	4,019
Nitrogen oxides (NO_x), 000 tonnes	**17.1**	16.9

EBIT %, SAS Scandinavian Airlines



Scandinavian Airlines Norge is Norway's leading airline, with 10 million passengers in 2008. The airline has a market share of Norwegian domestic traffic of around 55% and 60 aircraft. p. 36

Scandinavian Airlines Danmark is Denmark's largest airline, carrying 7.8 million passengers in 2008. The airline has a market share of around 45% and 39 aircraft. p. 37

Scandinavian Airlines Sverige is Sweden's largest airline, carrying 6.2 million passengers in 2008.The airline has a domestic market share of approximately 48% and 39 aircraft. p. 38

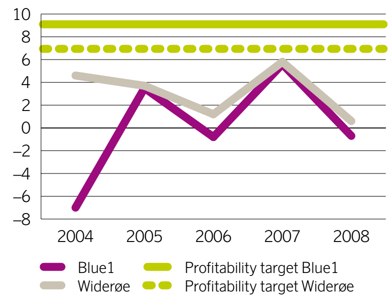
Scandinavian Airlines International operates SAS Scandinavian Airlines' intercontinental flights and sales organization outside Scandinavia. The airline carried 1.4 million passengers in 2008 and has 11 aircraft. p. 39

SAS Individually Branded Airlines

Key figures	2008	2007
Revenue, MSEK	**5,526**	5,093
EBIT before nonrecur. items, MSEK	**–137**	356
EBIT margin before nonrecur. items	**–2.5%**	7.0%
EBT before nonrecur. items, MSEK	**–129**	362
Number of passengers, mill.	**3.7**	3.8
Average number of employees	**1,884**	1,968
of which women	**40%**	46%
Carbon dioxide (CO_2), 000 tonnes*	**1,717**	1,929
Nitrogen oxides (NO_x), 000 tonnes*	**7.2**	7.6

* *Including Spanair*

EBIT %, SAS Individually Branded Airlines



Widerøe is Norway's leading regional airline, carrying 2 million passengers in 2008. Its share of the Norwegian domestic market is just under 15%, and the carrier has 30 aircraft. p. 41

Blue1 is Finland's second largest airline, carrying 1.6 million passengers in 2008. Blue1's market share of the Finnish domestic market is around 16%, and the company has 13 aircraft*. p. 42

Affiliated company *– not consolidated*
Estonian Air is a non-consolidated affiliated company, 49%-owned by the SAS Group and Estonia's leading airline. Estonian Air carried 0.8 million passengers in 2008. The airline has a market share of around 42% and 8 aircraft*. The company is to be divested. p. 43

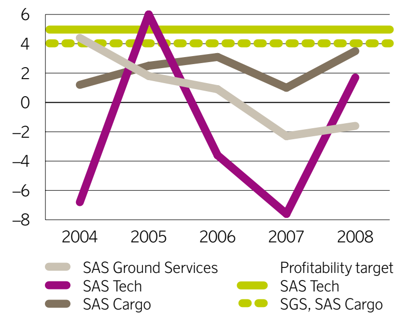
Discontinued operations:
Spanair p. 43

* *Including wet lease.*

SAS Aviation Services

Key figures	2008	2007
Revenue, MSEK	**15,032**	14,192
EBIT before nonrecur. items, MSEK	**106**	434
EBIT margin before nonrecur. items	**0.7%**	–3.1%
EBT before nonrecur. items, MSEK	**–73**	–600
Average number of employees	**10,630**	10,651
of which women	**34%**	29%
Energy consumption, GWh	**196**	191
Unsorted waste, tonnes	**682**	754

EBIT %, SAS Aviation Services



SAS Ground Services is the Nordic region's leading ground handling company, handling 78 million passengers in 2008. SAS Ground Services is represented at around 30 airports in Scandinavia as well as at airports in Europe, the U.S. and Asia. p. 45

SAS Tech is the Nordic region's largest provider of technical maintenance services for airlines and is the SAS Group's principal supplier. The company's main bases are in Copenhagen, Oslo and Stockholm, though technical maintenance is also done at eight other airports. p. 46

SAS Cargo is the leading provider of freight transportation solutions within and to/from Scandinavia. The company handled 248,000 tonnes in 2008. SAS Cargo's freight capacity is based on SAS Scandinavian Airlines' route network, which was previously supplemented by dedicated cargo aircraft. p. 47

Important events

First quarter 2008

- The SAS Group decided to purchase six MD-87 and two Boeing 737-600 aircraft from another operator as replacements for the Q400 that were grounded in 2007.
- SAS took over delivery positions on three Boeing 737-800 aircraft with delivery during 2008.
- SAS Ground Services is to implement MSEK 400 in cost reductions as well as a quality program. At the same time, it was decided that the maintenance of Boeing 737 Classics would be outsourced and that cargo handling, Spirit, in SAS Cargo, would be sold.
- SAS agreed to a settlement with Bombardier and Goodrich for compensation to SAS regarding the incidents involving the Dash Q400 aircraft in the fall of 2007. The details of the agreement are confidential but the financial compensation is in total SEK 1 billion. As part of the agreement, an order was placed for 27 aircraft, with an option on a further 24 aircraft.

Second quarter 2008

- The SAS Group sold SAS Media AB to Danish company Datagraf.
- At SAS's Annual General Shareholders' Meeting, Fritz H. Schur was elected the new Chairman of the Board. Dag Mejdell, CEO of Posten Norge AS, took office as new Board member. The Annual General Meeting resolved not to issue any dividends for the 2007 fiscal year.
- The SAS Group signed a letter of intent with Amadeus, under which parts of SAS's commercial IT platform will be replaced. These parts are sales, booking, ticketing, check-in and load control.
- SAS sold Facility Management to Coor Service Management, which thus became a total supplier of service to SAS in Denmark, Norway and Sweden.
- To deal with the record-high fuel prices SAS introduced a fuel charge on short- and long-haul flights.
- SAS Norge was ordered to pay MNOK 132 in damages to the airline Norwegian Air Shuttle in a civil dispute. SAS is appealing the decision.
- SAS pled guilty to violations of U.S. antitrust legislation and agreed to a settlement with the U.S. Department of Justice that will have a negative effect on income of MSEK 314.
- SAS divested the remaining portion of SAS Component.

Third quarter 2008

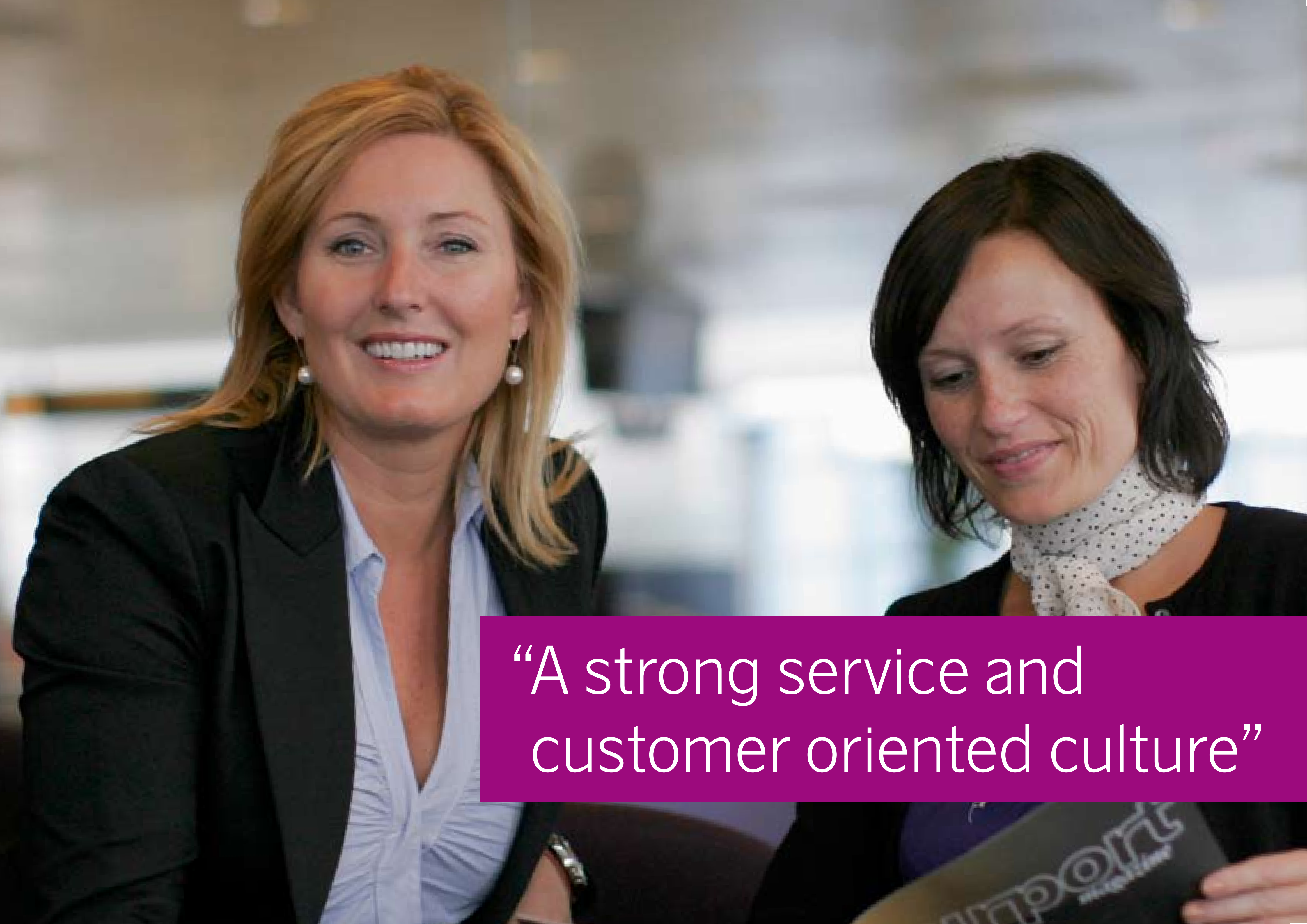
- Spanair initiated a comprehensive savings program corresponding to MEUR 90. Capacity was reduced by 15 aircraft or 25% from the autumn of 2008.
- On August 20, 2008, a tragic air accident involving an MD-82 occurred in Madrid.
- SAS participated in the Sustainable Aviation Fuel Users Group, an effort to hasten the development of renewable fuels.

Fourth quarter 2008

- SAS reduced its fuel surcharge on short-haul flights and on long-haul flights from November 12, 2008.
- The SAS Group sold airBaltic to airBaltic's management.
- The SAS Group sold AeBal to Proturin.
- The European Parliament decided to include air transport in the emissions trading scheme starting in 2012.

Major events in 2009

- SAS renewed its strategic approach and is launching Core SAS
- To implement Core SAS the SAS Board approved a rights issue of up to SEK 6 billion. The Knut and Alice Wallenberg Foundation (KAW), through Foundation Asset Management, has expressed its support for this process and its willingness to, subject to certain conditions, participate in the rights issue on a pro rata basis. The banks J.P. Morgan, Nordea and SEB have also confirmed their expectation, subject to certain conditions, to enter into an underwriting agreement in relation to the rights issue.
- SAS Group entered into an agreement to sell a majority interest in Spanair to a group of investors in Catalonia in Spain, but is retaining 19.9%. Spanair is reported as a discontinued operation and the total earnings impact for 2008, including remeasurement at fair value, amounts to MSEK –4,895. The sale is expected to be completed in the first quarter of 2009, subject to regulatory approvals.
- The SAS Group signed a comprehensive agreement with Statoil/Hydro regarding air travel.
- The SAS Group entered into new collective agreements with its labor unions that will reduce costs by SEK 1.3 billion annually.
- SAS will participate in a rights issue in Estonian Air in 2009.



"A strong service and customer oriented culture"

President's comments

2008 will probably go down in history as one of the most turbulent years that the airline industry has ever witnessed. During the year, we saw a period of record-high oil prices and a financial crisis that deepened during the final quarter and led to an economic recession in many markets, with plummeting demand for goods and services. To meet the global recession and our internal challenges, at the beginning of February 2009 we launched a renewed strategic approach, "Core SAS," with five main areas: focus on our Nordic home market, focus on business travelers, a new, efficient organization, lower cost base and a capital structure strengthened by a SEK 6 billion rights issue. However, the event that made the deepest impression on the Group was the tragic accident affecting Spanair in Madrid on August 20. 154 persons lost their lives.

2008 in brief

The Group's 2008 income before nonrecurring items in continuing operations amounted to MSEK –395. However, income before tax was affected by approximately SEK 5 billion in impairments and losses attributable to Spanair's operations and effects of the sale of the airline. For that reason the final income before tax was SEK –6.3 billion.

Adjusted for remaining negative effects of the Q400 incidents and the now terminated joint venture agreement with bmi, the underlying result in core operations was slightly positive for 2008.

With regard to SAS Ground Services, SAS Tech and SAS Cargo, it is good news that all areas were able to post improvements in earnings through an effective change management.

Within the framework of Strategy 2011 and our short-term Profit 2008 program, we have implemented savings measures totaling approximately SEK 4 billion since 2007. A key element was the reduction in capacity by a total of 33 aircraft, of which 15 were Spanair aircraft. Even so, we saw that this would not be enough. As a result of the global and internal crises and to improve SAS's profitability, extraordinary negotiations were initiated with our labor organizations. New agreements were reached corresponding to savings of SEK 1.3 billion on an annual basis, a genuine breakthrough for our cultural turnaround. At the same time, in the fall, work began on a renewed strategic approach, Core SAS.

The accident in Madrid

An MD-82 belonging to Spanair crashed taking off from Madrid on August 20. The tragic accident affected us deeply.

What happened was the worst thing imaginable that can befall an airline. Financial and structural issues can always be dealt with in various ways, but the loss of human life can never be compensated for.

We continue to await the official report of the Spanish investigation board. After the accident, Spanair received invaluable assistance from colleagues inside and outside the Group. Many volunteered to assist those affected. I am deeply moved by the solidarity shown within our own company and by the airline industry as a whole.

Market and competition

Competition in the airline industry is still intense. Consolidation in the airline industry has increased as expected. More than 30 airlines went out of business, including Sterling, our biggest competitor in Denmark.

SAS's market position remains strong. Our brand stands for quality, reliability and stability. It is also this that we are building on in our new strategic approach, "Core SAS."

During the year, our position was also bolstered by excellent regularity and punctuality, among the best in Europe. Our customer surveys indicate big improvements and more satisfied customers.

Climate and the environment

Environmental issues continue to be a major focus despite the financial crisis and economic jitters. Decisions and actions aimed at a better environment also make good business sense, and SAS's long-term environmental goals are ambitious. In 2008, our CO_2 emissions per passenger kilometer were the lowest ever. Nevertheless, owing to the composition of our fleet during the year, the climate index deteriorated by one point, primarily because of higher NO_X emissions. With its production adjustments, "Core SAS" will give us the wherewithal to improve our environmental performance.

New cooperation model with our unions

One of the most important priorities I had when I joined SAS in 2007 was to change and improve relations with our labor unions, and thus the culture.

From both the Group Management's and union negotiators' sides a great effort has been made toward creating a value consensus and common target scenario, thereby establishing a platform for a "cultural turnaround." In my view, we have brought about a historic change, even if more will be needed in the future. Through persistent effort we have created a spirit of mutual trust that is absolutely necessary for implementing sweeping and difficult changes.

A renewed strategic approach – "Core SAS"

To be able to meet future competition and become a simpler, less complex company, we have decided on a renewed strategic approach, which will involve streamlining our route network and extensive changes to our organization.

"Core SAS" will lead to a number of changes that are expected to make SAS more profitable and competitive. We will reduce our capacity by around 20% by taking a further 14 aircraft out of service. The needs of business travelers will guide our network, and many unprofitable routes will be closed. We will also be offering leisure travelers competitive products and an extensive route network in the future as well.

The Group's management structure will be changed, and a number of functions integrated or centralized. The national airlines in Denmark, Norway and Sweden will cease to exist, and we will create a single Scandinavian Airlines with three local production units that will also contain parts of the current SAS Ground Services and SAS International. We expect that all these measures will reduce our costs by a further SEK 2.7 billion, SEK 1 billion of which refers to S11 measures that will have an earnings effect in 2009.

We also intend to divest the companies in the Group that are not a part of our core business. And so in January we sold our holding in airBaltic and entered into an agreement to sell most of our stake in Spanair. Our holdings in Cargo Handling, Air Greenland, bmi, Estonian Air and Skyways will also be sold.

A strengthened capital structure will be a part of Core SAS. Existing loan agreements have been renegotiated with our banks, and in all cases they were extended. A rights issue of SEK 6 billion is currently being carried out.

Rights issue approved

To be able to vigorously implement Core SAS, the SAS Board of Directors approved a rights issue. It is important to point out, that it is not the issue per se that will save SAS, but it is Core SAS that will lay the groundwork for a competitive and profitable SAS.

This is the first time since the early 1960's, when SAS was in similar difficulties, that a rights issue is being implemented, one that we expect to raise approximately SEK 6 billion in fresh capital. The rights issue and its terms will be considered at an Extraordinary Shareholders' Meeting on March 13, 2009.

The way forward

SAS remains one of the airline industry's leading players. We are also an essential part of Scandinavia's infrastructure and a key contributor to economic development.

"Core SAS," with its focus on our core business and our absolute strengths, is fundamental in our efforts going forward. Our new and more competitive collective agreements, a streamlined and simplified organization that ensures resoluteness and follow-through, lower costs, supplemented with further divestments and a rights issue, create excellent prospects for a new, more vigorous SAS. They will also help us to create long-term value for our shareholders.

Stockholm, March 12, 2009

Mats Jansson
President and CEO

Cultural turnaround – breakthrough a major step forward

A key element of SAS's Strategy 2011, which was launched in June 2007, is to create a climate that makes possible a broad consensus on solutions between management and employees in order to avoid conflicts and facilitate changes in the organization and work methods. This has been pressing, in view of the challenges SAS will face in the future.

Four focus areas

The strategy has been given the umbrella term "cultural turnaround," focusing on four areas:

→ Cooperation with unions
→ Incentives with customer focus
→ Management development
→ Organizational development

Cooperation with unions

SAS Group operations involve a number of different occupational categories, which is reflected in the number of unions. In 2008 there were 39 unions that were contractual parties in the three parent countries.

In previous years, the relationship between management and labor was characterized by disagreement on many key issues and distrust. Historically this has adversely impacted the SAS brand and led to less confidence by customers and the outside world.

New forms of cooperation

At the end of 2007 Group Management and union representatives gathered to begin work to create a common platform for future dialog. The aim was to agree on a vision, goals and strategies and find ways to spread the message organization-wide.

This work continued throughout 2008 with great success.

Agreements reached

During 2008 and at the start of 2009 there were intense discussions between management and unions on new collective agreements in the entire Group. In mid-January 2009 negotiations were concluded and cost reductions of around SEK 1.3 billion were attained when fully implemented. The agreements represent a breakthrough and a major step forward, however there is still a gap vs. full competitiveness. Discussions were held in a positive spirit during which employee representatives showed great respect, loyalty and understanding for the necessity of savings. The result is a new consensus between management and union representatives on the Group's continued progress and its ability to survive in the future.

Core SAS

Core SAS is the SAS Group's renewed strategic approach aimed at ensuring long-term value creation and providing the basis for meeting the internal challenges and market conditions that now prevail. Core SAS will lay the foundation for a competitive and independent SAS that is more efficient and more profitable.

The SAS Group is working continuously to improve efficiency and tailor its structure to a fiercely competitive market. In 2002 the action program Turnaround 2005 was launched, which led to the Group successfully reducing its cost base for 2002 by around SEK 14 billion, including Spanair and the hotel business, which was then part of the Group. Much of these savings benefited customers in the form of lower fares. From 2006 to 2008 further cost reductions of around SEK 4 billion were implemented. Strategy 2011 (S11) was launched in June 2007 and was aimed at achieving full profitability and securing the company's ability to manage the increasingly fierce competition. Despite positive effects S11 has not been enough, owing to changed market conditions, difficulties in implementation and limited progress on renegotiating collective agreements. Given the economic downturn and global financial crisis, and continuing high level of overcapacity in the market, a change in strategic focus is required that can build on the elements of S11. Core SAS has been developed on this basis.

→ The Core SAS Strategy

Core SAS is based on five main areas intended to make SAS more profitable and efficient: Non-core businesses will be divested, the fleet reduced, and there will be a further focus on destinations and product offerings that are important to our business travelers, cost initiatives of around SEK 4 billion, a new, simplified and more efficient organization and a rights offering of about SEK 6 billion.

- **Focus on Nordic home market**
  Strengthening SAS's position in the Nordic home market on the basis of a strong market position.
- **Focus on business travelers and strengthened commercial offering**
  Optimizing the network and developing products focusing on the needs of business travelers.

- **Improved cost base**
  Cost initiatives of around SEK 4 billion: SEK 1.3 billion from collective agreements (excluding MSEK 156 in nonrecurring effects) and SEK 1.7 billion in further cost savings. SEK 1 billion in effects of S11 remains.
- **Efficient decision-making and cost-effective organization with a customer-oriented culture**
  The organization will be simplified with a more customer-oriented culture and shorter decisions paths.
- **Strengthened capital structure**
  The rights issue of approximately SEK 6 billion, the extension of existing credit facilities of SEK 6.5 billion and the optimization of the fleet to help SAS easily adjust to the ongoing economic slowdown and facilitate the implementation of Core SAS.

→ Business concept

Through cooperating airlines the SAS Group will offer flexible and value-for-money air travel with a focus on products and services that meet the needs of business travelers in the Nordic region.

→ Vision

The obvious choice.

→ Objectives

The SAS Group's overall goal is to create value for its owners. One of the Group's financial targets is a 7% EBT margin, which corresponds to earnings of around SEK 3.5 billion*. For more info, see achievement of targets p. 53

** Based on 2008 operating revenue.*

→ Brand promise

Service And Simplicity.

→ Values

SAS's overarching shared values underlie our actions.

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

Focus on Nordic home market

To maintain SAS's strong position in the Nordic home market, companies not directly included in core operations will be sold and for support businesses there will be expanded outsourcing. Spanair, airBaltic and Cubic have been, or are in the process of being, divested. Spirit, Trust, Air Greenland, bmi, Estonian Air and Skyways are to be sold. SAS Cargo will focus its operations on the cargo capacity of SAS's existing aircraft.

Core business

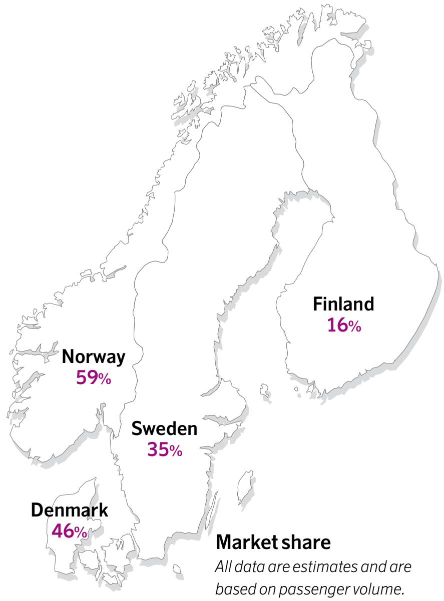
SAS Scandinavian Airlines
Blue1
Widerøe
SAS Cargo *(belly-capacity)*

Expanded outsourcing

SAS Ground Services
SAS Tech

Divestments

Estonian Air
bmi
All Cargo *(excl. belly)*
Skyways
Air Greenland
Spirit
Trust
Spanair *(being divested)*
airBaltic *(divested)*
Cubic *(divested)*



Market share

All data are estimates and are based on passenger volume.

Divestment of operations

The SAS Group is focusing on its core business to reduce business risk and reduce complexity. In December 2008 airBaltic was sold to company management for MSEK 216. The positive earnings effect was MSEK 169. At the end of January 2009 SAS entered into an agreement to sell its majority holding in Spanair to Consorci de Turisme de Barcelona and Catalana d'Inciatives. The sale will result in a capital loss in SAS of MSEK 712, which was recognized in 2008 income. Following the transaction, SAS remains a minority shareholder in Spanair, with a 19.9% stake, which will be reported as a financial investment.

Lufthansa recently exercised an option to take over 80% of the shares in bmi. Discussions are ongoing regarding a divestment of the SAS Group's 20% stake in bmi. A process to sell Air Greenland will be started. SAS Cargo will focus its business model on selling belly capacity for Group airlines.

The Group has also initiated an evaluation process regarding various forms of cooperation with Skyways airline with a view to a possible divestment of SAS's minority holding in the carrier. SAS is participating in Estonian Air's rights issue in February 2009, but the Group remains firm in its intention to divest the company.

Outsourcing of support businesses

To concentrate operations and ensure a cost-effective platform the SAS Group will carry out a greater degree of outsourcing and what is called offshoring. SAS previously offshored Revenue Information and will outsource parts of its accounting function to India in 2009, a development that is expected to continue.

Various operational solutions are being considered for SAS Ground Services' international operations. SAS Tech continues to outsource maintenance to external suppliers, a trend expected to continue.

Strong platform for continuing to develop SAS's core business

The SAS Group is carrying out sales and divestments to focus on its core business. SAS's market position in the Nordic region is strong, and to maintain and keep this, SAS is focusing on its core business by emphasizing the needs of business travelers.

Estimated effects of Core SAS

All figures are estimates	SAS Group 2008 [1]		Core SAS
SAS Group operating revenue	SEK 63 billion	→	SEK 48 billion
Adjusted net debt [2]	SEK 29 billion	→	SEK 14 billion
Number of employees	23,400	→	14,600 [3]
Aircraft fleet	298 [4]	→	217 [4]
Number of passengers	40 million	→	28 million [5]
Routes	200	→	124 [6]
Estimated earnings effects		→	SEK 7 billion [7]

[1] *Including Spanair*
[2] *Including leasing capital.*
[3] *After full implementation of Core SAS 2010, excl. employees of minority-owned companies.*
[4] *Incl. parked Q400s being phased out.*
[5] *Excl. passengers of minority-owned airlines.*
[6] *After full implementation of Core SAS in 2010 excluding minority-owned airlines.*
[7] *Estimated earnings effects of a fully implemented Core SAS already in 2008, based on 2008 earnings.*

Focus on business travelers and strengthened commercial offering

To reach its earnings target, Core SAS will concentrate on profitable business routes. Core SAS entails a major down-sizing of the number of pure leisure destinations and capacity. Even so, SAS will continue to have attractive offerings in the private travel market. Moreover, a strong commercial offering - Service And Simplicity - is being launched with the promise of minimizing travel time and maximizing perceived customer value.

New commercial model

	Routes, pricing and revenue management model	• Dimensioning of traffic based on profitability with a focus on the needs of business travelers. • More fare levels, especially in Economy Extra.
Customer focus	Brand and customer experience	• "Service And Simplicity" - Be on time, fly at times customers want, minimize travel time and maximize customer-perceived value during flights.
Customer focus	Loyalty program	• Improved EuroBonus program - Points earned may be used for bonus trips or other attractive offerings. More external partners.
Customer focus	Product	• Boarding pass to cell phone. • Baggage tag kiosks and bag drops. • Default check-in for Economy with text message and e-mail confirmation. • Lounge access for Economy Extra passengers. • Additional services: ticket add-ons, in-flight sales, product upgrades. • Value-based point redemption to make more bonus trips available.
Customer focus	Customized corporate offerings	• Customized loyalty program, Corporate Booking Tool, contracted one-way fares for certain segments.

Focus on profitable business routes

The SAS Group's network will be optimized with a focus on the needs of business travelers, which based on 2008 accounts would have had a pre-tax earnings effect amounting to approximately MSEK 800. The network will be adapted to facilitate profitability by closing unprofitable routes and will be dimensioned according to the needs of the most profitable customers. Core SAS will entail a reduction of the number of leisure destinations.

Scandinavian Airlines' fleet will be reduced by a further 14 aircraft. Scandinavian Airlines' short and medium-haul routes will see a reduction of 12 aircraft. A reduction of six aircraft has already been carried out under Profit 2008. After the reductions the fleet will number 130 aircraft for short-haul flights. On long-haul routes the fleet will be reduced by two aircraft, from 11 to nine, and unprofitable routes will be closed. In all, capacity will shrink by about 20% on short- and long-haul routes.

Service And Simplicity

Service And Simplicity is the SAS brand promise that is to characterize the SAS Group's culture. SAS will further enhance its customer offering by making the travel experience smoother, while at the same time maximizing value for the individual customer. The Service And Simplicity concept is to permeate the entire Group, management and employees alike. An improved EuroBonus program and many new services (for example, cell phone boarding passes and access to lounges for Economy Extra passengers) will be launched within the framework of the new commercial offering.

EuroBonus and SAS Credits

With EuroBonus, customers earn points with SAS, SAS partner hotels and rental car companies and on purchases. All points earned may be used for bonus trips or other attractive offerings. As one of the first airlines in Europe SAS is launching an opportunity for customers to buy bonus trips where the number of points the trip costs depends on seat availability and when the trip is booked. SAS Credits are bonus points for companies and can be used for new trips.

EuroBonus facts, see p. 52

Service And Simplicity

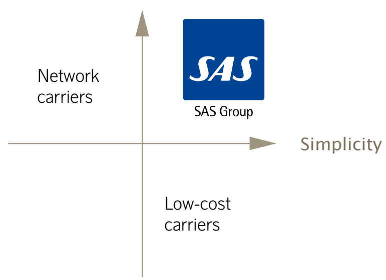
Brand positioning

The Group's new brand positioning is based on:

- → What customers are demanding
- → What we are best at
- → A profitable positioning in line with our *"Business First"* strategy

The SAS Group's new brand positioning is in line with how the company wants to be viewed:

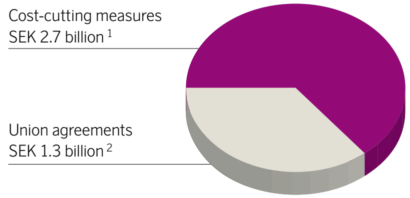
- → Vision: *The obvious choice*
- → Brand positioning: *Service And Simplicity*
- → Brand values: *Simplicity, Consideration, Reliability and Commitment*



Improved cost base

To enable the SAS Group to ensure long-term profitability and further reduce its cost gap with competitors, Core SAS contains approximately SEK 4 billion in cost-cutting measures. Of these, a total of SEK 1.3 billion will comprise savings within collective agreements and SEK 2.7 billion is a new cost reduction program, including SEK 1 billion transferred from S11.

Cost program
- approx. SEK 4 billion



[1] *Of which SEK 1 billion from S11.*
[2] *The number excludes a nonrecurring effect of MSEK 156.*

Competitive union agreements

In negotiations with all 39 unions, the SAS Group has signed new agreements for pilots, cabin crew and ground staff. The total cost saving amounts to SEK 1.3 billion excluding non-recurring effects of MSEK 156. The total saving corresponds to a decrease of about 12% of the total costs attributable to collective agreements. Approximately MSEK 300 comprises salary freezes and about SEK 1 billion is attributable to productivity improvements, changes to insurance and pensions and salary reductions.

All categories of SAS employees are contributing savings. Group Management's part amounts to MSEK 13 and includes salary reductions corresponding to 6% of basic salary and that no payments of variable salaries relating to 2008 will be made in 2009.

New cost program

The Core SAS cost program includes initiatives totaling SEK 2.7 billion, of which SEK 1 billion pertains to unrealized result effects in the current S11 program. Of this amount, SEK 0.7 billion comprises initiatives that were implemented in 2008 and SEK 0.3 billion represents initiatives that will be implemented in 2009. More than half of the earnings impact of the cost reduction program will occur in 2009. Of the remainder, the majority will arise in 2010, and a smaller share in 2011.

The cost measures includes savings in all operational areas, with the most extensive effects in Sales & Administration, purchasing and effects of the reorganization. Monitoring activities will be led by the new program office, which has dedicated resources.

Benchmarking against relevant competitors shows a remaining cost gap of SEK 1 billion after implementation of Core SAS. Most of this is attributable to collective agreements and it is SAS's clear ambition to attempt to close this gap through these agreements.

Cost program 2009-2011

MSEK	Earnings effect
Flight operations	~300
Ground	~300
Technical maintenance	~200
Outsourcing	~200
Purchasing	~500
Reorganization	~400
Sales & administration	~500
Other	~300
Total	**~2,700**

Savings from union agreements

MSEK	Earnings effect
Nonrecurring item, pensions	156
Salary freeze	320
Higher productivity, pensions, insurance and salary reductions	1,010
Total	**1,486**

Big changes in the organization

- Cost savings of around MSEK 400 by streamlining all operations.
- The subsidiaries in Scandinavian Airlines will be dissolved and transferred to the new organization. SAS International will cease to exist as a separate business area.
- Main bases in Stockholm, Copenhagen and Oslo with separate responsibility for operating activities as well as short- and long-haul routes, where also SAS Ground Services' and SAS International's operations will be integrated.
- SAS Tech, remaining parts of SAS Cargo, and Blue1 and Widerøe will remain as independent companies within the Group.

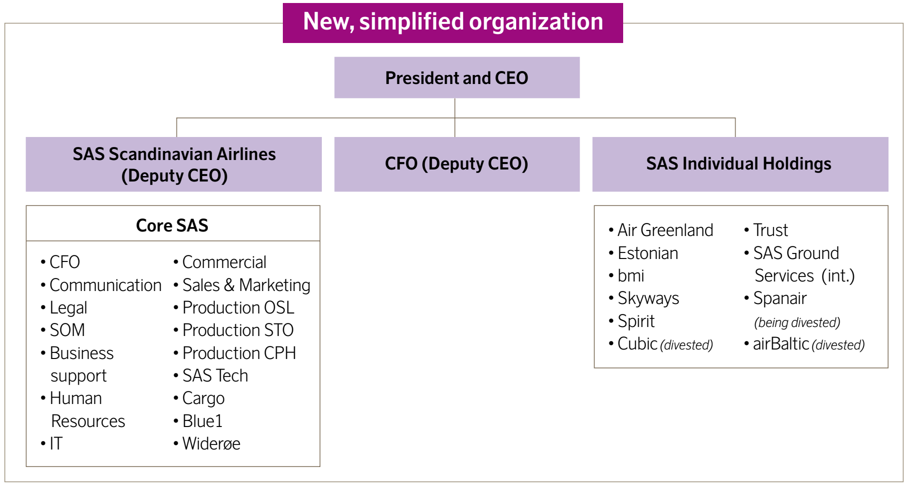
Efficient decision-making and cost-effective organization with a customer-oriented culture

A cost-effective organization with short decision-making paths paving the way for a successful SAS highly focused on its customers is taking shape under Core SAS. This will be achieved by dissolving the national subsidiaries in Scandinavian Airlines and streamlining all operations. All together, this will provide savings of approximately MSEK 400 included in the cost program.

An organization with a customer-oriented culture

The subsidiaries, which to date have had overall operational responsibility in their respective countries, will cease to exist as separate companies. The current long-haul operation, Scandinavian Airlines International, will cease to be a separate business unit. In Copenhagen, Stockholm and Oslo, new base organizations will be formed to assume responsibility for short- and long-haul services. The activities of SAS Ground Services will also be integrated into these organizations. SAS Tech, SAS Cargo, Blue1 and Widerøe will remain as independent companies.

Thanks to the more cohesive organization, contact with customers and other stakeholders will be considerably simpler, bolstering the image of a single SAS. Time-to-market will become shorter, and the customer experience more uniform and coherent.



Personnel cutbacks

All together, 8,800 FTEs will be affected by Core SAS. 5,200 will be affected by the Group's focus on the Nordic home market. By reducing the cost base and focusing the network, personnel needs will decrease by a further 3,200 FTEs. The reorganization means that around 400 SAS employees will be made redundant. Core SAS will result in a more efficient and simplified SAS with a customer-oriented culture.

Strengthened capital structure

To facilitate the implementation of Core SAS and improve SAS's long-term competitiveness, shareholders will be invited to participate in a rights issue of up to SEK 6,056,890,000. SAS and its lenders have agreed to an extension of credit facilities totaling SEK 6.5 billion for at least two to three years. With a stronger balance sheet SAS will be able to deal with the economic downturn and the global financial crisis, and implement Core SAS.

Facts about the rights issue

The resolution of the rights issue is subject to approval of the Extraordinary General Meeting which is intended to be held on March 13, 2009. The record date for the right to participate in the rights issue will be March 18, 2009, and the subscription period will run from March 23, 2009, to April 6, 2009, or such later date as decided by the Board of Directors. The share capital shall be increased by SEK 5,757,500,000 through a rights issue of no more than 2,303,000,000 shares at a subscription price of SEK 2.63 per share. The newly issued shares will rank pari passu in all respects with the existing ordinary shares. In order to facilitate the rights issue, the Board of Directors of SAS also proposes a reduction of the share capital by SEK 1,233,750,000 without redemption of shares, implying a lower quota value per SAS share of SEK 2.50.

The Swedish, Danish and Norwegian governments have on or prior to 3 February 2009 separately expressed to the Board of Directors their support for the rights issue. Parliamentary decisions to authorize each government, or, with respect to Denmark, the Minister of Finance, to subscribe for each state's respective pro rata share of the rights issue, subject to certain conditions, have been adopted on February 26, 2009 in Denmark and on March 12, 2009 in Norway and in Sweden. KAW has expressed its support for the rights issue and its willingness, subject to certain conditions, to participate in the rights issue on a pro rata basis. Together, the above mentioned four shareholders represent 57.6 percent of all outstanding votes and shares in SAS. J.P. Morgan, Nordea and SEB, acting as joint lead managers and joint bookrunners, have, together with Danske Markets and DnB NOR Markets, acting as co-lead managers, entered into an underwriting agreement in respect of the remaining 42.4 percent of the shares to be issued in the rights offering. The underwriting agreement is conditional on customary terms and conditions.

Rights issue of up to SEK 6,056,890,000

To safeguard the implementation of Core SAS and with the aim of strengthening SAS' long term competitive positioning and profitability, a rights issue of up to SEK 6,056,890,000 will be conducted. After implementation, the Group's equity is expected to increase substantially (from approximately SEK 9 billion on December 31, 2008 to approximately SEK 15 billion), resulting in an improved equity/assets ratio (from about 20% to 30%).

Renegotiation of outstanding credits

To further strengthen the financial position of the SAS Group, SAS has, subject to certain conditions, renegotiated its revolving credit facility of MEUR 366 (approx. SEK 4 billion) and extended the term by two years, extending maturity from June 2010 to June 2012. The undrawn bilateral credit facilities of a total amount of approximately SEK 1.3 billion, with maturity in 2009-2011, have been extended, subject to certain conditions, by approximately two years until at least June 2012. Finally, a credit facility of MUSD 156 (equivalent to SEK 1.2 billion) has, subject to certain conditions, been extended by two years to April 2013. Furthermore, the financial covenants in the loan agreement have been adapted to SAS's future financial evolution during the period. Consequently, in total, the Group has extended credit facilities equivalent to an amount of SEK 6.5 billion.

Great flexibility in the fleet

Flexibility in SAS's cost structure is strategically important for dealing with the decline in demand during a recession. SAS's aircraft fleet has advantageous capital costs and relatively low operating costs plus a high degree of flexibility. SAS's large share of leased aircraft provides high flexibility for satisfying market demands.

Only limited expenditure on the aircraft fleet is needed until about 2014 and in total approximately 110 new aircraft will be needed before 2020.

Stronger financial position

Operating leasing

Net debt *adjusted for 7 x annual leasing costs*

Assets
- Capital-intensive industry
- SAS well positioned

Liabilities
- Extension of outstanding credits

Equity
- Implementation of Core SAS
- Strengthened capital structure will reduce vulnerability

The rights issue is expected to substantially improve SAS's financial key ratios. Adjusted net debt will decrease from approximately SEK 23 billion to approximately SEK 17 billion, corresponding to an improvement in adjusted net debt in relation to EBITDAR from about 6.3 times to 4.6 times.

Strengths and competitive advantages

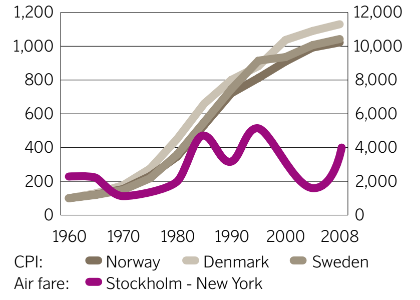
1. Leading carrier in attractive core markets.
2. Strong historical performance of core operations driven by profitable short-haul network.
3. Focus on profitable core activities in the Nordic region.
4. Focus on profitable routes tailored to business passengers.
5. Competitive and innovative commercial offering.
6. Tailored and flexible fleet structure resulting in low investment needs.
7. Program of initiatives to reduce the cost gap to competitors.
8. Strengthened capital structure.

"Time is my most valuable asset"

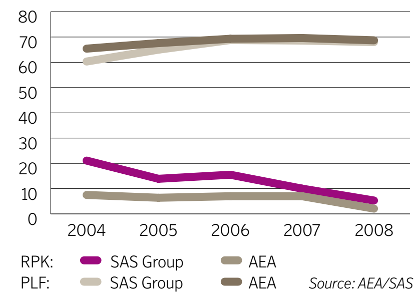
The market and external factors

After a few years of robust growth, the trend turned sharply downward in 2008. Record-high jet fuel prices and economic weakness resulted in subsequent surplus capacity in the market. The IATA reported that globally around 30 airlines went bankrupt or were consolidated with other airlines. The consolidation of the airline market also gained further momentum through a number of acquisitions and mergers.

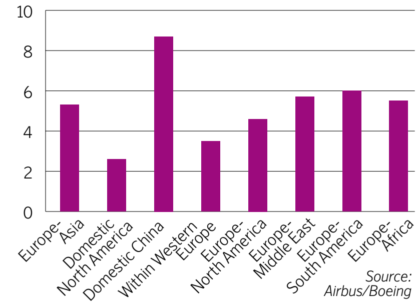
Air fares compared with inflation



RPK growth (Europe) and passenger load factor



Expected annual market growth of global traffic flows, 2007-2027, %



Developments in the airline industry

In the spring and summer of 2008 the negative performance of the airline industry led to sweeping restructuring and capacity reductions. For that reason global capacity shrank in late 2008, while the restructuring resulted in massive job losses in the airlines.

The consolidation of the airline industry continued, with a number of major acquisitions and mergers taking place during the year. In the fall Lufthansa acquired Austrian as well as Brussels Airlines, while Alitalia and Air One merged, with Air France/KLM acquiring 25% of the new company, to name just a few examples.

Capacity changes in the Group

In 2008 the SAS Group reduced its workforce by 2,500 full-time equivalents (FTEs). The reduction was in part a consequence of the SAS Group cutting capacity by 33 aircraft, 15 of which at Spanair.

Domestic/Europe

Capacity was up sharply in early 2008 on domestic routes in Scandinavia. This was primarily because the aircraft on “wet leases” to replace the Q400s had greater seat capacity. During the second half, there were gradual capacity reductions prompted by the market situation. On Finnish domestic traffic, capacity shrank by 6%. During 2008 the SAS Group’s market share was stable, amounting to 16%. On traffic to/from the Nordic countries and Europe, capacity increased during the year by about 9%. The SAS Group’s market share was relatively stable during the year on European routes from Scandinavia and was 35-40%.

Intercontinental

Competition stiffened in 2008 in the intercontinental airline market. U.S. carriers continued to move capacity from U.S. domestic routes to routes over the North Atlantic. As a result, in 2008 traffic on European airlines remained unchanged on routes to North America, and the passenger load factor declined by 0.8 percentage points. In the Asian market the growth in capacity is taking place among airlines in the Middle East.

Performance of the home market

Norway, Denmark and Sweden are the biggest markets in the Nordic region, representing around 80% of passenger volume. 2008 began with healthy passenger growth in the SAS Group’s home market. Growth fell off substantially in 2008, and in the last quarter, growth was negative.

The SAS Group realized early on that capacity reductions were necessary and decided already in May to make them. Capacity measures could mitigate the adverse impact of the plummeting demand. During the year, market share remained largely unchanged in Denmark and Finland, but fell in Norway and Sweden due to the divestment of airBaltic and Spanair.

Growth and performance of intercontinental routes

Demand fell significantly in the fall on intercontinental traffic, primarily to and from Asia. However, demand is expected to pick up somewhat in the markets in Asia and the Middle East in 2009.

Growth in Northern Europe 2008, %

	Market growth	SAS Group’s growth	SAS Group’s market share
Denmark	0.6%	0.5%	~46%
Finland	1.1%	–2.9%	~16%
Norway	3.0%	–1.8%	~59%
Sweden	3.1%	–3.5%	~35%

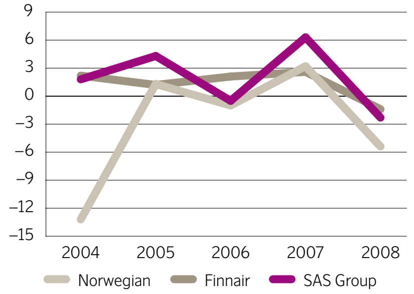
Key figures, trips by air

	Million passengers	Trips/ inhabitant	Share of Group revenue
Denmark	24.1	4.5	13%
Finland	13.1	2.5	4%
Norway	28.3	6.1	37%
Sweden	27.7	3.1	23%

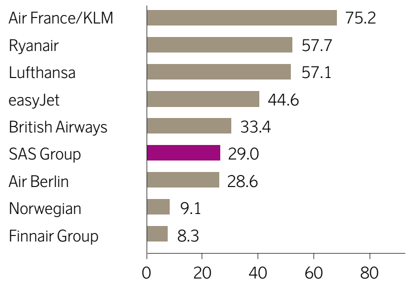
Analysis of competitors

During the year many travelers were affected by flight cancelations on account of airline industry bankruptcies. Among the airlines that ceased operations was Sterling, one of SAS's competitors in Scandinavia. Despite this, the competitive situation in Scandinavia in 2009 is expected to continue to be tough.

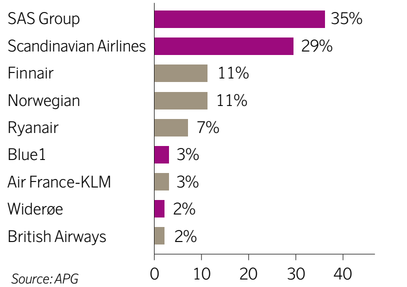
EBIT margin, competitors



Total passenger volume in 2008
Million passengers



Market share, Nordic countries
Based on production data (ASK) for 2008



Source: APG

With a market share of between 40 and 60%, SAS still has a strong market position in Scandinavia, despite capacity increases by competitors. During the year, SAS's market share remained largely unchanged in Denmark and Finland, but fell in Norway and Sweden due to the divestment of airBaltic and Spanair. At the same time, SAS's measured customer satisfaction rose.

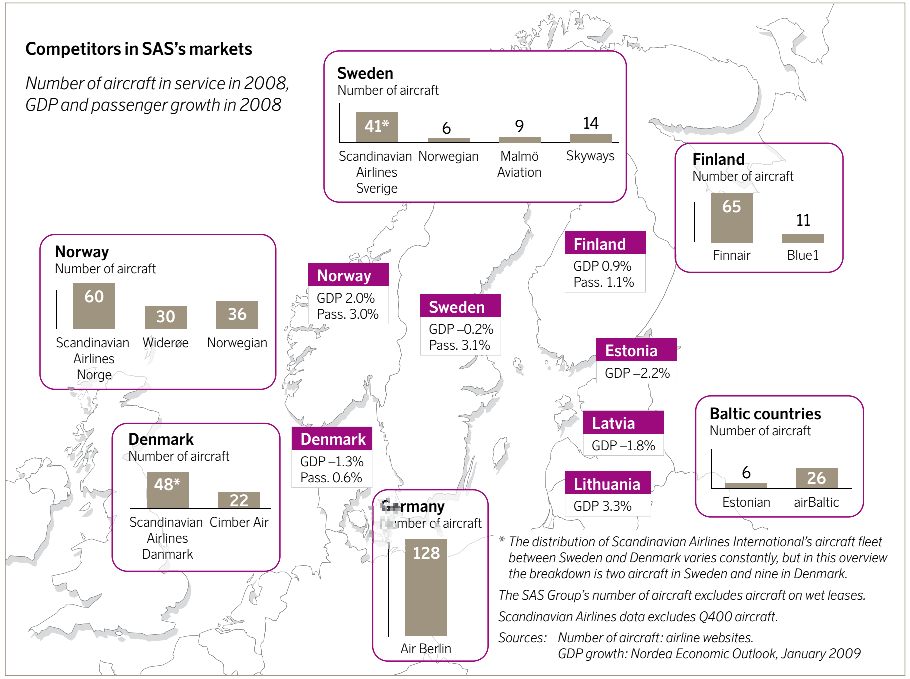
Sterling's bankruptcy led to a certain reduction in frequencies to and from Copenhagen, though many of these have been replaced by increases by existing players such as Norwegian. In the fall Norwegian focused more on the Norwegian domestic market. easyJet entered the Swedish market in 2008, with two routes from Stockholm Arlanda. In addition, all major network carriers, such as Air France/KLM and Lufthansa increased their presence in the Scandinavian market. Besides the anticipated shrinkage of the Scandinavian airline market in 2009 on account of the current recession, the competitive situation will also continue to be difficult. This means a challenging market for SAS.

Sustainability is a priority area at SAS, and SAS has long had a proactive attitude on sustainability issues, though most of SAS's competitors have no expressed sustainability or environmental strategy. pp. 100-124

SAS Group	Home market	Europe/Global
Scandinavian Airlines	Norwegian Air Shuttle, Cimber Air Malmö Aviation, Finnair	Norwegian Air Shuttle, Air France/KLM, British Airways, Ryanair, Finnair, Continental
Widerøe	Norwegian Air Shuttle	-
Blue1	Finnair, easyJet	Finnair
SGS	Novia, Nordic Aero, Norport	Swissport, Servisair, Menzies, BBA, WFS, Aviapartner
SAS Tech	Essential Aircraft Maintenance, Priority Aero Maintenance	SR Technics Group, Iberia Air France Industries

Competitors in SAS's markets

Number of aircraft in service in 2008, GDP and passenger growth in 2008



** The distribution of Scandinavian Airlines International's aircraft fleet between Sweden and Denmark varies constantly, but in this overview the breakdown is two aircraft in Sweden and nine in Denmark.*

The SAS Group's number of aircraft excludes aircraft on wet leases.

Scandinavian Airlines data excludes Q400 aircraft.

Sources: Number of aircraft: airline websites. GDP growth: Nordea Economic Outlook, January 2009

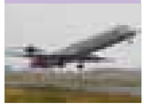
Responsible traffic growth

To be able to move quickly and efficiently over great distances is fundamental to modern globalized society. The airlines provide a useful service to society by providing mass transportation that is faster and saves more time than other modes of transportation. Today the airline industry accounts for only around 2-3 percent of global carbon emissions.

The SAS Group's operational measures to save fuel

In 2005 SAS started a successful project to save fuel and reduce environmental impacts - the Fuel Cost Saving Initiative. Besides improvements in aircraft, SAS has introduced measures on the ground, at departure, on board and at arrival.

Adjusting speed

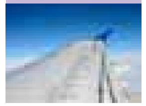


Lowered cruising speed from 860 to 780 km/h cuts fuel consumption by around 130 kg/hour.

More frequent maintenance

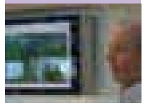
Keeping aircraft in perfect order reduces consumption and improves safety.

Green approaches



Approaches are planned to let aircraft practically glide in, without the engines working as hard.

Efficient route planning

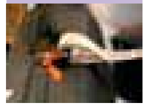


The shortest route under prevailing weather conditions.

Focus on punctuality

Careful planning improves punctuality, which is absolutely essential for saving fuel.

Optimum weight



Minimizing and distributing the load on board keeps fuel consumption down.

The climate issue

Climate change is a reality, and SAS was a pioneer in taking its social responsibility to reduce its environmental impacts. SAS, along with the entire airline industry, is working to realize the IATA's vision of zero emissions by 2050. This vision requires more efficient aircraft designs and engines, more efficient air traffic control and renewable fuels.

Research and development (R&D)

The objective of ACARE (Advisory Council for Aeronautics Research in Europe) is for aviation to reduce its emissions of carbon dioxide by 50% and nitrogen oxides by 80% and cut noise in half before 2020.

Technological advances and alternative fuels

SAS has been participating in a number of projects aimed at cutting fuel consumption. One project is "Green Approaches", in partnership with the Swedish airport operator LFV. These flights reduce fuel consumption by modernizing and streamlining air traffic control.

SAS is also part of a global working group aimed at accelerating the development of renewable jet fuel. Along with leading airlines, the aircraft manufacturer Boeing and the fuel developer Honeywell UOP, SAS has established a working group whose purpose is to hasten the development and commercialization of new jet fuels that are sustainable in the long term.

Instruments for reducing environmental impact

To reach SAS's environmental targets, SAS's environmental work has four main focus areas:

Technological developments refer to the composition of the aircraft fleet, more efficient engines, improved aerodynamics, lower weight and development of alternative fuels.

Infrastructure largely involves collaboration with governments and airport operators to coordinate European air traffic control.

Operational measures are aimed at management issues such as the fuel saving program and the like. see illustration above

Economic instruments consist of taxes and charges, which largely do not foster sustainable development, and emissions trading, which, on the other hand, can be an effective way to reach the targets without distorting the competition with other modes of transportation and among airlines.

Environmental goals 2008-2011

The SAS Group will:

- be seen as the most environment-conscious airline in Europe
- have ISO 14001-certified environmental management systems
- have the industry's most effective fuel saving program
- be among the first airlines to use blends containing alternative fuel once they are approved and commercially available
- have a long-term plan for its aircraft fleet that leads to a significant reduction of greenhouse emissions
- have reached the target for SAS's eco-efficiency index.

Climate index

SAS reports a climate index for carbon dioxide and nitrogen oxides emissions. The climate index measures the Group's total climate impact relative to traffic measured in RPK. For 2008 the climate index deteriorated by one percentage point, primarily on account of higher nitrogen oxides emissions.

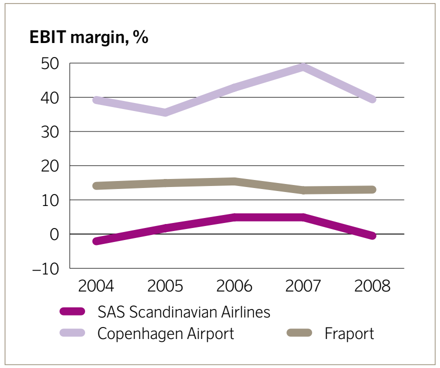
Environmental strategy

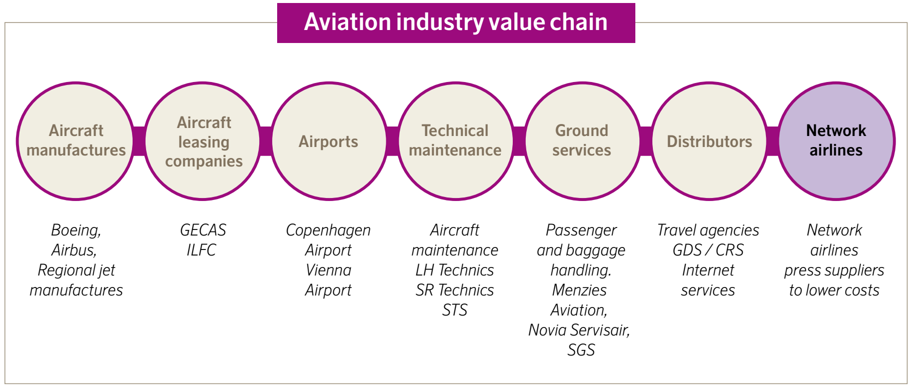
The SAS Group will contribute to sustainable development by:

- creating a culture among its employees based on interest in and commitment to environmental work
- actively working to counteract distortion of competition within and between various sectors
- having documented sustainability appraisals as a basis for all decisions
- engaging in strategic environmental communication
- actively promoting tomorrow's solutions, building alliances and supporting relevant R&D projects.

Policy framework for aviation, aviation security and quality processes

Even though large portions of the airline industry have been deregulated in terms of traffic rights, it is still an industry that is subject to a very complex system of national and international regulations. For European airlines it is mostly rules formulated at the EU level that need to be followed.





In recent years a number of new rules have been put in place, primarily in the areas of safety and the environment, but also in areas concerning passengers' rights. SAS is monitoring and is trying to influence the process in European institutions through a permanent presence in Brussels as well as at a national level.

The EU and new legislation

New environmental rules were adopted in 2008. Civil aviation is to be included in the EU emission trading scheme starting in 2012. The economic consequences of the system are still relatively difficult to foresee, owing to a number of uncertainties, but SAS estimates that cost increases to the Group may total MSEK 300-400 per year when the scheme is fully implemented in 2013, which will then have a partial impact on air fares.

The European Commission previously proposed a "Single European Sky" aimed at substantially improving the utilization of European air space. In December 2008 political agreement was reached by the European Council of Ministers on key portions of the proposal. The "Single European Sky" is also essential for reducing the environmental impact of aviation. Fully implemented, 10-15% reductions in fuel consumption and carbon dioxide emissions can be achieved. Moreover, most organizations that provide air traffic control services are not yet subject to efficiency requirements like commercial companies, but can under current conventions pass on their higher costs to users. The new proposal, slated to go into force in 2012, also includes efficiency.

The number of aviation agreements with an EU clause has risen during the year, an important step toward amending the traditional rules governing traffic rights based on ownership and control.

EU institutions have also focused on consumer protection. New rules for fare transparency, primarily concerning Internet sales, were introduced in 2008.

A policy debate on passengers' rights in connection with bankruptcies has also begun. Moreover, in December the European Court of Justice upheld and extended the rights of passengers to compensation for canceled flights under an EU regulation. The Court's ruling can have an economic impact on the airline industry.

Pricing the infrastructure of civil aviation

Aviation is the only form of mass transportation that fully defrays the cost of its infrastructure.

With regard to the relationships between airlines and airports, the EU has made some progress in the form of a new directive on how airports price their services. The aim is to prevent the abuse of airports' monopoly-like market power. In a similar vein, the ICAO, which regulates international aviation, also decided in 2008 to tighten its guidelines in the area of taxes and charges. These changes can help to redress the primary imbalance in the value chain.

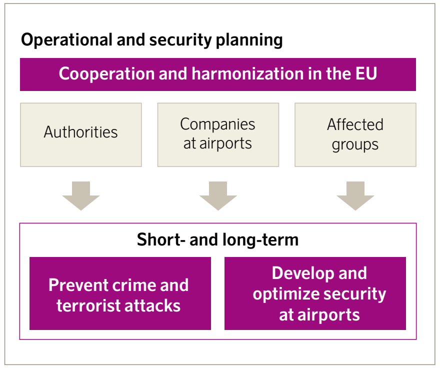
In 2008 the SAS Group paid MSEK 7,650 for infrastructure, such as airport fees and overflight charges.

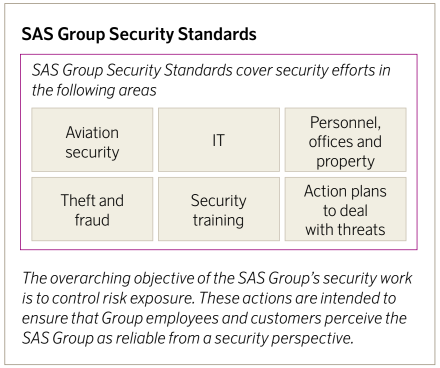
SAS's costs for infrastructure in 2008

MSEK	Airport fees & passenger taxes	Over-flight charges
Denmark	1,165	180
Norway	1,750	328
Sweden	983	297
International	1,307	795
Scandinavian Airlines total	**5,205**	**1,602**
Widerøe & Blue1	696	148
SAS Group total	**5,901**	**1,749**

Imbalances in the value chain

For years the SAS Group has described these imbalances and inefficiencies in the aviation industry's value chain. An example of an imbalance is Copenhagen Airport (CPH), which has consistently enjoyed high profitability in the past five years (an EBIT margin rising from 35 to 49%). The SAS Group is Copenhagen Airport's biggest customer, paying around MSEK 992 in fees to





the airport in 2008. This represents 25% of the airport's total revenues.

The SAS Group works continuously to restore the balance in the value chain, in part through direct discussions and negotiations with players along the chain and in part by active industrial lobbying through the IATA and AEA.

Aviation security

The SAS Security Department continuously monitors disturbances in the wider world, with customer and employee safety in all situations as the Group's primary concern. During the year, threats to SAS airlines have been generally at a minimum, even if in some countries in some instances there has been a higher level of security, such as in Bangkok and Delhi.

Within the EU there is an ongoing effort to complete the revision of the current regulations for aviation security, introduced as a direct consequence of the events of September 11, 2001, in the U.S. The process will result in rules that are better suited to the high security standards of today's airports and airlines. Under the new rules a number of areas of responsibility will be transferred from airlines to airports, a measure hailed by the airline industry. The amended rules will be incorporated into national aviation regulations in 2009 and then be implemented in the airlines' security programs. The entire process is to be completed by no later than April 2010.

Work is ongoing to harmonize EU regulations with corresponding rules in third countries. An example is handling liquids in hand baggage, such as tax-free items, imported into the EU.

SAS Group Security Standards

The cooperation among Group airlines on security issues is continuing. SAS Group Security Standards represent a groupwide set of rules concerning security issues in the areas of aviation, property, training, personnel and IT.

Synergies have been realized through improving the shared records for storing inspection reports that has been established by the SAS Security Department.

IT security and secure payments

To ensure adequate IT security, the SAS Group uses the latest technology. The Group installs an increasing number of business applications to benefit its customers, partners, suppliers, etc. Access to these applications via the Internet is protected by Internet firewalls. When access takes place via a communication pathway other than the Internet, they are protected by customer firewalls. SAS has chosen solutions regularly verified with the assistance of outside experts.

The demand and need for employees to be able to work from home and on business trips with access to the internal network are also growing. Such access is protected by dialup products with one-time passwords, encrypted communication and personal firewalls on the PC.

In 2008, 771,000 computer viruses were detected and rejected on the Group's networks. Operations were not appreciably affected by computer viruses in 2008.

The SAS Group has established backup computer centers for its production platforms in its mainframe environments (IBM, AS400 and Unisys) and vital server environments (Windows and Unix). The backup computer centers can be put into service within 30 minutes of any computer breakdown because the data are duplicated instantly at two different sites.

The SAS Group follows industry practices concerning credit card payment security. PCI DSS (Payment Card Industry Data Security Standard) is a set of requirements for companies that accept credit cards as payment. A compliance program is being implemented throughout the entire SAS Group. Plans and activities are regularly communicated to the largest payment banks.

Biometric solutions

For security reasons, passengers who check in a piece of luggage must also be physically onboard the same flight. Scandinavian Airlines has introduced a biometric system that combines self-service with a secure check-in process. The stored fingerprints are deleted at the end of the flight.

Flight safety

The SAS Group has a high level of flight safety thanks to rigorous quality control routines and the commitment of its employees and management. All SAS Group airlines are IOSA-certified. IOSA certification may be viewed as the airline industry's answer to ISO 9000 certification. The level of flight safety in the Group was normal in 2008.

SAS flight safety processes

Flight operations incident
- Authority
- Planning
- Communication
- Navigation
- Monitoring
- Cabin safety

Ground operations incident
- Aviation security
- Load control
- Passenger handling
- Clearance
- Hazardous goods
- Abnormal situations

Technical operations
- Operations
- Planning
- Materials
- Service
- Production
- Ground equipment

Cause
- Performance
- Cooperation
- Human/ machine
- Equipment
- Procedure
- Management/ control
- External factors

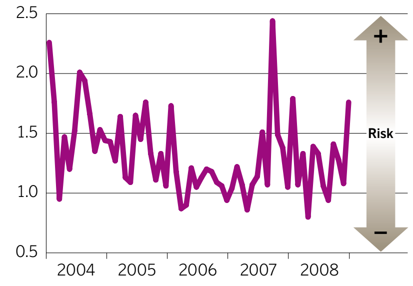
Analysis

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

Actions

Once the fundamental cause is established, a decision is made on corrective actions. Actions are followed up to check on the result.

SAS Scandinavian Airlines Risk index 2004-2008



In 2008 the SAS Group had an accident involving a Spanair MD-82 in Madrid. The accident is under investigation by the Spanish investigation board CIAIAC.

It is crucial in flight safety work that neither incidents nor near-accidents are repeated. That is why it is essential that flight staff as well as ground personnel and other employees report all observations or incidents that may be important for safety. This improves the quality of safety-related preventive efforts. Powerful computer systems that support effective classification of incidents for further analysis and follow-up are essential for effective safety work.

The SAS Group is working to adapt its flight safety work to the EU requirements that go into effect in 2009. The target is an 80% worldwide reduction in aviation accidents by 2020.

HILAS*

SAS and around 40 partners in the aviation industry and research communities in Sweden and abroad have been studying how human factors can further help to improve flight safety. The EU-funded project is to result in models and recommendations, based on best practice on how human factors can be integrated into safety efforts.

HILAS focuses on technology, tools and other means for improving risk management, safety and change processes.

Four key areas in HILAS

- *Performance management:* Two-way communication with reporting and relevant feedback that support the performance of safety-related work.
- *Organizational learning:* Having a large memory bank, a proper culture of reporting and ability to provide feedback. This is linked to new reporting tools that combine facts relating to human factors with technical data.
- *Data management:* IT systems that support communication and data management as well as models of what is measured and the data that exist.
- *Safety management and risk management:* Include all points above as well as an overall safety philosophy, how to apply data and how to react to the results.

** Human integration in the lifecycle of the aviation system.*

Reported incidents

	R1	R2	R3	R4	R5
Flight operations	0	0	42	420	1,178
Ground operations	0	0	5	282	1,378
Technical operations	0	0	29	325	184
Aviation Security	0	0	0	0	360
Total 2008	**0**	**0**	**76**	**1,027**	**3,100**
Total 2007	*3*	*1*	*62*	*1,254*	*3,271*

R1: High risk.
R2: Elevated risk under all circumstances.
R3: Elevated risk under adverse circumstances.
R4: Non-elevated or elevated risk under extreme circumstances.
R5: Non-elevated risk, since the incident is not safety-related.

The SAS Group follows up on and reports incidents in internal risk categories to improve quality and decide on corrective actions. The SAS Group reports to the civil aviation authorities in Scandinavia according to ICAO regulations. The table reports the total number of incidents per risk classification for Scandinavian Airlines Sverige, Scandinavian Airlines Danmark and Scandinavian Airlines International. Of these incidents, 745 were reported to the Scandinavian civil aviation authorities. Scandinavian Airlines Norge is not included, as it reports separately.

The Spanair accident

On August 20, 2008, a McDonnell Douglas MD-82 aircraft operated by Spanair crashed immediately after takeoff from Madrid-Barajas Airport in Spain. The aircraft was destroyed as a result of the collision with the ground and subsequent fire. 154 persons onboard perished, and 18 were seriously injured. The preliminary report of the Spanish investigation board indicates that the aircraft's flaps were not in the correct position for takeoff and that the system meant to alert the pilot of this did not function.

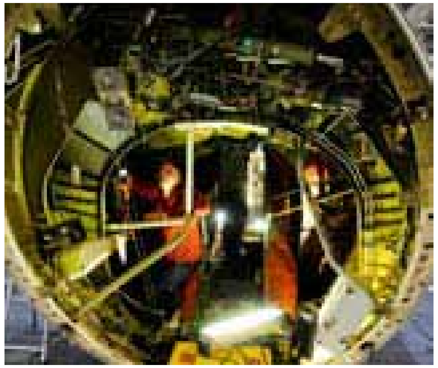
Safety culture

The SAS Group is an organization that learns, questioning prevailing practices and continuously and systematically on the lookout for faults and weaknesses in its operations. The Group aims to carry out improvements and adapt to changes in the world and the environment in which its airlines operate.

Photos: Håkon Bonafede

Pervasive safety culture

The SAS Group has well-functioning and ambitious reporting routines and a positive safety culture. They are characterized by communication based on mutual trust, a shared understanding of the importance of safety and confidence in the effectiveness of preventive actions. The management of SAS is deeply committed to safety issues at all levels and strictly follows the Group's documented safety policy. All employees have a personal responsibility for safety and are to maintain, improve and communicate matters affecting safety.



Streamlined technical maintenance

SAS is simplifying its technical organization by establishing SAS Tech, which embraces both SAS Technical Services (STS) and SAS Technical Operations. The goal is for SAS Tech to maintain continuous airworthiness of the airlines' fleets, improve the quality of deliveries, boost efficiency and reduce costs.

Maintenance intervals

Maintenance is divided into daily routines and routines for line, base and heavy maintenance. Pilots are responsible for visual inspections of aircraft in which they inspect the entire aircraft, including wheels, engines, fueling, wings, etc. Inspections are performed before each flight. In addition, there are frequent inspections at various intervals of fluid levels, brakes, etc. A more thorough inspection is done after 300 flight hours, when certain parts are replaced. The major inspection is done every 24 months. The entire aircraft is inspected in detail, an operation taking between 3,000 and 7,000 man-hours. The aircraft is disassembled into smaller pieces that are inspected individually.

Star Alliance™

Membership in Star Alliance is the core of the SAS Group's global partner and network strategy. During 2008 the Group continued to enhance its partnerships to offer travelers an even bigger network with more choices. The 21 airlines in Star Alliance offer 16,500 daily departures to 159 countries.

Number of airlines	21
Regional carriers	3
Number of destinations	975
Number of passengers	493 mill.

Customer benefits

The SAS Group's cooperation in the alliance focuses on creating competitive products for frequent flyers. Star Alliance offers customers seamless access to a global network with shorter and quicker transfers at major hubs, a flexible and smooth travel experience and worldwide opportunities for using bonus points. Customers are also offered benefits through loyalty programs such as access to lounges.

Star Alliance

The world's first and biggest airline alliance, Star Alliance was founded in May 1997 by SAS and four other leading carriers. Approved airlines are constantly joining the alliance, and in 2008 Turkish Airlines and Egypt Air became members. At the end of 2008 Star Alliance had 21 full member airlines as well as three regional carriers. SAS Scandinavian Airlines and Blue1 are the SAS Group's two members in Star Alliance. Air India and TAM Airlines are expected to join in 2009. In addition, Star Alliance has invited Continental Airlines and Brussels Airlines to become part of the global network.

Bilateral partnerships

Besides its membership in Star Alliance the SAS Group cooperates with a number of selected airlines on a bilateral basis. Each partnership is aimed at offering SAS Group passengers a wider array of destinations, a smooth travel experience and the opportunity to earn and use bonus points through its loyalty program with a large number of airlines. Since 1995 SAS Scandinavian Airlines and Lufthansa have had a well-developed joint venture for traffic between Scandinavia and Germany. This partnership continued in 2008.

Sustainable development

Star Alliance has concluded an agreement with three international organizations, including UNESCO. The purpose of the initiative is to help bring about prudent use of natural resources in all countries and regions that Star Alliance members serve by taking responsibility and contributing to economic, social and environmental sustainability. In December 2008 Star Alliance prepared guidelines for its members for how members are to work on and promote fundamental human rights, labor rights, free competition and reduced environmental impact. pp. 100-124

Antitrust immunity - Continental Airlines

SAS, United, Air Canada, Lufthansa, Austrian, TAP, LOT, Swiss and bmi submitted a joint application in July to the U.S. Department of Transportation for multilateral immunity from U.S. antitrust rules concerning cooperation between Continental Airlines and the other carriers in Star Alliance that already enjoy immunity among themselves for traffic over the North Atlantic. Although the process is likely to take a long time, it is expected to be completed before Continental becomes a full member of Star Alliance.

Star Alliance hubs

Europe
Vienna, London (Heathrow), Manchester, Warsaw, Frankfurt, Munich, Copenhagen, Oslo, Stockholm, Madrid, Barcelona, Zurich, Geneva, Basel, Lisbon, Istanbul, Ankara

Africa
Cairo, Johannesburg

North America
Toronto, Montreal, Vancouver, Chicago, Denver, San Francisco, Los Angeles, Washington, D.C., Charlotte, Philadelphia, Phoenix, Pittsburgh, Las Vegas

Asia & Oceania
Auckland, Beijing, Guangzhou/Shenzhen, Mumbai, Delhi, Tokyo, Osaka, Nagoya, Seoul Incheon, Shanghai, Singapore Changi, Bangkok, Chiang Mai, Phuket, Hat Yai

For more facts, see p. 54

Around the world in 42 hours	Airline	Travel time
Trondheim-Seattle	SAS	13 hrs. and 35 min.
Seattle-Vancouver	Air Canada	50 min.
Vancouver-Beijing	Air Canada	11 hrs. and 40 min.
Beijing-Moscow	Air China	8 hrs. and 10 min.
Moscow-Trondheim	SAS	6 hrs. and 55 min.
Total travel time		**42 hrs. 50 min.**

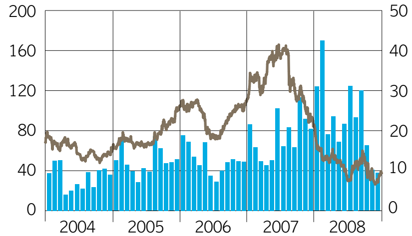

“My company benefits from SAS Credits”

A key part of communication with the capital market is the continuous reporting of earnings, such as the Annual Report, interim reports and monthly traffic figures. In connection with quarterly reports SAS holds press and telephone conferences along with analysts' meetings. During the year the Group also held a large number of investor meetings and presentations for investment clubs.

Financial strategies

- Financial flexibility is maintained through high liquidity, good access to funding and an active dialog with the capital market along with open reporting and a sound information policy.
- The job of finance operations is to identify, manage and handle the Group's financial risks.
- Since the aircraft fleet is regarded as a financial asset, optimization of fleet financing is achieved by taking operating efficiency requirements, tax effects, financing costs, capital employed, and market value into consideration.
- Jet fuel and currency exposure are hedged, which complements the financial strategies with the aim of providing the SAS Group with increased adaptability to deal with sudden changes.

SAS Group's share price performance and trading volume



Trading on the Copenhagen, Oslo & Stockholm exchanges
Closing (daily) price in SEK *Source: Reuters and the SAS Group*

Profitability targets

The SAS Group's overall objective is to create value for its shareholders over a business cycle. The SAS Group's profitability target is an EBT margin of 7%. This is equivalent to income before tax of SEK 3.5 billion based on Core SAS activities implemented on 2008 revenue.

IR/information policy

The Group's IR/information policy is established by SAS AB's board. Investors and capital market players are to be provided with prompt, relevant and timely information on the company's performance with a focus on enhancing shareholder value and describing how sustainability-related issues help to create that value. The complete IR policy can be found under Investor Relations at www.sasgroup.net

Dividend policy

The SAS Group's annual dividend is determined by taking into account the Group's earnings, financial position, capital requirements and relevant macroeconomic conditions. Over a business cycle the dividend is to be in the region of 30-40% of the Group's income after standard tax. To protect the Group's financial position, no dividend is paid as a rule in the event of a loss.

Dividend

The Board is proposing to the Annual General Shareholders' Meeting that no dividend be paid to SAS AB's shareholders for the 2008 fiscal year. The reasoning behind this proposal is the weak financial position and cash flow of the SAS Group, which is why it is essential to have financial scope at our disposal to manage future restructuring and investment.

Taxes

Going forward, the SAS Group's cash flow will be positively impacted by approximately MSEK 4,600 in unutilized tax loss carryforwards in continuing operations. Deferred tax assets have been recognized for approximately 76% of the accumulated loss carryforwards.

Reporting of pension plans

IAS 19 permits the postponement of recognizing actuarial gains and losses arising during the year by amortizing accumulated actuarial gains and losses that exceed the higher of 10% of the commitment or the funded amount over the average remaining period of employment, which SAS estimates is 15 years.

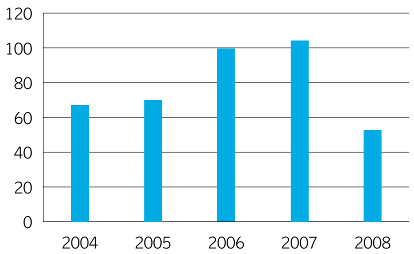
At the beginning of 2008, the accumulated, unrecognized actuarial gains and losses amounted to approximately SEK 8 billion. Against the backdrop of a weak stock-market trend in 2008, the deviation increased by approximately SEK 1.5 billion due to lower returns of an average of 5 percentage points. In addition, the discount rate had to be lowered by 1 percentage point in Sweden and Norway. Salary adjustments in Norway were also reduced by 1 percentage point to 3%. Jointly, these changes led to an increased deviation of SEK 2.3 billion. The deviation will be amortized in future years at about SEK 0.6 -0.7 billion per year. Any improvements in returns on assets in the pension schemes will reduce the actuarial gains and losses.

IAS 19 is being revised and a discussion paper has been released by the IASB. The proposed changes, which mean that actuarial gains and losses may no longer be amortized over the remaining average period of service, but continuously recognized directly in equity or recognized in the income statement, will probably come into effect on January 1, 2012, at the earliest. As a result of this change, accumulated actuarial gains and losses existing on the effective date of the revised IAS must then be recognized in their entirety in shareholders' equity. For detailed information see Note 17 p. 79

The share

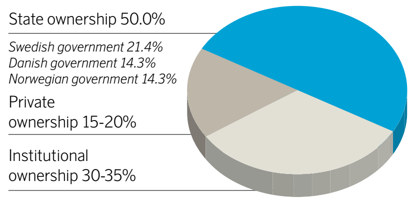
The SAS Group had 35,695 (29,053) registered shareholders on December 31, 2008. The total institutional holding is 80-85%, including state ownership. The portion held by private individuals is approximately 10-15%. The largest individual owners are the Danish, Norwegian and Swedish governments.

SAS Group's net worth per share
SEK



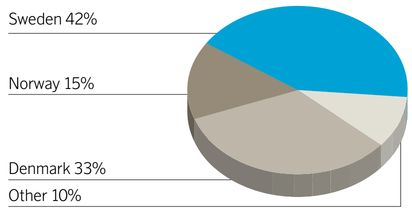
Sources: Stockholm Stock Exchange and the SAS Group

SAS Group share capital
Per owner group



In 2008, the SAS Group's number of owners increased slightly along with the share of private owners.

SAS Group share capital
Per country



90% of SAS AB is owned by shareholders in Scandinavia.

Share return

The SAS share had a negative return of 54% in 2008, weighted down by historically high oil prices, the global financial crisis and slowing economy, the effects of the Q400 accidents in 2007 and the overcapacity in the airline industry.

Share risk

2008 was a year in which a very high level of uncertainty prevailed in the financial markets. This was reflected in historically high stock volatility around the globe. The SAS share, which has a historically higher risk than its comparative index, showed a volatility of 32.7% in the past three years.

Beta value

A share with a beta value that is higher than 1 indicates that the share is more sensitive to market fluctuations than the average share. A beta value lower than 1 indicates that it is less sensitive than the average share. The SAS share's historic beta value, based on its July 2001 price, was 1.33% on December 31, 2008. The beta value is measured relative to the FTSE World Market Index.

Trading

The SAS share can be traded on the stock exchanges in Stockholm (primary listing), Copenhagen and Oslo through brokers such as banks and stockbrokers or through online brokers such as Avanza, Nordnet, E-trade, etc.

Liquidity and Index

Compared with the previous year the number of shares traded increased in 2008 due to considerable trading in the beginning of the year. At the end of 2008 trading fell owing to generally lower interest in shares in the wake of the global financial crisis. On the Stockholm Stock Exchange the volume of SAS shares traded increased by 24%, with the Copenhagen bourse increasing by 21%, and the Oslo Stock Exchange by 18%. In all, trading increased by 23%. Adjusted for the three Scandinavian governments' 50 percent share of the SAS Group, trading equaled 335% (272%) of outstanding shares. In 2008 the breakdown of trading between the stock exchanges was as follows: Stockholm 67%, Copenhagen 30% and Oslo 3%.

Total trading in 2008 amounted to SEK 9.1 (19) billion, a decrease of 52% compared with 2007.

Besides indexes in Nordic trading centers, the SAS share is included in around 100 stock market and sustainability stock indexes. Examples of indexes are the Dow Jones STOXX Index, Morgan Stanley International and S&P/Citigroup BMI. The Group is included in some environmental indexes, such as Ethibel and EIRIS, which evaluate the ability of companies to successfully combine business activities with environmental work.

Public ownership

Holdings in Scandinavia amount to approximately 90%, with Sweden accounting for 42%, Denmark 33% and Norway 15%. Holdings outside the EEA are less than 6%, of which 2.4% are in the U.S. A list of the largest shareholders is shown in the table. See p. 26

Analysts who monitor SAS

Scandinavian share analysts	Contact
ABG Sundal Collier	Lars Heindorff
Carnegie	Erik Gustafsson
SEB Enskilda	Steven Brooker
First Securities	Hans Erik Jacobsen
Handelsbanken	Fasial Kalim Ahmad
Jyske Bank	Karsten Sloth
Orion Securities	Alexander Solovjov
Nordea	Finn Bjarke Petersen
Sydbank	Jacob Pedersen

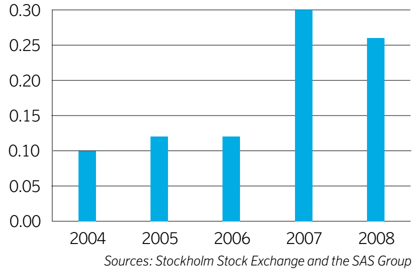
International share analysts	Contact
ABN Amro	Andrew Lobbenberg
Citigroup	Andrew Light
Davy Stockbrokers	Stephen Furlong
Dresdner Kleinwort	Andrew Evans
Goldman Sachs	Hugo Scott Gall, Julia Winarso
Morgan Stanley	Penelope Butcher

Sustainability analysts	Contact
Storebrand Kapital	Hege Haugen
Robur	Anna Nilsson
GES Investment Services	Martin Persson

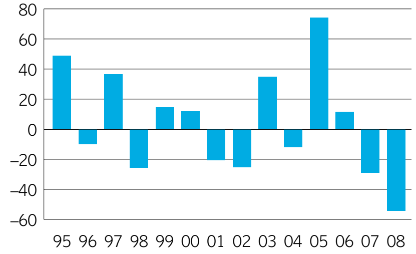
Share data

Share price performance
The SAS share and a European industry average 2008
Index = 100

Share of total trading, SEK, of SAS Group shares on the Stockholm Stock Exchange, 2004-2008
%



SAS Group, long-term annual total return of the share
%



Share-related key data, SEK	**2008**	2007	2006	2005	2004
Market capitalization, mill.	**6,235**	13,654	19,164	17,190	9,870
No. of shares traded, mill.	**275.5**	223.8	153.6	150.0	100.8
No. of shares, mill.	**164.5**	164.5	164.5	164.5	164.5
Revenue/share	**323.37**	307.59	304.88	337.39	353.15
Earnings per share	**–38.08**	3.87	28.10	1.06	–10.70
Cash flow from operating activities/share	**–16.12**	17.42	12.78	9.16	–8.75
Dividend	**0.00**	0.00	0.00	0.00	0.00
Dividend as % of earnings after tax	**0%**	0%	0%	0%	0%
Book equity/share	**52.78**	104.13	99.49	69.93	67.09
Average price	**46.4**	131.4	96.1	75.6	61.7
Dividend yield, average price	**0.0%**	0.0%	0.0%	0.0%	0.0%
P/E ratio, average	**neg**	34	3	71	neg
P/CE ratio, average	**neg**	8	8	8	neg
Total assets/share	**263.61**	296.47	311.03	352.68	351.37

Price-related key data, SEK	**2008**	2007	2006	2005	2004
Market capitalization/equity at year-end	**72%**	80%	117%	142%	88%
Share price at year-end	**37.9**	83.0	116.5	104.5	60.0
Highest share price during the year	**82.25**	167.5	116.5	104.5	79.5
Lowest share price during the year	**26.7**	83.0	72.25	62.5	48.4

Change in share capital*	Event	No. new shares	Total no. of shares	Par value /share SEK	Nominal share capital
2001-05	Company registration	50,000	50,000	10	500,000
2001-07	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
2001-08	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
2002-05	New share issue	2,683,604	164,500,000	10	1,645,000,000

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

Distribution of shares Dec. 31, 2008	No. of shareholders	No. of votes	% of share capital	% of all shareholders
1-500	23,362	4,615,634	2.8%	65.5%
501-1,000	6,037	4,719,523	2.9%	16.9%
1,001-10,000	5,838	15,199,055	9.2%	16.4%
10,001-50,000	320	6,425,761	3.9%	0.9%
50,001-100,000	57	4,257,477	2.6%	0.2%
100,001-	80	124,911,827	75.9%	0.2%
Unknown owners		4,370,723	2.7%	
Total	35,694	164,500,000	100.0%	100.0%

Top 15 shareholders in the SAS Group*

December 31, 2008	No. of shares	Holding
Swedish government	35,250,000	21.4%
Danish government	23,500,000	14.3%
Norwegian government	23,500,000	14.3%
Knut and Alice Wallenbergs Foundation	12,427,980	7.6%
Unionen	3,518,200	2.1%
Danmarks Nationalbank	2,289,294	1.4%
Andra AP-fonden	1,765,745	1.1%
Första AP-fonden	1,581,259	1.0%
Livförsäkringsaktiebolaget	1,282,916	0.8%
LBPB Nominees ltd	936,000	0.6%
Fjärde AP-fonden	758,600	0.5%
Swedbank Robur småbolagsfond Sverige	674,035	0.4%
SSB CL Omnibus ac om03 (0 pct), pension fund	668,048	0.4%
SSB CL Omnibus ac om07 (15 pct)	623,859	0.4%
Folksam ömsesidig livförsäkring	591,199	0.4%
Other shareholders	55,132,865	33.5%
Total	164,500,000	100.0%

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

Trading codes- share distribution, ISIN code SE0000805574

SAS AB	Reuters	Bloomberg	Share distrib.
Stockholm	SAS.ST	SAS SS	83 mill.
Copenhagen	SAS.CO	SAS DC	55 mill.
Oslo	SASNOK.OL	SAS NO	26 mill.

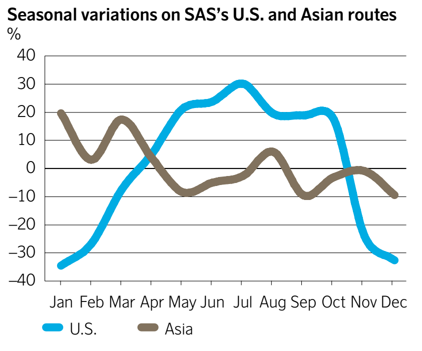
Shareholders per exchange	**2008**	2007	2006
Stockholm	**5,542**	4,870	4,793
Copenhagen	**28,663**	22,586	17,891
Oslo	**1,489**	1,597	1,572
Total	**35,694**	29,053	24,256

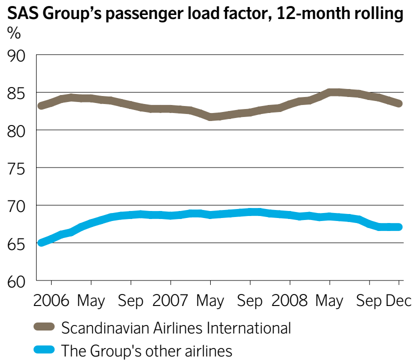
No. of shares traded on respective exchange (million)	**2008**	2007	Difference
Stockholm	**183.5**	147.5	24%
Copenhagen	**84.0**	69.6	21%
Oslo	**7.9**	6.7	18%

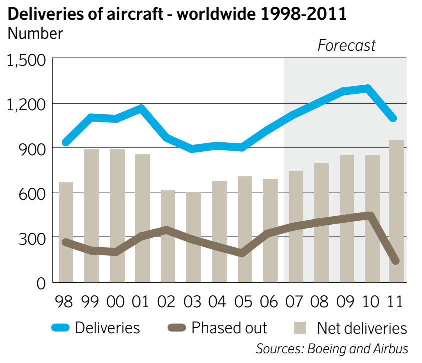
Source: Reuters.

External factors, cycles and trends

2008 will go down as one of the worst years in the history of the airline industry. The global financial crisis with record-high oil prices, the unprecedented volatility of the dollar and receding demand combined to put a chokehold on the economy. The airline industry is undergoing considerable turmoil and overcapacity has caused competition to grow fiercer and the majority of airlines have been hit by huge problems and the threat of bankruptcy.







In the fall of 2008, a now far-advanced deflationary spiral in the U.S. housing market resulted in a global financial crisis. This was caused when subprime mortgages extended to groups of U.S. consumers with poor credit were resold to the financial market and spread throughout the financial system. The cost of borrowing capital rose sharply within a short period and this had a substantial impact on real economic growth, precipitating warnings and slower growth. The downturn hit the capital-intensive airline industry particularly hard. In 2009 the airline industry is scheduled to pay USD 70 billion to various aircraft manufacturers. At the same time the demand for airline industry services has shrunk tangibly.

Forecast and capacity changes

A major profitability factor the airline industry has in achieving a balance is its ability to change the seat capacity available in the market. Globally, just over 1,200 aircraft were delivered in 2008 while 350 were withdrawn from service. This is equal to a net increase of 4% of the world's total aircraft fleet.

2008 was also a year marked by extensive capacity cutbacks in the airline industry. In 2008 the SAS Group decided to reduce its capacity by 10%. In the industry, the capacity of European network airlines fell 1% in the fourth quarter after major adjustments were made in response to the historically high price of oil and weakening economy.

Seasonal variations and capacity management

The airline industry is increasingly adjusting its capacity and flight schedules in line with seasonal swings in demand. In general, demand is low in SAS Group markets from December to February and high from April to June and September to November.

Demand can also deviate from the normal seasonal pattern and take different paths in the Group's markets. SAS has gradually developed sophisticated methods to dynamically adjust capacity to demand on a monthly and weekly basis, for example in connection with major holidays.

The SAS Group's strategy for capacity allocation on the intercontinental routes has also increased seasonal adjustments.

Geographic exposure

The SAS Group can be regarded as having a certain amount of diversification since it has three home markets. However, these economies covary considerably. Economic exposure in 2008 deteriorated substantially in the countries where the SAS Group is primarily exposed.

Future global trends

The macroeconomic outlook is dismal both globally and in SAS's own home market. GDP development in the Nordic countries is expected to be negative in many countries in 2009. Other macroeconomic parameters with a high correlation to the airline industry are also expected to deteriorate. Negative growth is anticipated in 2009 in large parts of Europe and the U.S. The recession will be met by capacity changes in the airline industry.

Weaker growth is expected to dampen inflation, leading to major interest rate cuts that will eventually serve to stimulate growth.

The aircraft fleet and future strategy

SAS strives to create a market-adapted and flexible fleet by varying its composition. The fleet consists of aircraft with from 39 up to 264 seats and a wide range of ages. This variation in size and age creates great flexibility, enabling SAS to adapt cost-effectively to its markets.

Average age of aircraft fleet

Company	No. of years
AEA (Including subsidiaries)	10.5
Air France/KLM Group	10.0
British Airways	11.2
Cimber Air	11.2
Finnair	6.3
Lufthansa Group	11.3
Malmö Aviation	14.7
Norwegian	13.8
SAS Group	12.2
SAS Scandinavian Airlines	12.3

Sources: Ascend Worldwide Ltd (in-service aircraft), SAS's internal database

High degree of flexibility

Aircraft can be leased on either a "dry lease" or "wet lease". A wet lease means that the aircraft and crew are leased while a dry lease involves leasing just the aircraft. As of December 31, SAS had dry leases for 162 aircraft and over the next three years approximately 100 of these leases will expire, providing great flexibility.

Well-suited fleet

The SAS Group has a number of different needs to take into consideration in regard to aircraft type, age and size. Widerøe flies three sizes of turboprop aircraft to serve the Norwegian market. Blue1 uses regional jets for Finnish domestic flights and has larger aircraft for the routes between Helsinki and major European cities. Scandinavian Airlines has only jet aircraft. Bigger traffic flows require larger jets.

The oldest aircraft in the SAS aircraft fleet has leasing costs amounting to 20-25% of the leasing cost of new aircraft.

Reductions in the SAS aircraft fleet

In connection with the introduction of Profit 2008 in April, it was decided that SAS would reduce its fleet starting the fall of 2008. Since reductions have taken place more quickly than SAS could dispose of the capacity, 19 aircraft, of which 12 were Q400s, were parked at year-end. Decisions regarding further cutbacks will be made in connection with Core SAS and according to plans a total of 20 aircraft will be withdrawn from service in 2009. Of these, 14 aircraft are in addition to already announced cutbacks under Profit 2008.

Replacement of the Q400

After three accidents with the Q400 in the fall of 2007, SAS decided that Scandinavian Airlines would stop flying the Q400. A total of 27 Q400s in the Group were removed from service. Replacement aircraft have been obtained through purchases and leases. Two of the three Q400s involved in the incidents have been scrapped and repairs to the third will be completed the first quarter of 2009. In 2008 the other 24 Q400s underwent modifications and were put up for sale. Thirteen were either sold or leased out, and SAS reckons the remaining 12 aircraft will be sold or leased out during the first half of 2009.

Aircraft deliveries and orders

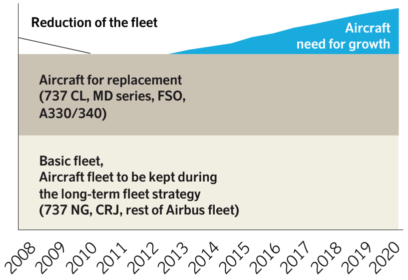
In 2008 SAS took delivery of three new 737-800s, two 737-600s and a new CRJ900. Widerøe leased four Q400NGs and five MD-87s

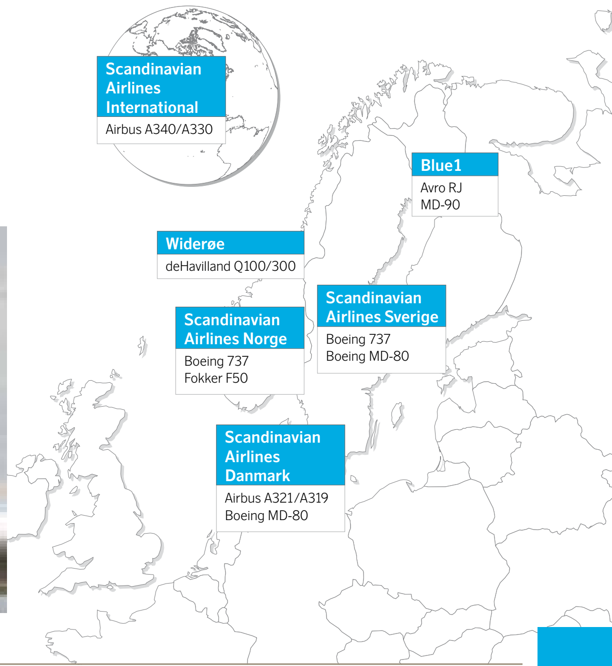
Tailored, flexible fleet

Hub	Description	Number of aircraft 2008	Number of aircraft 2010 (Core SAS)
Copenhagen Airport	Limited domestic traffic Large traffic flows on European and intrascand routes Feeder traffic to/from OSL and STO	37 short-haul aircraft 14 regional jets	29 short-haul aircraft 17 regional jets
Oslo Airport Gardermoen	Large traffic flows on many domestic services Large traffic flows on European and intrascand routes	55 short-haul aircraft 6 turboprops [1]	48 short-haul aircraft
Stockholm Arlanda	Large traffic flows in domestic traffic Large traffic flows on European and intrascand routes	39 short-haul aircraft 1 regional jet	36 short-haul aircraft
Long-haul	Traffic to Asia and North America	11 long-haul aircraft	9 long-haul aircraft
Widerøe	Mainly domestic traffic to small towns in Norway	36 turboprops	35 turboprops
Blue1	Domestic traffic in Finland Traffic to Scandinavia and Europe	5 short-haul aircraft 6 regional jets	5 short-haul aircraft 5 regional jets

Excluding wet leases (except CPH). [1] *Transferred to Widerøe 2010.*

Long-term fleet strategy
Number





were purchased to temporarily replace the Q400s. To permanently replace the Q400, SAS ordered 16 new aircraft in early 2008. Twelve CRJ900s have been ordered for SAS Danmark and six Q400 NGs for Widerøe. Furthermore, SAS has two 737-800s and two 737-700s on order that will be used in Scandinavian Airlines.

Advantageous capital costs and low operating costs

Mainly MD-80s and 737 Classics will be replaced during the plan period. Since these aircraft have a remaining lifetime of 10-15 years and are economical to operate there is considerable flexibility concerning the timing of their replacements.

Compared with aircraft built today, the MD-80 has approximately a 10% lower unit cost with a fuel price of USD 700 per MT (equivalent to a crude oil price of USD 70 per barrel). The reason for this cost advantage for the MD-80 is that higher costs for fuel and maintenance are well compensated by the considerably lower capital costs that the MD-80 has compared with new aircraft. From a level of USD 700/MT the price of fuel can double without the MD-80 becoming more expensive per seat.

Low investment need in the medium term

As a result of the capacity cutback decisions made in 2008 and 2009 there will be a quick drawdown of the number of MD-80s and older type of Boeing 737s. At the end of 2009, it is estimated that SAS will have approximately only 40% of its original MD-80 fleet. MD-80s and 737 Classics will be replaced by either Boeing 737NGs or Airbus A320s or Bombardier C series, the first of which will be delivered in 2013. Neither Airbus nor Boeing now has plans before 2015 to introduce new aircraft for short- and medium-haul flights. The replacement of older aircraft will depend on the emergence of new technology. SAS's current aircraft fleet provides ample opportunity to hold off replacement until better aircraft have been developed. Replacing 737 Classics and MD-80s with current aircraft would not provide any economic advantage generally speaking. The majority of future aircraft replacements will start in 2014.

SAS Group's total aircraft fleet

At Dec. 31, 2008	Average age	Owned	Leased	Wet leased	Total	Leased out	Order
Airbus A330/340	6.6	5	6	0	**11**	0	
Airbus A321/A320/A319	5.5	4	10	0	**14**	2	
Boeing 737 Classic	16.0	0	17	0	**17**	0	4
Boeing 737 NG	8.2	22	43	0	**65**	4	
Boeing 717	8.4	0	5	0	**5**	5	
Douglas MD-80-series	19.4	17	44	0	**61**	12	
Douglas MD-90-series	11.9	8	0	0	**8**	3	
Avro RJ-70/-85/-100	10.5	0	6	4	**10**	0	
Fokker F50	18.7	0	6	0	**6**	0	
deHavilland Q-series*	10.6	22	25	0	**47**	5	6
BAe 146	22.2	0	0	2	**2**	0	
SAAB2000	11.8	0	0	2	**2**	0	
Bombardier CRJ200	8.5	0	0	6	**6**	0	
Bombardier CRJ900 NG	0.1	1	0	0	**1**	0	11
Total	12.2	79	162	14	**255**	31	21
By airline							
SAS Scandinavian Airlines	12.3				**181**	31	15
Widerøe	12.2				**30**		6
Blue1	9.6				**13**		
Leased out aircraft	13.0				**31**		
Total	12.2				**255**	31	21

** Includes 12 deHavilland Q400s withdrawn from service.* Technical information about the fleet p. 126

Risks, risk management and sensitivity analysis

SAS Group's risk management includes both newly arising risks and known risks such as changes in the price of oil or currency fluctuations. The Group operates internationally and is exposed to various currencies. The SAS Group monitors and manages comprehensive risks centrally. All handling of the SAS Group's financial risks takes place centrally.

Risks and risk management

The airline industry is exposed to external factors, which is why great flexibility in the cost structure is strategically important for dealing with the decline in demand. Flexibility is ensured through an even distribution of aircraft leases, alternative production models (wet lease for expansion), flexible agreements, improved planning processes and volume-variable agreements.

The Group is also exposed to IT and payment security risks along with public confidence risks relating to safety and the environment, see p. 19

Impact of jet fuel prices

The average record-high price of oil in 2008 represented approximately 25% higher costs for the SAS Group. In all, the cost of the Group's jet fuel amounted to SEK 9.6 billion, which was partly offset by capacity reductions and changed traffic program along with the introduction of a fuel surcharge.

How is the SAS Group handling the volatility of the price of oil?

Increasing volatility of the price is matched by higher option prices and hedging costs. The SAS Group's hedging strategy is to avoid locking in too much of its estimated consumption at a high price since the price tends to change quickly. SAS is endeavoring to have a large variable component where instead of a lock-in risk there is a premium cost. SAS's hedging strategy helped mitigate the effects of the record-high fuel prices quoted in 2008.

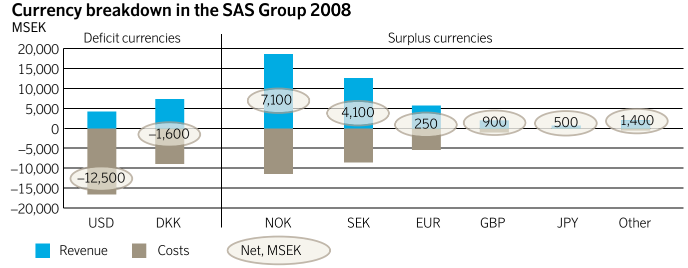
In 2008, SAS hedged 53% of its fuel consumption, lowering costs by MUSD 155.6. The performance of the U.S. dollar affects SAS's fuel cost since fuel prices are set in USD.

Risk management

Operating risk	Explanation and action
Jet fuel price	The SAS Group annually hedges between 40-60% of its anticipated fuel consumption. This is done mainly to create time to adjust operations and prices, which is important due to the high volatility demonstrated by oil prices in recent years. Increasing the degree of hedging can be costly due to the extreme up and down volatility of fuel prices.
Insurance coverage	The SAS Group's airline insurance contracts are of the all risks type and cover the aircraft fleet, spare parts and other technical equipment as well as liability exposure associated with airline operations. Airline insurance costs fell in 2008 by slightly more than 22% and amounted to approximately MUSD 21 (27).
External factors	The Group is active in several markets and is therefore affected by different economic cycles, mitigating the Group's exposure. Exposure to large global trends and events is, however, unavoidable. Economic growth in 2008 was low in the countries where the SAS Group is primarily exposed. The Group follows expected developments and adjusts its production to ensure the correct capacity in the market.

Financial risk	Explanation and action
Interest rate sensitivity	The SAS Group is a net borrower and thus benefits from lower interest rates. With a one percent reduction of the average interest rate the SAS Group's net annual interest cost would be positively impacted by MSEK 80. The average term for the Group's interest-bearing liabilities in 2008 was 2.6 years.
Refinancing risk /Liquidity risk	Refinancing risk concerns the risk of SAS not being able to finance its operations. Ensuring this requires a sound financial position and active measures to ensure access to credit. In December 2008, the Group's cash and cash equivalents amounted to MSEK 5,783 and MSEK 3,042 in unutilized credit facilities. Its objective is for financial preparedness to equal 20% of the Group's annual revenues.
Credit risk	Credit risks are distributed among many actors and are minimized by entering into transactions only with parties with high creditworthiness. SAS invests cash and cash equivalents mainly in Swedish government securities, certificates of deposit and mortgaged-backed bonds with short terms and good liquidity.
Currency risk	The Group is active internationally and is exposed to different currencies. Transaction risk arises during exchange rate fluctuations that affect the amount of commercial revenues as well as costs and operating income. Currency exposure is managed by hedging on an ongoing basis 60-90% of the Group's surplus and deficit currencies based on a 12-month rolling liquidity forecast. The Group has a net deficit, mainly in USD and DKK. In 2008 the USD strengthened against the Group's largest surplus currencies, SEK and NOK, but weakened against the EUR.

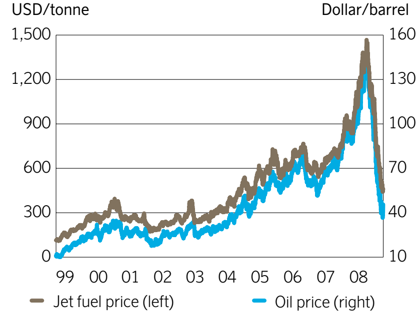
Currency breakdown in the SAS Group 2008



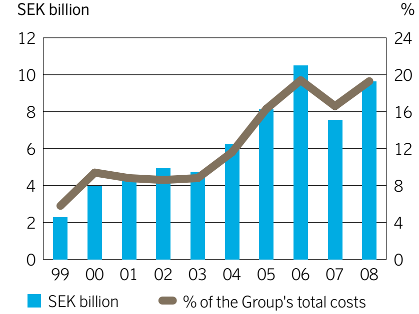
Jet fuel hedging 2009	Q1	Q2	Q3	Q4
Swaps	12%	17%	13%	4%
Price (USD/tonne)	1,046	1,208	1,188	1,165
Options *	33%	27%	14%	14%
Redemption price (USD/tonne)	993	1,112	1,084	831
Zero Cost Collar	11%	19%	14%	4%
Average ceiling price	1,280	1,220	1,165	1,125
Average floor price	1,007	996	985	978

** Pertains to the full-year values for SEK/USD and the jet fuel price per tonne. The SAS Group's hedging of jet fuel at December 31, 2008 was taken into consideration.*

Jet fuel price vs. crude oil price



SAS Group's jet fuel costs



What drives prices?

The price of oil skyrocketed by more than 130% in the 12 months up to June 2008. Factors at work included interest rate cuts and political turmoil.

The long-term market opinion concerning oil is that increased demand in growth countries and lower supplies can lead to even higher prices. In the last five years, the supply of oil has increased by about 2% per year. One of the factors partly responsible for driving up the price of oil is speculation. Oil has become increasingly popular as an alternative investment.

Estimated jet fuel cost 2009 SEK bill [1]

Full-year value	7.0 SEK/USD	8.0 SEK/USD	9.0 SEK/USD
200 USD/tonne	5,103	5,832	6,561
400 USD/tonne	6,426	7,344	8,262
600 USD/tonne	7,749	8,856	9,963
800 USD/tonne	9,072	10,368	11,664

[1] *Excluding capacity reductions in Core SAS.*

Financial hedging of the price of oil

To minimize risks and control fuel costs the SAS Group uses primarily two financial instruments: swaps and capped options:

→ *Swap* - Usually no premium cost.

Example: SAS buys a swap or forward contract for USD 1,000/tonne for one month. If the price exceeds USD 1,000 during the month SAS gets back the difference. If the price falls below USD 1,000 SAS pays the difference.

→ *Capped option* - Often has high premium costs.

Example: SAS buys a one-month capped option for USD 1,300/tonne for a premium of USD 90 USD/tonne. If the price rises above USD 1,300 SAS receives the difference. If the price rises to USD 1,400 SAS's price will be USD 1,390 incl. premium costs. If the price drops to USD 1,000 there is no payment apart from the USD 90 previously paid and the price will then be USD 1,090/tonne.

→ *"Zero Cost Collar" combination*

Hedges the price within a range at no cost. Many other airlines hedge purchases in oil but then run the risk of the refinery margin increasing.

SAS Group's sensitivity analysis

Approximate relations between main operational key figures for Scandinavian Airlines and the SAS Group's financial and environmental results. While the impact on earnings cannot be totaled it illustrates the earnings sensitivity (excluding hedging of currency and fuel) for Scandinavian Airlines and the Group, respectively, in the current situation.

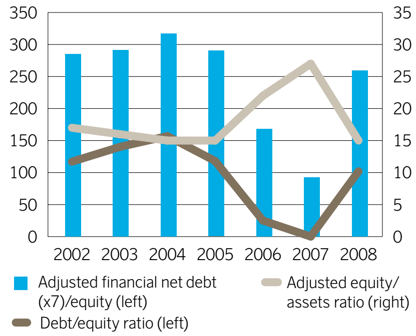
Airline operations, annual effects		SAS Scandinavian Airlines	Group total
Passenger traffic	1% change in RPK, MSEK	270	300
Passenger load factor	1 percentage point change in passenger load factor, MSEK	390	450
Unit revenue (Yield)	1% change in passenger revenue per passenger km, MSEK	340	380
Unit cost	1% change in airline operations' unit cost, MSEK	320	360
Jet fuel	1% change in the price of jet fuel, MSEK	88	96
	1% change in consumption of jet fuel, equivalent tonnes of CO_2 (000)	41	62

Net currency effect and interest rate sensitivity, MSEK		
Revenues and costs	1% weakening of SEK against USD	–120
	1% weakening of SEK against NOK	70
	1% weakening of SEK against DKK	–15
	1% weakening of SEK against EUR	<5
	1% weakening of SEK against JPY	5
	1% weakening of SEK against GBP	10
	1 percentage point decline in average interest rate	80

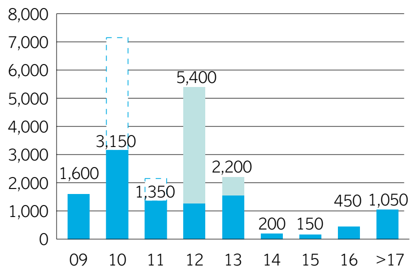
Financing, investment, liquidity and capital employed

The SAS Group has a high level of financial preparedness in the form of cash and cash equivalents, short-term investments and contracted unutilized credit facilities since its risk of exposure to external events is high. The goal is for financial preparedness to amount to at least 20% of the Group's revenues, with at least half in cash and cash equivalents.

Debt/equity ratio and adjusted equity/assets ratio



Amortization of interest-bearing liabilities, Dec. 31, 2008, MSEK



At the beginning of 2009 the SAS Group renegotiated SEK 6.5 billion worth of facilities expiring in 2010-2011 to 2012-2013. The graph shows the movement of the utilized portion.

Airline industry ratings

	Moody's	Standard & Poor's
Southwest Airlines	Baa1	BBB+
Qantas	Baa1	BBB+
ANA	Baa3	BB+
Lufthansa	Baa3	BBB
British Airways	Baa3	BBB–
Japan Airlines	Ba3	B+
SAS Group	B2	B
Northwest Airlines	B2	B
Delta Air Lines	B2	B
Continental	B2	B
American Airlines		B–
United Airlines		B–
US Airways		B–
Air Canada	C	B

Financing

The SAS Group uses commercial paper, bank loans, bond issues, subordinated loans and leasing as sources of financing. In 2008 revolving credit facilities equivalent to a total of MSEK 5,500 were utilized. Other borrowing during the year came to MSEK 1,000, of which approximately MSEK 650 was raised through a commercial paper issue. Proceeds from sales of aircraft amounted to a total of MSEK 1,834.

At the opening of 2008 the Group had MSEK 6,098 in unutilized credit facilities. Two new credit facilities totaling MSEK 2,620 were contracted, where one is linked to MUSD 213 in future aircraft purchases at Bombardier and the other is a 5-year facility. At the end of 2008 the Group had contracted credit facilities of MSEK 9,737, of which MSEK 3,042 (6,098) was unutilized.

At the end of 2008 the Group's interest-bearing debt amounted to MSEK 16,117 (12,042), of which approximately MSEK 1,600 matures in 2009. After adjustments for the effect of a weaker Swedish krona, the increase amounted to MSEK 2,240. Amortization for the year amounted to MSEK 4,260 and financing of these amortizations to MSEK 6,500. In June, the Group repaid approximately MSEK 3,700 on bonds.

The capital market uses a multiple of seven in calculations of relevant key figures, including in regard to debt/equity ratios. In the loan market, the present value calculation is more relevant since it measures contracted leasing commitments. At the end of 2008, the Group's capitalized net leasing cost (x 7) was MSEK 13,573 (14,462) and the present value of the leasing contracts was MSEK 9,305 (8,795).

Fixed rate period

On December 31, 2008, the SAS Group's financial net debt amounted to MSEK 8,912. Its objective is to keep the average fixed rate period of its financial net debt at 3.5 years. Various derivative instruments such as long-term interest rate swaps, FRAs and futures are used to adjust fixed rate terms. Average fixed rate period during the year was approximately 2.6 years.

Creditworthiness

The SAS Group shall maintain a level of indebtedness that over the long term permits the Group to be viewed as an attractive borrower. The goal is to have an "Investment Grade" credit rating. The Group has targets for equity/assets and debt/equity ratios. The adjusted equity/assets ratio deteriorated in 2008, amounting at year-end to 15% (27%).

The financial net debt of MSEK 8,912 increased by MSEK 7,681 during the year. At the end of 2008 the SAS Group's lease-adjusted financial net debt (7 x annual leasing costs) relative to shareholders' equity was 259% (92%).

The SAS Group is rated by three credit rating agencies. During the year Standard and Poor's changed their rating from a long-term rating of BB with negative outlook to B. Moody's rating changed during the year from B1 to B2. The Japanese rating institute, Rating and Investment Information Inc, also changed its rating in 2008 from a long-term rating of BB+ to BB–.

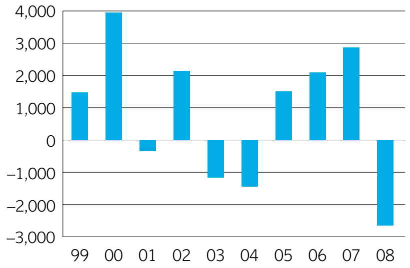
Investment

Investment for the year in continuing and discontinued operations amounted to MSEK 4 ,455 (2,949), of which aircraft, other flight equipment and prepayments accounted for MSEK 3,787. These amounts include the buy-back of 14 Q400s, of which eight were sold during the year and the rest are scheduled to be sold before the second quarter of 2009. In 2008 the SAS Group purchased three new Boeing 737s plus four used Boeing 737s and five used MD-87s. Investment will increase in the future, principally when MD-80s and Boeing 737s are to be replaced.

Environmental investment

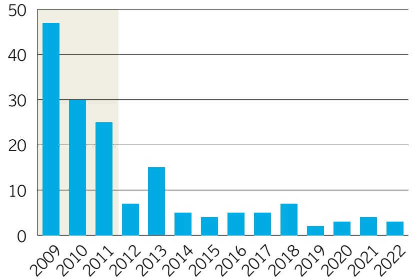
During 2008 the SAS Group's environment-related expenditures amounted to MSEK 17.6 (39). Most of these are attributed to investments in winglets for three new aircraft and five aircraft in the existing Scandinavian Airlines Norge fleet.

Cash flow from operating activities, 1999-2008
MSEK



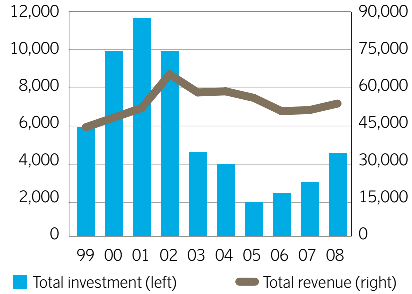
The Group improved its cash flow in 2005-2007. In 2008 it had a negative cash flow due to weak operating income.

Expiration of leases
Number, including wet leases



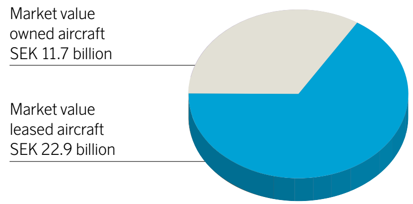
The Group has a high degree of flexibility in its leases. In 2009-2011 around 100 leases with extension options will expire.

Total investment and revenue, 1999-2008
MSEK MSEK



Excluding Spanair and airBaltic for 2007 and 2008.

Breakdown of the SAS Group's total aircraft fleet
As of December 31, 2008



31% of the Group's aircraft are owned. They represent 34% of the total market value of the aircraft fleet.

Distribution of owned and leased aircraft

At December 31, 2008, the market value of the SAS Group's owned and leased aircraft amounted to approximately SEK 34.6 (39.4) billion. The Group has guidelines concerning the composition of owned and leased aircraft. Important criteria are assessments of capital costs, residual value risk and operational flexibility. The SAS Group decides whether to own or lease on the basis of its fleet policy:

- *Operational flexibility.* The norm is that 75% of the fleet is to be leased, and that it should be possible to sell 10% of the fleet each year.
- *Market value risks.* Owned aircraft should have a high residual value and be readily leased or sold. The norm is to own aircraft valued at under MSEK 18,000.
- *Interest risks, management of floating and fixed interest rates.* A 1% interest rate increase must not yield increased annual leasing costs of more than MSEK 135.

Financial preparedness

On December 31, 2008, financial preparedness amounted to MSEK 8,825, of which cash and cash equivalents came to MSEK 5,783 and unutilized credit facilities MSEK 3,042. This provides a financial preparedness level of 17%. The SAS Group's cash and cash equivalents shall be held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P–1 according to Moody's.

Working capital

SAS attempts to optimize, manage and follow up working capital by:

- Engaging in projects that aim to release capital.
- Requiring all larger units to report and explain the reasons for major changes in balance sheet items included in working capital.
- Having all companies/units covered by a working capital policy.
- Measuring companies by KPIs in some of the major balance sheet items.

2008's cash flow from operating activities amounted to MSEK –2,651. MSEK –1,849 consists of cash flow from operating activities and MSEK –802 from increased tied-up working capital.

The SAS Group has, where liabilities exceed assets, net working capital of approximately SEK 8.4 (9.2) billion as of December 2008. Working capital deteriorated in 2008 by SEK 0.8 billion.

Credit Facilities, Leasing and Firm Orders

Existing committed credit facilities for the SAS Group at December 31, 2008

MSEK	Total	Utilized	Unutilized	Maturity
Revolving credit facility, MEUR 366	**4,002**	4,002	0	2010
Revolving credit facility, MUSD 156	**1,209**	1,157	52	2011
Revolving credit facility, MNOK 90	**99**	99	0	2011
Revolving credit facility, MUSD 125	**969**	929	40	2013
Bilateral bank facilities	**500**	-	500	2009
Bilateral bank facilities	**500**	-	500	2011
Bilateral bank facilities	**250**	-	250	2010
Credit facility, MUSD 213	**1,648**	165	1,483	2009
Other facilities	**560**	343	217	2009
Total	**9,737**	**6,695**	**3,042**	

Leasing, MSEK	2008
Capitalized leasing costs (x 7)	**13,573**
Leasing costs (NPV)	**9,305**

Aircraft on firm order	Total
CAPEX (MUSD)	**440**
Number of aircraft	**21**

"SAS has the best punctuality in Europe"

SAS Scandinavian Airlines

The Nordic region's largest airline, SAS Scandinavian Airlines carried 25.4 million passengers to 141 destinations in 2008. SAS Scandinavian Airlines operates a fleet of 181 aircraft and focuses on business and leisure travelers with offerings tailored to the needs of business travelers. SAS Scandinavian Airlines is a founding member of Star Alliance.

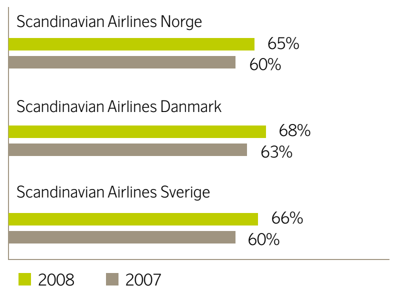
Summary statement of income, MSEK	2008	2007	2006
Passenger revenue	**34,149**	33,031	31,603
Revenue	**42,223**	40,155	38,631
Operating expenses	**39,304**	35,051	33,554
EBIT before nonrecur. items	**200**	2,001	1,919
EBIT margin before nonrecurring items	**0.5%**	5.0%	5.0%
EBT before nonrecur. items	**–177**	1,767	1,252

Detailed statement of income and more key figures

pp. 49-51

Block hours	2008	2007	2006
Scandinavian Airlines			
Pilots total	**584**	560	550
Cabin total	**640**	604	584
SAS in Norway			
Pilots	**621**	560	550
Cabin	**607**	604	584
SAS in Denmark			
Pilots	**550**	549	536
Cabin	**674**	627	628
SAS in Sweden			
Pilots	**548**	562	581
Cabin	**636**	620	679
SAS International			
Pilots	**615**	586	574
Cabin	**-**	-	-

Customer Satisfaction, SPET, 2008 (2007)



The year was a challenging one that began with a situation where we focused on replacing the capacity lost when the Q400 aircraft were grounded. In the spring, record high jet fuel prices and the weakening economy prompted us to reduce our capacity. We also introduced a fuel surcharge, which partially mitigated the adverse effects. The higher price of jet fuel and lower demand meant that we could not adapt quickly enough to the new market realities.

In the fall of 2008, together with the unions, we worked on new cost-cutting measures and in 2009 we will focus on streamlining operations through the new strategic approach Core SAS.

John S. Dueholm

Customers and market

Relations with a number of corporate customers improved during the year, and SAS signed an air travel agreement with StatoilHydro worth just under NOK 3 billion over three years. The agreement with the Swedish government was renewed, and the Finnish government also chose SAS as its primary supplier of travel to the U.S. on 49 routes in 2009-2012. Scandinavian Airlines Danmark signed a two-year frame agreement with the Danish Agency for Government Management to deliver along with partners a large part of the air travel for Danish civil servants. The EuroBonus loyalty program had 2.8 million members at year-end, a decline of 1.4%.

Improved customer satisfaction

In 2008 SAS Scandinavian Airlines' customer satisfaction measured by SPET (SAS Passenger Experience Tracking) showed a positive trend as the year progressed in all three Scandinavian markets. A focus on improving basic quality with regard to punctuality and regularity played a large part in improving customer satisfaction.

Capacity and traffic results

During the year SAS Scandinavian Airlines tailored its capacity to the lower demand. During the first half, capacity rose by 9.2%, but increased by only 5.2% for the full year 2008. The number of passengers declined by 0.2% owing to the lower demand, and amounted to 25.4 million. The passenger load factor deteriorated by 2.2 percentage points to 71.9%. SAS Scandinavian Airlines' yield rose by 0.1%. Competition during the year was stiff. SAS Scandinavian Airlines' market share rose somewhat in Denmark, but remained unchanged in Sweden and fell in Norway.

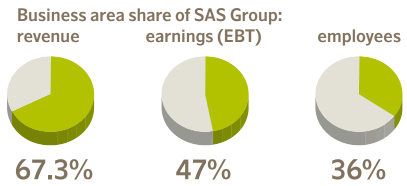
Punctuality and regularity

SAS Scandinavian Airlines aims to be Europe's most punctual airline. This goal was reached in part in 2008, and the carrier was Europe's most punctual airline for arrivals in April-October 2008 and the second most punctual for departures. p. 51

Sustainability work

Since the three national Scandinavian Airlines subsidiaries were unable to adjust their production to the market, the passenger load factor fell and the index deteriorated. Scandinavian Airlines International had a higher passenger load factor and lower fuel consumption; its environmental index improved by 3 points. pp. 120-122

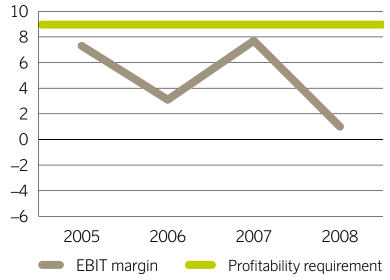
Business area share of SAS Group:



Scandinavian Airlines Norge

Scandinavian Airlines Norge is the market leader in domestic routes in Norway and is also a significant operator in business destinations in Europe and leisure destinations in Southern Europe. The company has 354 daily flights and carried 10 million passengers in 2008 to 47 destinations. Of the total, charter passengers numbered 0.4 million. The airline coordinates the Group's sales operations in Norway.

EBIT %, Scandinavian Airlines Norge



Key figures, MSEK	2008	2007	2006
Share of home market	55%	60%	61%
Revenue	14,178	13,411	12,579
EBIT before nonrecur. items	142	1,038	396
EBIT margin before nonrecurring items	1.0%	7.7%	3.1%
EBT before nonrecur. items	172	1,057	404
Environmental index	94	91	93
Average number of employees (of which 55% women)	2,422	2,465	2,604

More key figures p. 50

22.4% Share of Group revenue

Important events in 2008

- Scandinavian Airlines Norge acquired 100% of the Go Now travel agency.
- In a civil suit brought by Norwegian, Scandinavian Airlines Norge was found guilty of unlawfully using information from the Amadeus booking system. Both parties have filed appeals.
- The SAS Group signed an air travel agreement with StatoilHydro valued at nearly NOK 3 billion. The three year-contract has a two-year extension option.

Targets

The Group's profitability requirement is an EBIT margin of at least 9%.

The environmental target for 2011 is an index of 87. p. 120

Earnings and traffic results

Scandinavian Airlines Norge reported 2008 earnings of MSEK 142, corresponding to an EBIT margin of 1.0%, significantly lower than the preceding year. The earnings are far below the Group's profitability requirement. The reasons behind the decline in earnings of approximately MSEK 900 include the weaker economy, high fuel prices, limited success in the expansion of the leisure destinations in Europe and intensified competition on Norwegian domestic routes. In domestic traffic the passenger load factor fell compared with the previous year as a result of the competitive situation and stagnating market toward the end of the year. International traffic increased thanks to more flights to Copenhagen and the leisure routes to Europe.

Scandinavian Airlines Norge's total scheduled traffic increased by 5% in 2008 with passenger volume up by 2.8%, primarily because of the expansion of Norwegian international traffic, including leisure routes to Europe, which saw the number of passengers increase by 27.6%. Total capacity increased during the year by 10.6% and the passenger load factor fell by 3.5 percentage points to 66%. Revenue rose in 2008 by 5.7% to MSEK 14,178, mainly because of more passengers. The yield fell by 0.3%. Operating expenses amounted to MSEK 13,022, an increase of 14.6%, due to the higher cost of jet fuel and technical maintenance and higher pension costs. The unit cost rose by 4.9%. Traffic and key figures pp. 49-51

Aircraft fleet

Scandinavian Airlines Norge phased out two aircraft in the fall of 2008 and intends to phase out further aircraft in 2009 as part of Core SAS.

Scandinavian Airlines Norge's aircraft fleet consists of 54 Boeing 737s and six Fokker F50s. The average age of the fleet is 11.2 years. Technical information p. 126

Effects of the SAS Group's new strategy, "Core SAS"

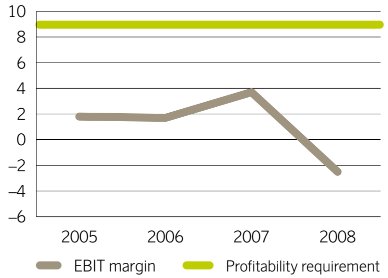
In the spring of 2009 SAS Scandinavian Airlines Norge will be transferred to a centralized SAS Scandinavian Airlines, retaining a base in Norway. The Air Operator Certificate (AOC) will be transferred to a centralized AOC.

SAS Scandinavian Airlines

Scandinavian Airlines Danmark

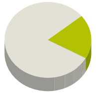
With 270 daily flights to 54 destinations, Scandinavian Airlines Danmark is the market leader for traffic to, from and within Denmark. The airline carried 7.7 million passengers, 8.3 million including charter. All sales in Denmark for all Group airlines are coordinated by the carrier, which is also tasked with developing Copenhagen as a hub for traffic between Northern Europe and the rest of the world.

EBIT %, Scandinavian Airlines Danmark



Key figures, MSEK	2008	2007	2006
Share of home market	45%	45%	47%
Revenue	12,022	11,659	10,924
EBIT before nonrecur. items	–298	433	186
EBIT margin before nonrecurring items	–2.5%	3.7%	1.7%
EBT before nonrecur. items	–298	459	182
Environmental index	98	94	98
Average number of employees (of which 55% women)	2,162	2,188	1,983

More key figures p. 50



18.9% Share of Group revenue

Important events in 2008

- In the summer of 2008 Scandinavian Airlines Danmark opened routes to Kiev, Bucharest and Ålesund.
- The competitor Sterling filed for bankruptcy in October.
- The first of 12 Bombardier CRJ900 NGs, to replace the Q400s, were delivered and went into service on the Copenhagen-Aalborg route on December 17, 2008.
- Punctuality improved sharply thanks to targeted efforts.

Targets

The Group's profitability requirement is an EBIT margin of at least 9%.

The environmental target for 2011 is an index of 87. p. 120

Earnings and traffic results

Scandinavian Airlines Denmark's 2008 earnings showed a clear deterioration compared with 2007. Income before nonrecurring items was MSEK –298. Like other airlines, Scandinavian Airlines Danmark was adversely affected during the year by high jet fuel prices and lower market demand, but the Q400 situation made matters worse. The Q400 aircraft comprised about a third of the airline's fleet, and the negative effects during the year were extensive. The airline was charged with expenses for replacement capacity (wet lease) and higher operating costs resulting from replacing a number of Q400s with larger aircraft. After a long period with a falling load factor, Scandinavian Airlines Danmark broke this trend during the fourth quarter and reported a higher passenger load factor than in the previous year.

In 2008 Scandinavian Airlines Danmark continually adjusted its traffic program to the changed market conditions. The company is working continuously on productivity improvements and well-balanced revenue control. In 2008 Scandinavian Airlines Danmark's passenger traffic fell by 1.5% and the number of passengers by 4.2%. Capacity rose by 2.2% as a consequence of leased capacity, which also adversely affected the passenger load factor. The yield rose by 0.3% during the year.

Revenue rose in 2008 by 3.1%, totaling MSEK 12,022. Operating expenses amounted to MSEK 11,692, an increase of 11.3%, owing to higher jet fuel prices and higher capacity. Traffic and key figures pp. 49-51

Aircraft fleet

Scandinavian Airlines Danmark has a fleet consisting of 12 Airbus A321/319s, 26 Boeing MD-80s and one Bombardier CRJ900. The average age of the aircraft fleet is 13.9 years. Technical information p. 126

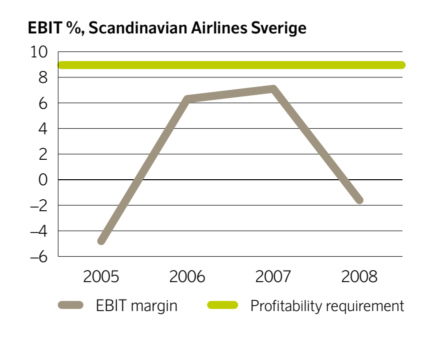
Effects of the SAS Group's new strategy, "Core SAS"

In the spring of 2009 SAS Scandinavian Airlines Danmark will be transferred to a centralized SAS Scandinavian Airlines, retaining a base in Denmark.

SAS Scandinavian Airlines

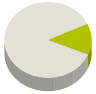
Scandinavian Airlines Sverige

The market leader on domestic routes in Sweden, Scandinavian Airlines Sverige operates SAS's air service on the Swedish market with 189 daily flights to 62 destinations and carried 6.2 million passengers on scheduled services in 2008, 0.2 million on charter. Scandinavian Airlines Sverige coordinates the Group's sales operations in Sweden.



Key figures, MSEK	2008	2007	2006
Share of home market	**48%**	49%	48%
Revenue	**8,587**	8,779	8,273
EBIT before nonrecur. items	**–133**	622	525
EBIT margin before nonrecurring items	**–1.6%**	7.1%	6.3%
EBT before nonrecur. items	**–125**	625	504
Environmental index	**104**	95	95
Average number of employees (of which 60% women)	**1,665**	1,704	1,615

More key figures p. 50



13.5% Share of Group revenue

Important events in 2008

- In 2008 eight new nonstop routes started, three to/from Gothenburg and three to/from Arlanda.
- The airline introduced a new electronic multi-trip ticket, Travel Pass Multiple. Trips can be loaded onto the pass, which can be used by up to 50 persons in the same company.
- The Swedish government extended a frame agreement for all routes with SAS.
- Scandinavian Airlines Sverige showed sharply improved delivery performance in 2008, in both punctuality and regularity.
- The Stockholm-Växjö and Örnsköldsvik-Stockholm routes were closed owing to insufficient passenger volume. However, Scandinavian Airlines Sverige increased capacity to Umeå.

Targets

The Group's profitability requirement is an EBIT margin of at least 9%.

The environmental target for 2011 is an index of 89. p. 121

Earnings and traffic results

Scandinavian Airlines Sverige's earnings for 2008 were negative and significantly lower than for 2007. Income before nonrecurring items was MSEK –125. During the year, the airline was adversely affected by high jet fuel prices, a weak Swedish economy and the consequences of the Q400 situation. In addition, competition in the Swedish market remained fierce, and total capacity did not match the lower demand.

During the year Scandinavian Airlines Sverige increased its capacity by 8.8% on account of the new routes at the beginning of the year and stepped up its capacity adjustments in the fall, which impacted favorably on the load factor. The airline's passenger traffic was up 4% in 2008, but passenger volume fell by 0.1%. The passenger load factor deteriorated by 3.1 percentage points to 67.6%. On European routes, traffic was up 7.5%. The yield fell by 6.6% during the year.

Revenue in 2008 was down 2.1%, amounting to MSEK 8,587, owing to the weaker market. Operating expenses amounted to MSEK 8,281, an increase of 8.7%, owing primarily to higher jet fuel prices. Traffic and key figures pp. 49-51

Aircraft fleet

Scandinavian Airlines Sverige's aircraft fleet consists of 23 Boeing 737s and 16 Boeing MD-80s. The average age of the aircraft fleet is 13.7 years. Technical information p. 126

Effects of the SAS Group's new strategy, "Core SAS"

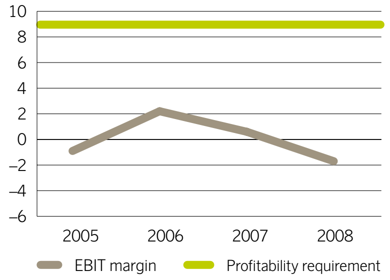
In the spring of 2009 SAS Scandinavian Airlines Sverige will be transferred to a centralized SAS Scandinavian Airlines, retaining a base in Stockholm.

SAS Scandinavian Airlines

Scandinavian Airlines International

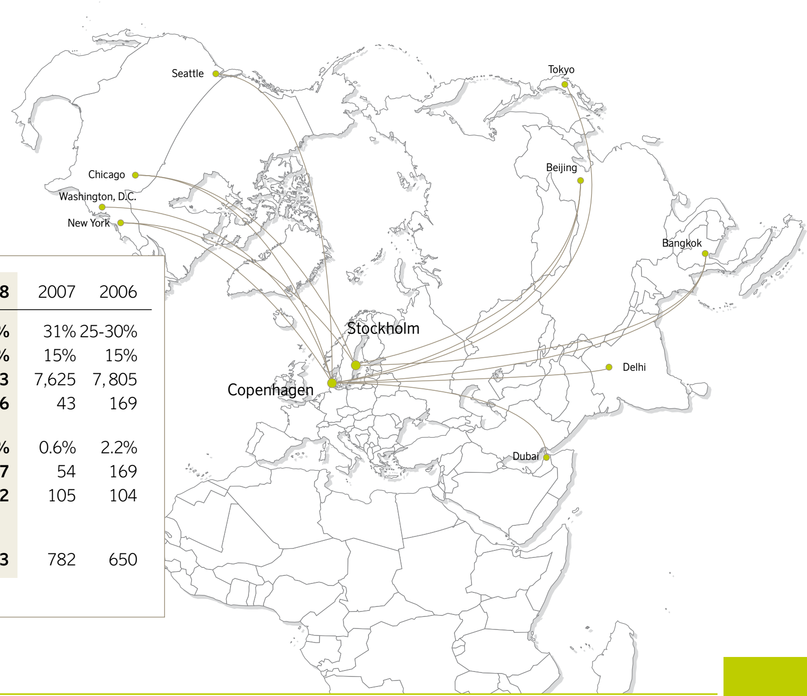
With 18 daily departures from Copenhagen and Stockholm to nine destinations in Asia, the U.S. and the Middle East, Scandinavian Airlines International operates SAS Group's intercontinental service. The airline carried 1.4 million passengers in 2008. Scandinavian Airlines International includes the Group's sales activities in Asia and North America as well as in Europe outside the Nordic countries.

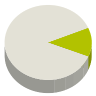
EBIT %, Scandinavian Airlines International



Key figures, MSEK	2008	2007	2006
Share of traffic to the U.S.	**25%**	31%	25-30%
Share of traffic to Asia	**15%**	15%	15%
Revenue	**8,043**	7,625	7, 805
EBIT before nonrecur. items	**–136**	43	169
EBIT margin before nonrecurring items	**–1.7%**	0.6%	2.2%
EBT before nonrecur. items	**–117**	54	169
Environmental index	**102**	105	104
Average number of employees (of which 72% women)	**753**	782	650

More key figures p. 50





12.7% Share of Group revenue

Important events in 2008

- A new route opened between Copenhagen and New Delhi.
- Both the Economy Extra product and onboard service were improved.
- Green approaches between the U.S. and Stockholm were tested during the first quarter of 2008.
- Punctuality improved significantly.

Targets

The Group's profitability requirement is an EBIT margin of at least 9%.

The environmental target for 2011 is an index of 98. p. 121

Earnings and traffic results

Scandinavian Airlines International reported weaker earnings for the full-year 2008 compared with 2007, which is largely due to a weak end to the year, related to the global economic downturn. Income before nonrecurring items was MSEK –117. The company began 2008 positively with both yield and the load factor rising compared with the year-earlier period. This resulted in a favorable trend in passenger revenue. During the second half of 2008, the downturn in the economy clearly impacted intercontinental travel, making it difficult for the airline to fully offset the higher fuel prices. For SAS International, capacity (ASK) rose during the year by 1%, while fuel costs increased by 23%.

Scandinavian Airlines International's passenger traffic increased by 1.4% in 2008, and the number of passengers totaled 1.4 million, up 1.9%. On the routes to Asia, traffic rose by 4.8%, but on routes to the U.S. traffic fell by 1%. The passenger load factor improved by 0.5 percentage points to 83.5% owing to the ample demand at the beginning of the year. The yield improved by 4.1% during the year.

Revenue was MSEK 8,043, an increase of 5.5% owing to higher passenger volume and a higher yield. Operating expenses amounted to MSEK 7,524, an increase of 8.7%, owing to higher jet fuel prices and higher capacity.

Traffic and key figures pp. 49-51

Aircraft fleet

Scandinavian Airlines International has a fleet consisting of seven Airbus A340-300s and four Airbus A330-300s. The average age of the aircraft fleet is 6.6 years, which is among the youngest in Europe. Technical information p. 126

Effects of the SAS Group's new strategy, "Core SAS"

In the spring of 2009 SAS Scandinavian Airlines International will be transferred to a centralized SAS Scandinavian Airlines, with hubs in Copenhagen and Stockholm.

Scandinavian Airlines

SAS Individually Branded Airlines

Widerøe | Blue1 | Spanair Estonian Air

SAS Individually Branded Airlines comprise the airlines Widerøe and Blue1 as well as the affiliated company Estonian Air. Widerøe and Blue1 carried 3.7 million passengers to 62 destinations in 2008 with a combined fleet of 43 aircraft. Spanair and airBaltic are reported as discontinued operations. airBaltic was sold in 2008, and in January 2009, 80.1% of the SAS Group's holding in Spanair was divested, see s. 43

Summary statement of income, MSEK	2008	2007	2006
Passenger revenue	**3,953**	3,783	3,767
Revenue	**5,526**	5,093	4,981
Operating expenses	**5,123**	4,401	–4,524
EBIT before nonrecur. items	**–137**	356	70
EBIT margin before nonrecurring items	**–2.5%**	6.8%	1.4%
EBT before nonrecur. items	**–128**	363	65

Detailed statement of income and more key figures p. 49-51

Block hours	2008	2007	2006
*Widerøe**			
Pilots	**467**	436	449
Cabin	**434**	411	434
Blue1			
Pilots	**597**	658	635
Cabin	**716**	696	638

** Has short-route operations, not comparable with the other airlines.*

The carriers in the SAS Individually Branded Airlines business area had a very difficult year. It was a particularly hard year for Spanair on account of the tragic accident in Madrid in which 154 persons lost their lives. The record-high jet fuel prices and flagging demand required capacity adjustments.

All airlines are posting significantly worse earnings than expected. However, we have initiated sweeping changes in the form of capacity adjustments and streamlining that we expect will pay off in 2009.

Mats Jansson

Customers and market

The carriers in SAS Individually Branded Airlines are based in Norway and Finland.

With its base in Norway, Widerøe flies on purely commercial routes as well as routes contracted by the government. Through its links with Scandinavian Airlines, Widerøe can offer regional customers global connections, while complementing Scandinavian Airlines' own network.

Blue1, with its base in Finland, offers service for both business and leisure travelers. In 2008 Blue1 introduced Economy Extra on Finnish domestic routes, which was well received by customers.

Blue1 and Widerøe participate in EuroBonus. In Finland there are 213,000 members, and in Norway there are 925,000 members.

Capacity and traffic results

Competition during the year was stiff and was characterized in part by extensive overcapacity as a result of the sharp economic downturn. The SAS Individually Branded Airlines adjusted their capacity during the year to the lower demand, and capacity increased by only 1.6%. On account of the capacity reductions, traffic volume during the year was lower, falling by 1.1% for the business area. Widerøe's traffic rose by 6.3%.

The business area's total passenger volume totaled 3.7 million, a decline of 2.9%. The passenger load factor was 63.1, a deterioration of 1.7 percentage points.

Punctuality and regularity

In 2008 the airlines in the business area focused their efforts on improving punctuality, which yielded results. Widerøe had a punctuality of 87.1% (87.2%); Blue1's punctuality was 84.8% (84.1%).

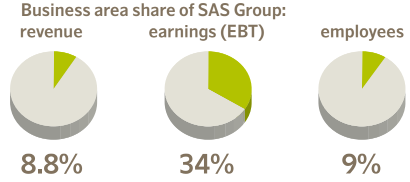
The regularity at Widerøe was 95.6% (96.7%) and at Blue1 97.9% (98.9%).

Sustainability work

Spanair began the process of adjusting production to demand before the financial crisis, improving its environmental index by 4 points. In 2008 Widerøe put five Q400NGs into service, increasing its fuel efficiency and improving its environmental index a whopping 9 points.

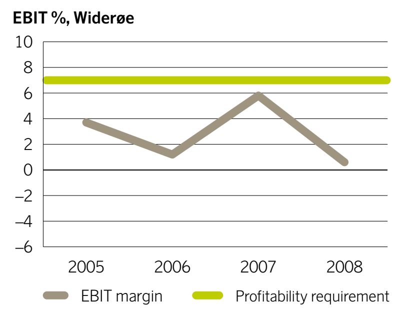
Blue1 had clearly improved fuel efficiency and thus lower CO_2 emissions per RPK, while the index remained unchanged. Estonian Air's environmental performance was largely unchanged from the previous year. p. 122

Business area share of SAS Group:



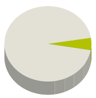
Widerøe

Widerøe is the largest regional airline in the Nordic countries, with 273 daily flights to 37 domestic and seven international destinations, including summer destinations. The airline carried 2 million passengers in 2008. Commercial flights currently comprise 60% of Widerøe's operations, with competitively bid air services for the short field network accounting for 40%.



Key figures, MSEK	2008	2007	2006
Share of home market	**13%**	13%	13%
Revenue	**3,502**	3,051	2,941
EBIT before nonrecur. items	**20**	177	35
EBIT margin before nonrecurring items	**0.6%**	5.8%	1.2%
EBT before nonrecur. items	**2**	162	22
Environmental index	**83**	92	95
Average number of employees (of which 33% women)	**1,329**	1,358	1,393

More key figures p. 50


5.5% Share of Group revenue

Important events in 2008

- The bidding competition for 2009-2011 air services in Norway was announced in October 2008. All together, 6 airlines bid on 18 routes. Widerøe submitted bids for all and won 15 of the routes.
- During the year Widerøe took over flights to Andenes, Røst and Røros from two competitors who stopped serving these routes.
- The summer Bergen-Tromsø and Bergen-Bodø routes were so popular that Widerøe has continued nonstop departures on these routes year round.
- Ground services were restructured in October, which means that SAS Ground Services took over Widerøe's ground services at airports where both airlines operate, while Widerøe took over operations at Andenes and Lakselv.
- In September, Widerøe launched new and improved in-flight services such as free breakfast, coffee and newspapers.

Targets

The Group's profitability requirement is an EBIT margin of at least 7%.

The environmental target for 2011 is an index of 82. p. 122

Earnings and traffic results

Widerøe's operations in 2008 were characterized by an expanding market hampered by difficult circumstances relating to the aircraft fleet. EBIT before nonrecurring items was MSEK 20, which was lower than the previous year. Traffic increased 6.3% in 2008. Part of this growth resulted from the opening of new routes from Rygge and Haugesund to Copenhagen and the addition of aircraft to competively bid routes in Western Norway.

Market growth flagged considerably in the second half of the year in the wake of the financial crisis and recession. In response to the softening demand, the company removed one aircraft from traffic at the end of the year. A new bidding period will begin in April 2009 and could lead to an expansion of Widerøe's operations.

The yield increased during the year by 1.3%. Revenue amounted to MSEK 3,502, an increase of 15%. EBIT before nonrecurring items worsened, amounting to MSEK 20. Passenger revenue continued to grow, increasing by 10% compared with the year before.

Traffic and key figures pp. 49-51

Aircraft fleet

Widerøe's Q400 fleet was permanently grounded in October 2007 following three accidents with this type of aircraft in the SAS Group. As a temporary replacement, both aircraft and crew were hired in on wet leases from other airlines. The process of replacing the grounded aircraft took a long time and it took until November 2008 for Widerøe to match the number of aircraft it had before October 2007. Widerøe took delivery of five new Q400NGs, pushing up production by 7% on an annual basis. Widerøe's aircraft fleet now consists of 30 Bombardier Q100/300/400s. The average age of the fleet is 12.2 years.

Technical information p. 126

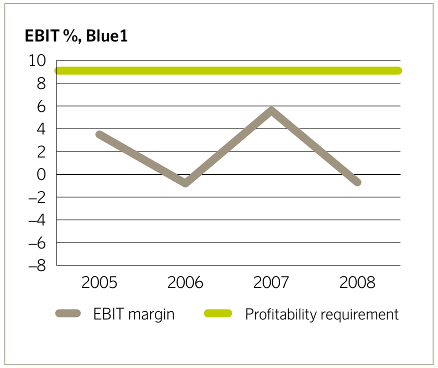
Effects of the SAS Group's new strategy, "Core SAS"

Widerøe will be included in the SAS Group's core business structure.

widerøe

Blue1

A wholly owned Finnish subsidiary in the SAS Group, Blue1 operates around 66 daily flights to 24 destinations. The airline carried 1.6 million passengers in 2008. Blue1 operates SAS Group's air service to/from and within Finland and handles sales in the Finnish market for Group airlines. Blue1 has been a member of Star Alliance since October 2004.



Key figures, MSEK	2008	2007	2006
Share of home market	**16%**	17%	15%
Revenue	**2,000**	2,019	2,018
EBIT before nonrecur. items	**–13**	113	–16
EBIT margin before nonrecurring items	**–0.7%**	5.6%	–0.8%
EBT before nonrecur. items	**–10**	117	–18
Environmental index	**88**	89	89
Average number of employees (of which 52% women)	**460**	506	491

More key figures p. 50

3.2% Share of Group revenue

Important events in 2008

- The business travel product Economy Extra was also launched on domestic routes at the beginning of the year and was well received by corporate customers. The product assortment on board was enhanced in the fall, with free coffee, tea and water.
- A full-content distribution strategy based on Amadeus was implemented at the beginning of the year.
- Negotiations to improve Blue1's check-in area at Helsinki-Vantaa Airport progressed in that Finavia decided to convert the current domestic terminal to a Star Alliance terminal.
- Three Avro aircraft were returned, and the second MD-90 aircraft went into service.
- To ensure profitability, the traffic program underwent changes comprising the closure of routes, capacity reductions and increase in frequencies. In the spring of 2009, Blue1 will begin flying to Heathrow instead of Stansted its London Service.

Targets

The Group's profitability requirement is an EBIT margin of at least 9%.

The environmental target for 2011 is an index of 80. p. 122

Earnings and traffic results

Blue1 reported earnings for 2008 of MSEK –13 and an EBIT margin that was 6.3 percentage points lower than the preceding year. The deterioration totaled MSEK 126, due primarily to the flagging economy with lower demand as a result. This led to a lower yield and a lower load factor; earnings were also affected adversely by higher payroll expenses and higher fuel prices, though Blue1 was able to compensate relatively successfully for the higher fuel prices. However, a lower load factor counteracted a large part of the yield increase. Blue1 adjusted its production during the year and many routes were closed, mainly within Europe.

Blue 1's passenger traffic increased by 4.2% in 2008, and the number of passengers totaled 1.6 million, down 10%. Capacity declined at the same time by 1.1% owing to a dynamic adjustment to the lower demand. The passenger load factor declined by 2.1 percentage points to 64.8% owing to the lower demand. The yield declined by 0.7%. Blue1's traffic on European routes rose by 3.8%, but fell by 12.9% on Finnish domestic.

Revenue was MSEK 2,000, a decrease of 0.9% owing to lower passenger volume.

Traffic and key figures pp. 49-51

Aircraft fleet

Blue1 has an aircraft fleet consisting of 6 Avro RJ85s and 5 Boeing MD-90s. The average age of the aircraft fleet is 9.6 years.

Technical information p. 126

Effects of the SAS Group's new strategy, "Core SAS"

Blue1 will be included in the SAS Group's core business structure.

Discontinued and affiliated airlines provided for information purposes

Spanair and Estonian Air

Spanair is Spain's second largest airline with 246 daily flights to 32 destinations. In 2008 Spanair carried 10.1 million passengers, including charter traffic.

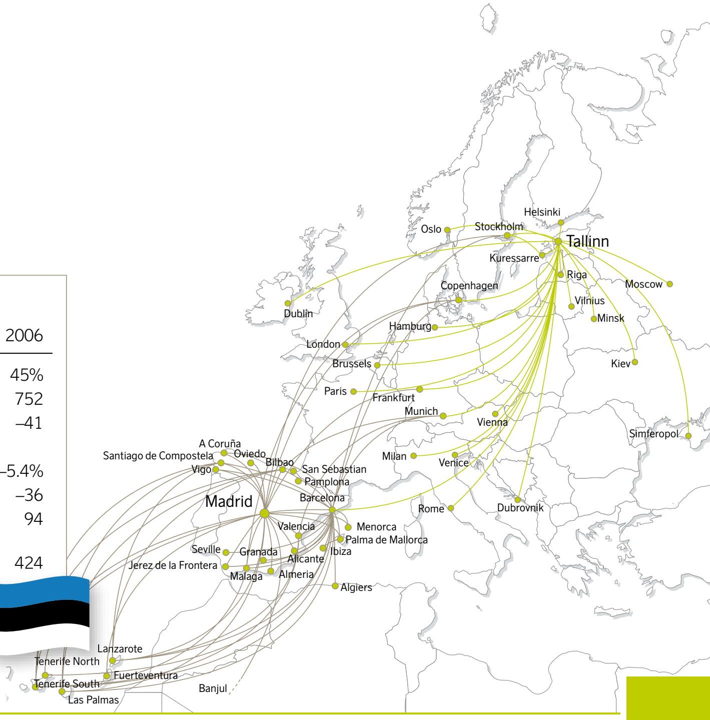
Estonian Air serves the Baltic Sea area and flies to 23 destinations in Europe from its Tallinn hub. Estonian Air carried 0.8 million passengers in 2008.

Spanair Key figures, MSEK	2008	2007	2006
Share of home market	**21%**	23%	22%
Revenue	**10,102**	11,131	11,012
EBIT before nonrecur. items	**–1,164**	–295	211
EBIT margin before nonrecurring items	**–11.5%**	–2.7%	1.9%
EBT before nonrecur. items	**–1,311**	–463	96
Environmental index	**94**	98	94
Average number of employees	**3,334**	3,415	3,570

Traffic and key figures p. 49-51

Estonian Air Key figures, MSEK	2008	2007	2006
Share of home market	**42%**	43%	45%
Revenue	**869**	812	752
EBIT before nonrecur. items	**–103**	–28	–41
EBIT margin before nonrecurring items	**–11.9%**	–3.5%	–5.4%
EBT before nonrecur. items	**–104**	–32	–36
Environmental index	**84**	83	94
Average number of employees (of which 53% women)	**467**	439	424

Traffic and key figures p. 49-51



Spanair

Important events in 2008

- Spanair carried out MEUR 90 in cost-cutting measures that will have a full effect in 2009.
- Spanair lost an aircraft in a tragic accident at Madrid Barajas airport on August 20. In the accident, 154 persons perished, while 18 persons survived. Spanair provided assistance to survivors and the families of those who perished on board.
- In 2009 the SAS Group concluded a deal in which a group of investors from Catalonia will acquire the majority holding in Spanair. Following the transaction, SAS will remain a minority owner with a 19.9% stake.

Earnings and traffic results

Spanair's earnings for 2008 were significantly worse than the previous year primarily owing to the weak economy and competitive situation in Spain, with a lower yield as a result. EBIT before nonrecurring items was down MSEK 869 to MSEK –1,164. The yield also declined on account of a lower share of business travelers, in addition to the effects of the sharp capacity reductions that Spanair carried out, where 15 aircraft were taken out of production and the tragic accident in Madrid. Spanair is continuing its efforts to improve its earnings by MEUR 90.

Spanair's passenger traffic decreased by 6.1% in 2008, and the number of scheduled passengers totaled 8.9 million, down 10.4%. On Spanish domestic routes traffic fell by 7.5%, and the passenger load factor amounted to 67.4%, a decline of 0.9 percentage points. International traffic fell by 1.8%, and the passenger load factor was 71.9%, an improvement of 6.4 percentage points. The yield fell by 5.3% during the year.

Revenue during the year was MSEK 10,102, a decrease of 9.2% owing to a lower yield and lower passenger volume.

ESTONIAN AIR

Important events in 2008

- New nonstop routes from Tallinn to Minsk, Barcelona, Munich and Rome were opened.
- Estonian Air decided to upgrade its fleet with three CRJ900 NextGens in the spring of 2009.

Earnings and traffic results

Estonian Air reduced capacity in 2008 in view of the economic weakness that hit Estonia hard during the second half of the year. Revenue was up by 7% owing to higher passenger volumes and the introduction of a fuel surcharge. Income before tax amounted to MSEK –104 (–32). New routes opened, and the number of frequencies on existing routes was raised thanks in part to the introduction of the SAAB 340.

The number of passengers carried in scheduled service rose during the year by 1.5%, totaling 757,000. Capacity fell by 5.1%, and the passenger load factor amounted to 68.1%, an improvement of 0.2 percentage points.

Effects of the SAS Group's new strategy, "Core SAS"

In January 2009 80.1% of the SAS Group's holding in Spanair was divested. SAS is in the process of selling Estonian Air.

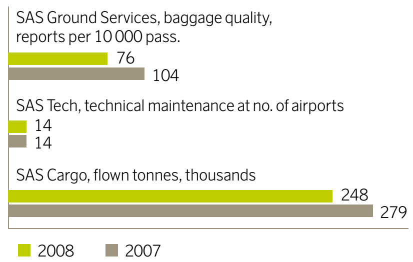
SAS Aviation Services

SAS Ground Services, SAS Tech and SAS Cargo make up the SAS Aviation Services business area. The companies offers check-in, boarding, baggage handling and technical maintenance of aircraft services along with freight services for the SAS Group and other airlines. The units are based in Northern Europe and their customers are found in Europe, North America and Asia.

Summary statement of income, MSEK	2008	2007	2006
Revenue	**15,032**	14,211	14,308
Operating expenses	**15,153**	14,515	14,417
EBIT before nonrecur. items	**106**	–434	3
EBIT margin before nonrecurring items	**0.7%**	–3.1%	0.0%
EBT before nonrecur. items	**–73**	–600	–150

Detailed statement of income and more key figures p. 50-51

Quality data
2008 (2007)



For quite some time the companies that make up SAS Aviation Services have undergone extensive streamlining measures to adapt their activities to the new market situation. During the second half of 2008 they began to show results in the form of higher profitability. However, much remains to be done before the companies can reach the return requirements specified by the SAS Group.

At the end of 2008 SAS Ground Services had implemented 62% of its scheduled target of MSEK 500 in efficiency enhancements. The units will continue to adjust their operations in 2009.

Customers and market

SAS Ground Services (SGS) and SAS Tech mainly have airlines as customers, but SGS has direct contact with the end customer, i.e. passengers. As airlines cut their capacity in 2008, SGS and SAS Tech responded by also adjusting their operations to the lower demand. During the year SGS had 233 airlines, including SAS Group airlines, as customers.

SAS Tech focused its activities on SAS Group airlines. A considerable improvement in quality was noted for 2008, with punctuality and regularity for SAS Group airlines improving as a result. In 2008 SAS Tech signed contracts with Air Greenland and Thomas Cook.

SAS Cargo's primary customers are mainly large export companies with international activities. The freight market is highly exposed to competition. Despite this fact coupled with the low demand, SAS Cargo managed to adjust its capacity and retain its strong position in the home market.

Quality targets

In recent years SAS Tech and SAS Ground Services have focused on improving their basic quality, which produced results in 2008. In addition to improved punctuality and regularity, the delivery quality of SAS Ground Services' baggage handling also rose. Damaged baggage fell from 104 to 76 reports per 10,000 passengers, making SAS Ground Services one of the leading suppliers in Europe.

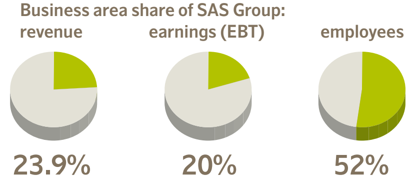
Attainment of financial targets

SAS Cargo reported earnings that were substantially better than in 2007. SAS Cargo's EBIT margin amounted to 3.5%, which is close to the return target of 4%. SAS Ground Services had an EBIT margin of –1.6%. Most of the profitability problem is due to the Danish operation while the operations in Sweden and Norway are performing better. SAS Tech's EBIT margin improved in 2008, amounting to 1.7%. The target is an EBIT margin of 5%.

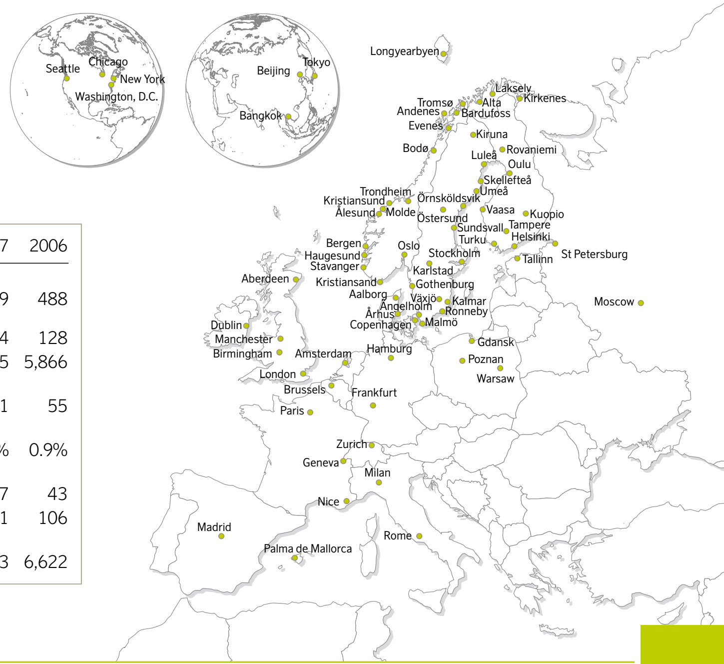
Sustainability work

During the year SGS improved its environmental index by 5 points to 96. SAS Tech also improved its environmental index by 5 points to 88, thus passing the index target for 2011 (90). SAS Cargo is environmentally certified according to ISO 14001 and during the year set an environmental target for 2011 for its vehicle transportation to reduce CO_2 emissions. In the management of the Group's properties, water consumption and waste volumes continued to decline. pp. 122-124

Business area share of SAS Group:

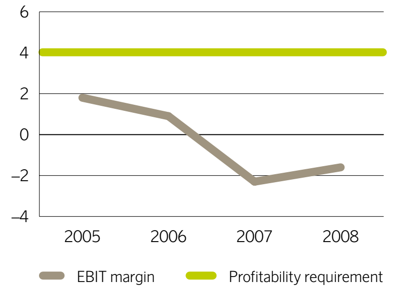


SAS Ground Services



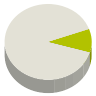
SAS Ground Services, SGS, is Scandinavia's largest full-service supplier in the ground handling industry and other airport-related services. SAS Ground Services is represented at 67 airports and in 20 countries. SGS offers ground services for passengers, baggage and aircraft. Examples of efficient solutions are automated check-in and boarding and centralized departure control.

EBIT %, SAS Ground Services



Key figures, total	**2008**	2007	2006
Number of flights handled, thousands	**500**	499	488
Baggage quality (reports per 10,000 pass.)	**76**	104	128
Revenue, MSEK	**6,322**	6,055	5,866
EBIT before nonrecurring items , MSEK	**–99**	–141	55
EBIT margin before nonrecurring items	**–1.6%**	–2.3%	0.9%
EBT before nonrecurring items, MSEK	**–122**	–167	43
Environmental index	**96**	101	106
Average number of employees (of which 44% women)	**7,040**	6,873	6,622

More key figures **p. 50**



10.0% Share of Group revenue

Important events in 2008

- During the year SAS Ground Services carried out a comprehensive program to reach its profitability and quality targets.
- During the year the decision was made to integrate Widerøe ground handling into SGS at the Oslo, Bergen, Stavanger and Bodø stations.

Targets

SAS Ground Services' profitability requirement is 4% EBIT long-term.

SAS Ground Services has specific targets for quality (safety, punctuality and service), the environment and management.

SAS Ground Services' environment target for 2011 is an index of 95. **pp. 122-123**

Earnings and market performance

The number of passengers handled decreased by 1.0% to 78.0 million and the number of flights handled increased by 0.1% to 500,000 in 2008. During the year SGS's operating revenue rose by 4.4% to MSEK 6,322. Operating expenses increased by 5.8%, totaling MSEK 6,465. The unit cost rose by 3% during the year. Measures will be implemented to further improve efficiency. EBIT before nonrecurring items was down MSEK 42, amounting to MSEK –99.

In comparison with independent handling companies in Europe, SAS Ground Services is number three based on operating revenue.

The program for achieving its profitability and quality targets contains measures totaling more than MSEK 500 and is proceeding according to plan. At year-end MSEK 249 had been realized and the action program had a positive impact on earnings despite a negative volume trend. Work on improving quality continued, with 2008 seeing a marked improvement. In 2008, SGS had slightly more than MSEK 140 in restructuring expenses related to personnel reductions.

The company also reorganized and established a new management structure. The company's remaining challenge lies in Denmark. **pp. 50-51**

Key figures per country	**Denmark**	**Norway**	**Sweden**
Number of flights handled, thousands	103	186	105
Baggage quality (reports per 10,000 passengers)	159	43	43
Average number of employees	2,138	1,930	1,776
of which women	32%	68%	35%
Revenue, MSEK	1,536	1,958	1,260
EBIT before nonrecur. items, MSEK	–250	79	28
EBIT margin before nonrecurring items	–16%	4%	2%
EBT before nonrecur. items, MSEK	–268	76	29

Effects of the SAS Group's new strategy, "Core SAS"

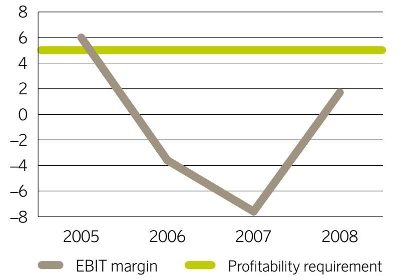
In 2009 the operations of SAS Ground Services will be transferred to SAS Scandinavian Airlines. Certain parts of its activities will be outsourced.

SAS Ground Services

SAS Tech

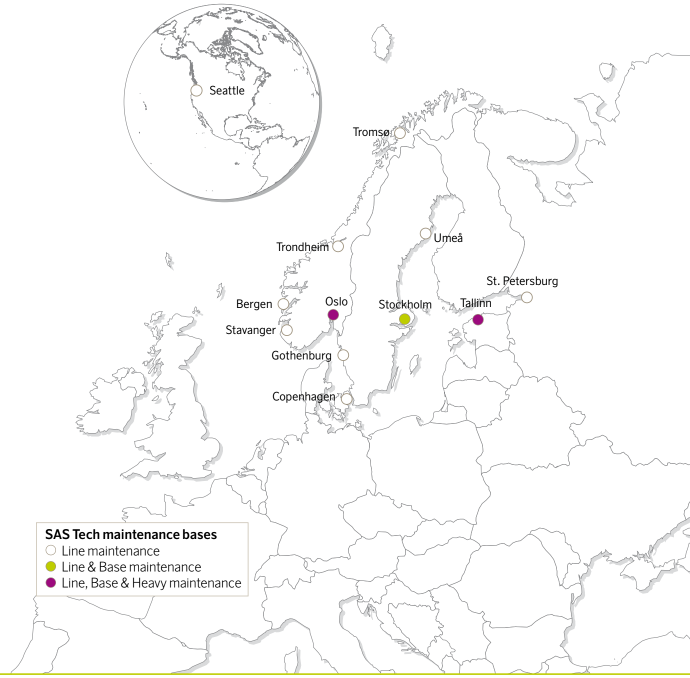
SAS Tech is a leading supplier of technical aircraft maintenance to the airline industry in the Nordic and Baltic countries. Headquartered at Stockholm Arlanda Airport, it has production bases in Stockholm, Copenhagen, Oslo, Tallinn, Bergen and Gothenburg. Maintenance operations on a smaller scale are located at other airports in Europe plus one in Seattle in the U.S.

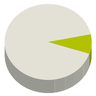
EBIT %, SAS Tech



Key figures, MSEK	2008	2007	2006
Revenue	5,329	4,874	4,895
of which external revenue	8.9%	13.7%	16.2%
EBIT before nonrecur. items	88	–372	–176
EBIT margin before nonrecurring items	1.7%	–7.6%	–3.6%
EBT before nonrecur. items	–35	–499	–249
Environmental index	88	93	99
Average number of employees (of which 7% women)	2,344	2,422	2,509

More key figures p. 50-51





8.4% Share of Group revenue

Important events in 2008

- SAS Tech has carried out a large number of improvement activities under Lean Aircraft Maintenance.
- The Board of SAS AB decided that SAS Tech is to continue to be an important part of the Group.
- Production managers at the bases in Copenhagen, Oslo and Stockholm will move out to the hangars closer to technicians and mechanics.
- Agility, a system that will help SAS Tech gain control over the entire process from work order to invoice, will be introduced gradually.

SAS Tech offers servicing of Airbus, MD-80 and Boeing 737 aircraft. Its product portfolio includes Line Maintenance, Airframe Maintenance (base and heavy maintenance), Engineering Services, Engine Management, Material Management and Technical Training.

Targets

The Group's profitability requirement is an EBIT margin of at least 5%.

The environmental target for 2011 is an index of 90. p. 123

The objective is to achieve operational excellence to meet and surpass customers' quality and delivery standards.

Earnings and market performance

The external market for technical maintenance in 2008 was marked by increased competition, overcapacity and pressure on prices, mainly from operations in Eastern Europe. Market growth declined due to the slowdown in the world economy together with the structural crisis in the airline industry. SAS Tech's earnings for 2008 were, however, substantially better than the previous year, thanks mainly to the ongoing cost program and new agreements with SAS airlines. Income before nonrecurring items was MSEK 88. SAS Tech's focus on delivery quality and a more efficient production structure raised the company's competitive and profitability level. SAS Tech's revenue amounted to MSEK 5,329. External revenue decreased by 4.8 percentage points. Operating expenses decreased by 1.6%, totaling MSEK 5,101. Key figures p. 50-51

Q	L	E
	M	

→ **Customer satisfaction**
- Airworthiness
- Efficiency
- Market prices

Q • Safety & quality
L • Delivery reliability
E • Efficiency & cost saving
M • Motivated personnel

→
- Commitment
- Management
- Transparency
- Qualifications
- Responsibility

The basic idea of the change and improvement process is SAS Tech's own concept for Lean Aircraft Maintenance, namely QLE/M. Q and L stand for SAS Tech delivering customers' aircraft in airworthy shape at the right time at market price. E stands for the efficiency that is achieved when the organization quickly solves problems and M stands for motivated employees.

Effects of the SAS Group's new strategy, "Core SAS"

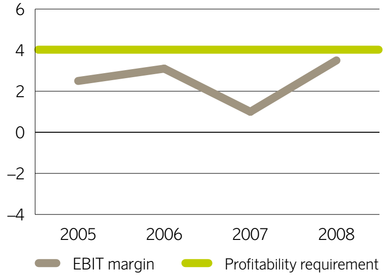
In 2009 the operations of SAS Tech will be transferred to SAS Scandinavian Airlines. Certain parts of its activities will be outsourced.

SAS Tech

SAS Cargo

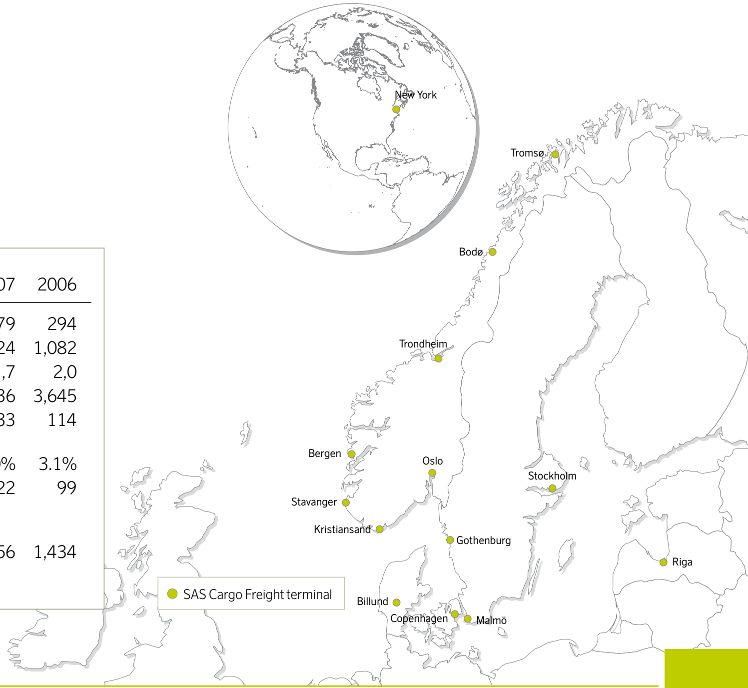
SAS Cargo's core business is selling air freight through SAS Group airlines. The market leader in air freight to, from and within Scandinavia, SAS Cargo also offers freight capacity to other destinations such as Asia along with air cargo-related services.

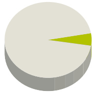
EBIT %, SAS Cargo



Key figures, MSEK	2008	2007	2006
Flown tonnes, thousands	**248**	279	294
Tonne km, million	**893**	1,024	1,082
Cargo yield/tonne km	**1,67**	1,7	2,0
Revenue	**3,437**	3,336	3,645
EBIT before nonrecur. items	**121**	33	114
EBIT margin before nonrecurring items	**3.5%**	1.0%	3.1%
EBT before nonrecur. items	**89**	22	99
Average number of employees (of which 21% women)	**1,247**	1,356	1,434

More key figures p. 50-51





5.4% Share of Group revenue

Important events in 2008

- SAS Cargo's structural measures proved highly effective.
- The decision was made to sell SAS Cargo's subsidiary, Spirit Air Cargo Handling. The sale was postponed due to the economic turbulence.
- U.S. antitrust authorities fined SAS Cargo MUSD 52 for violations of competition laws.
- The partnership with Korean Air on the New York-Oslo route ended in September 2008.
- Cubic was sold.

Targets and objective

The Group's profitability requirement is an EBIT margin of at least 4%.

During 2008 SAS Cargo set an environmental target for 2011 for its vehicle fleet to reduce CO_2 emissions. pp. 123-124 Its quality objective is Cargo Arrived As Agreed 98%.

Earnings and market performance

Despite strong competition coupled with global pressure on prices and lower capacity, SAS Cargo reported for 2008 substantially better earnings than in 2007. EBIT before nonrecurring items was MSEK 121. The improvement is attributed to the implementation of commercial initiatives that included a new price and distribution strategy and a focus on the core business.

Ongoing efficiency enhancements and structural changes by which the number of employees decreased by 10% also contributed to the positive trend. The higher productivity also improved quality, which during 2008 stabilized at a high level. Consequently, SAS Cargo has strengthened its competitiveness, putting it in a very good position to deal with the challenges of 2009.

SAS Cargo's revenue increased in 2008 by 3%, totaling MSEK 3,437. Operating expenses rose during the year by 8.5%, amounting to MSEK 3,635 including nonrecurring items.

Key figures pp. 50-51

Freight and mail, tonne km (000)	2008	2007	Change
Intercontinental	**546,108**	573,754	–4.8%
Europe	**23,666**	20,966	12.9%
Intra-Scandinavian	**1,606**	2,494	–35.6%
Total international	**571,380**	579,214	–4.3%
Denmark	**15**	19	–21.1%
Norway	**362**	777	–53.4%
Sweden	**198**	224	–11.6%
Spain	**13,165**	13,759	–4.3%
Total domestic	**13,740**	14,779	–7.0%
All Cargo	**307,434**	412,001	–25.4%
Total	**892,554**	1,023,994	–12.8%

Effects of the SAS Group's new strategy, "Core SAS"

In 2009 the operations of SAS Cargo will be transferred to SAS Scandinavian Airlines. Because the operation will focus on SAS's belly capacity, pure air freight operations and the Spirit and Trust companies will be sold.

“We enjoy fast track security”

Facts

Traffic data information and comments

SAS Scandinavian Airlines

Traffic, production, yield	2008	2007	Change
Total passenger traffic			
No. of passengers, (000)	**25,355**	25,403	–0.2%
Rev. pass. km (RPK), mill.	**27,890**	27,304	2.1%
Avail. seat km (ASK), mill.	**38,776**	36,852	5.2%
Passenger load factor	**71.9%**	74.1%	–2.2 p.p. *
Yield, currency adj., SEK	**1.22**	1.22	0.1%
Total unit cost including charter	-	-	7.6%
Scandinavian Airlines Norge			
No. of passengers, (000)	**10,001**	9,726	2.8%
Rev. pass. km (RPK), mill.	**7,190**	6,846	5.0%
Avail. seat km (ASK), mill.	**10,886**	9,842	10.6%
Passenger load factor	**66.0%**	69.6%	–3.5 p.p. *
Charter passengers, (000)	**405**	482	–16.0%
Yield, currency adj., SEK	-	-	–0.3%
Scandinavian Airlines Danmark			
No. of passengers, (000)	**7,770**	8,111	–4.2%
Rev. pass. km (RPK), mill.	**5,842**	5,931	–1.5%
Avail. seat km (ASK), mill.	**8,659**	8,474	2.2%
Passenger load factor	**67.5%**	70.0%	–2.5 p.p. *
Charter passengers, (000)	**568**	609	–6.6%
Yield, currency adj., SEK	-	-	0.3%
Scandinavian Airlines Sverige			
No. of passengers, (000)	**6,218**	6,224	–0.1%
Rev. pass. km (RPK), mill.	**5,091**	4,893	4.0%
Avail. seat km (ASK), mill.	**7,531**	6,919	8.8%
Passenger load factor	**67.6%**	70.7%	–3.1 p.p. *
Charter passengers, (000)	**191**	323	–40.8%
Yield, currency adj., SEK	-	-	–6.6%
Scandinavian Airlines International			
No. of passengers, (000)	**1,366**	1,341	1.9%
Rev. pass. km (RPK), mill.	**9,767**	9,634	1.4%
Avail. seat km (ASK), mill.	**11,700**	11,616	0.7%
Passenger load factor	**83.5**	82.9%	0.5 p.p. *
Yield, currency adj., SEK	-	-	4.1%

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

Scandinavian Airlines Norge increased its capacity in early 2008 and opened 14 new destinations. Owing to record-high jet fuel prices and a flagging economy, the new capacity was not absorbed. The airline therefore adjusted its capacity to the lower demand. The number of passengers was up by 2.8%, totaling 10 million. The increase was greatest on the intra-Scandinavian routes because of reallocation of capacity between Scandinavian Airlines in Norway and in Denmark. The passenger load factor fell by 3.5 percentage points to 66.0%. p. 36

Scandinavian Airlines Danmark boosted its capacity in the first half of 2008 by 7.1%, but reduced it in the second half by 2.5% as part of measures introduced under Profit 2008. In all, capacity grew by 2.2% in 2008. The carrier opened new routes to Kiev and Bucharest, with good passenger load factors. Passengers carried totaled 7.8 million, down by 4.2%. The passenger load factor declined by 2.5 percentage points to 67.5% owing to the lower demand. p. 37

Scandinavian Airlines Sverige increased its capacity in the first half of 2008 by 18.3%, and traffic grew by 10.8%. The capacity increase is partly due to replacement capacity for the Q400s. In the second half of 2008 capacity was adjusted, and the airline decided to close two domestic routes to Växjö and Örnsköldsvik. Capacity increased during the year by 8.8%. The increase was greatest on intra-Scandinavian routes owing to reallocation of capacity between Scandinavian Airlines in Sweden and in Denmark. Passenger volume on European routes was up 4.9%. The passenger load factor declined by 3.1 percentage points to 67.6% owing to the generally lower demand. p. 38

Scandinavian Airlines International saw growth in passenger volume and passenger load factor early in the year. The number of passengers increased by 9.3% in the first half. During the second half, this airline too was affected by the lower demand, which resulted in a lower passenger load factor. In October, a new route to Delhi was launched, which because of the financial crisis did not perform as expected. In all, traffic on the Asian routes rose by 5% during the year, but fell by 1% on routes to the U.S. The passenger load factor for 2008 was 83.5%, an increase of 0.5 percentage points, thanks to the positive trend early in the year. p. 39

SAS Individually Branded Airlines

Traffic, production, yield	2008	2007	Change
Total passenger traffic *			
No. of passengers, (000)	**3,652**	3,762	–2.9%
Rev. pass. km (RPK), mill.	**2,039**	2,060	–1.1%
Avail. seat km (ASK), mill.	**3,231**	3,179	1.6%
Passenger load factor	**63.1%**	64.8%	–1.7 p.p.
Widerøe			
No. of passengers, (000)	**2,034**	1,964	3.6%
Rev. pass. km (RPK), mill.	**653**	614	6.3%
Avail. seat km (ASK), mill.	**1,093**	1,018	7.4%
Passenger load factor	**59.7%**	60.3%	–0.6 p.p.
Yield, currency adj.	-	-	1.3%
Blue1			
No. of passengers, (000)	**1,618**	1,798	–10.0%
Rev. pass. km (RPK), mill.	**1,386**	1,447	–4.2%
Avail. seat km (ASK), mill.	**2,138**	2,161	–1.1%
Passenger load factor	**64.8%**	66.9%	–2.1 p.p.
Yield, currency adj.	-	-	–0.7%

Discontinued operation *Not consolidated* **Spanair**	2008	2007	Change
No. of passengers, (000)	**8,879**	9,908	–10.4%
Rev. pass. km (RPK), mill.	**8,794**	9,367	–6.1%
Avail. seat km (ASK), mill.	**12,830**	13,856	–7.4%
Passenger load factor	**68.5%**	67.6%	0.9 p.p.
Yield, currency adj.	-	-	–5.3%

Affiliated company * Estonian Air	2008	2007	Change
No. of passengers, (000)	**757**	746	1.5%
Rev. pass. km (RPK), mill.	**958**	1,006	–4.8%
Avail. seat km (ASK), mill.	**1,407**	1,483	–5.1%
Passenger load factor	**68.1%**	67.9%	0.2 p.p.

** Affiliated companies are reported separately and are not included in the business area's traffic data.*

Widerøe increased its capacity during the year by 7.4%, due in part to the fact that the Q400s were replaced by larger aircraft, primarily on international routes. For Norwegian domestic traffic, capacity increased by 2.8% and traffic by 2.7% in 2008. Following an uptick in the passenger load factor in the first half, Widerøe too was affected by the flagging economy. Actions were taken to reverse the trend. The number of passengers was up during the year by 3.6%, totaling 2 million. p. 41

Blue1 focused on reallocating capacity to markets with greater demand in 2008. This resulted in 5.9% lower capacity on Finnish domestic routes, but an increase of 2.7% on European routes. During the year an MD-90 aircraft was phased-in in the fleet. Owing to the lower demand, the passenger load factor declined by 2.1 percentage points to 64.8%. p. 42

Spanair adjusted its capacity during 2008 on account of the Spanish economy and overcapacity in the market. Capacity decreased by 7.4% in 2008. The tragic accident in Madrid involving Flight JK 5022 affected Spanair's traffic, though only for a limited time. Owing the sharp capacity cuts, the number of passengers carried fell by 10.4% to 8.9 million. On Spanish domestic routes, passenger volume fell by 12.3%, whereas passenger volume rose by 2.7% on the international routes. Total passenger load factor was 68.5%, an increase of 0.9 percentage points. p. 43

Affiliated company - Estonian Air reduced capacity in 2008 as a result of the phasing-in of smaller SAAB 340s at the end of 2007. This made it possible to open new routes. Owing to the reduction in capacity, traffic declined during the year by 4.8%. Passenger volume totaled 0.8 million, an increase of 1.5%. p. 43

Key figures - Business areas and companies

SAS Scandinavian Airlines	Total SAS Scandinavian Airlines			Scandinavian Airlines Norge			Scandinavian Airlines Danmark			Scandinavian Airlines Sverige			Scandinavian Airlines International		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Passenger revenue	**34,149**	33,031	31,603	**11,716**	10,905	10,173	**9,439**	9,382	9,045	**6,732**	6,834	6,333	**6,269**	5,914	6,060
Other revenue	**8,074**	7,124	7,028	**2,462**	2,507	2,406	**2,583**	2,277	1,879	**1,855**	1,945	1,940	**1,774**	1,711	1,745
Revenue	**42,223**	40,155	38,631	**14,178**	13,411	12,579	**12,022**	11,659	10,924	**8,587**	8,779	8,273	**8,043**	7,625	7,805
EBIT before nonrecurring items	**–200**	2,001	1,919	**142**	1,038	396	**–298**	433	186	**–133**	622	525	**–136**	43	169
EBIT margin before nonrecurring items	**–0.5%**	5.0%	5.0%	**1.0%**	7.7%	3.1%	**–2.5%**	3.7%	1.7%	**–1.6%**	7.1%	6.3%	**–1.7%**	0.6%	2.2%
EBT before nonrecurring items	**–177**	1,767	1,254	**172**	1,057	404	**–272**	459	182	**–125**	625	504	**–117**	54	169
Number of destinations	**141**	126	124	**47**	46	45	**54**	51	51	**62**	57	45	**11**	10	11
Average flight distance, scheduled, km	**832**	814	811	**645**	626	631	**688**	670	662	**795**	762	739	**7,137**	7,176	7,193
Number of aircraft	**181**[1]	198[1]	180[1]	**60**	62	58	**39**	43	54	**39**	36	42	**11**	11	11
Number of daily departures (average)	**831**	822	832	**354**	340	340	**270**	271	283	**189**	193	190	**18**	18	18
Aircraft, block hours/day	**8.2**	8.0	7.9	**7.6**	8.1	8.4	**8.3**	7.5	7.2	**7.2**	7.1	7.0	**14.8**	14.6	15.3
Regularity	**98.6%**	97.6%	97.8%	**98.4%**	98.6%	97.6%	**98.6%**	96.7%	97.2%	**98.9%**	97.0%	99.0%	**98.9%**	98.6%	98.7%
Punctuality (% within 15 min.)	**84.9%**	79.3%	78.1%	**86.7%**	81.4%	80.1%	**81.5%**	76.8%	69.5%	**85.9%**	79.6%	82.7%	**84.2%**	74.7%	67.0%
Average number of employees [2]	**7,336**	7,597	6,852	**2,422**	2,465	2,604	**2,162**	2,188	1,983	**1,665**	1,704	1,615	**753**	782	650
of which women	**57%**	49%	53%	**55%**	44%	55%	**55%**	57%	53%	**60%**	61%	61%	**72%**	72%	73%
Total sick leave, %	-	-	-	**8.7**	9.2[5]	9.0	**6.6**	7.1[5]	7.3	**7.0**	8.2[5]	7.9	-	-	-
Total number of occupational injuries > 1 day sick leave	-	-	-	**27**	33[5]	23	**39**	53[5]	39	**5**	8[5]	9	-	-	-

SAS Individually Branded Airlines	Total SAS Individually Branded Airlines			Widerøe			Blue1			**Spanair,** *discontinued operation*			**Estonian Air,** *affiliated company*		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Passenger revenue	**3,953**	3,783	3,767	**2,200**	2,000	1,990	**1,753**	1,784	1,777	**7,584**	8,224	7,749	**819**	747	744
Other revenue	**1,573**	1,310	1,214	**1,302**	1,051	951	**246**	236	241	**2,518**	2,907	3,263	**50**	45	9
Revenue	**5,526**	5,093	4,981	**3,502**	3,051	2,941	**2,000**	2,019	2,018	**10,102**	11,131	11,012	**869**	812	752
EBIT before nonrecurring items	**–137**	356	70	**20**	177	35	**–13**	113	–16	**–1,164**	–295	237	**–103**	–28	–41[3]
EBIT margin before nonrecurring items	**–2.5%**	7.0%	1.4%	**0.6%**	5.8%	1.2%	**–0.7%**	5.6%	–0.8%	**–11.5%**	–2.7%	2.1%	**–11.9%**	–3.5%	–5.4%[3]
EBT before nonrecurring items	**–128**	363	65	**2**	162	22	**–10**	117	–18	**–1,311**	–463	95	**–104**	–32	–36[3]
Number of destinations	**62**	63	61	**44**	43	41	**24**	27	26	**32**	39	31	**23**	19	18
Average flight distance, scheduled, km	-	-	-	**257**	221	229	**710**	704	689	**895**	869	840	**885**	1,104	1,266
Number of aircraft	**43**	41	46	**30**	28	29	**13**	13	17	**62**	63	59	**8**[4]	9	4
Number of daily departures (average)	**336**	339	357	**273**	264	270	**66**	74	87	**246**	284	246	**31**	25	25
Aircraft, block hours/day	-	-	-	**7.0**	6.7	6.7	**7.7**	8.5	8.2	**8.3**	9.0	8.8	**9.7**	10.4	10.5
Regularity	-	-	-	**95.6%**	96.7%	96.2%	**97.9%**	98.9%	98.6%	**99.1%**	98.6%	98.9%	**99.0%**	99.7%	99.1%
Punctuality (% within 15 min.)	-	-	-	**87.1%**	87.2%	87.1%	**84.8%**	84.1%	83.9%	**82.3%**	73.2%	78.7%	**85.5%**	80.5%	84.5%
Average number of employees [2]	**1,884**	1,967	2,769	**1,329**	1,358	1,393	**460**	506	491	**3,334**	3,415	3,570	**467**	439	424
of which women	**40%**	46%	45%	**33%**	35%	35%	**52%**	52%	46%	-	-	40%	**53%**	53%	54%
Total sick leave, %	-	-	-	**6.1**	5.0[5]	6.2	**6.2**	8.7[5]	4.9	-	-	-	-	-	-
Total number of occupational injuries > 1 day sick leave	-	-		**13**	-	9	**0**	11[5]	7	-	-	-	-	-	-

SAS Aviation Services	Total SAS Aviation Services			SAS Ground Services			SAS Tech			SAS Cargo		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
Revenue, MSEK	**15,032**	14,192	14,308	**6,322**	6,055	5,866	**5,329**	4,874	4,895	**3,437**	3,336	3,645
of which external revenue	**34.4%**	36.6%	38.3%	**20.4%**	20.1%	17.5%	**8.9%**	13.7%	16.2%	**99.2%**	99.0%	98.5%
EBIT before nonrecurring items	**106**	–434	–47	**–99**	–141	55	**88**	–372	–176	**121**	33	114
EBIT margin before nonrecurring items	**0.7%**	–3.1%	–0.3%	**–1.6%**	–2.3%	0.9%	**1.7%**	–7.6%	–3.6%	**3.5%**	1.0%	3.1%
EBT before nonrecurring items	**–74**	–600	–150	**–122**	–167	43	**–35**	–499	–249	**89**	22	99
Average number of employees [2]	**10,630**	10,651	10,565	**7,040**	6,873	6,622	**2,344**	2,422	2,509	**1,247**	1,356	1,434
of which women	**34%**	29%	28%	**44%**	39%	37%	**7%**	7%	7%	**21%**	21%	21%
Unsorted waste, tonnes	682	754	545	-	-	-	-	-	-	-	-	-
Energy consumption, GWh	196	191	200	-	-	-	-	-	-	-	-	-
Environmental index	-	-	-	**96**	101	106	**88**	93	99	-	-	-
Total sick leave, %	-	-	-	**7.1**	8.9[5]	8.2	**3.8**	4.1[5]	5.0	**5.5**	4.3[5]	5.6
Total number of occupational injuries > 1 day sick leave	-	-	-	**224**	238[5]	298	**28**	34[5]	27	**32**	27[5]	24

More sustainability KPIs **p. 101**

[1] *Including aircraft being leased out.*

[2] *For other employee key figures, see Note 3* **pp. 71-72**

[3] *EBIT including nonrecurring items.*

[4] *Including wet lease.*

[5] *Not examined by an external party.*

Statement of income - Business areas

SAS Scandinavian Airlines			
MSEK	**2008**	2007	2006
Passenger revenue	**34,149**	33,031	31,603
Charter revenue	**1,653**	1,906	1,740
Other traffic revenue	**2,869**	2,025	2,532
Other revenue	**3,552**	3,193	2,757
Revenue	**42,223**	40,155	38,631
Payroll expenses	**–8,943**	–8,510	–7,844
Selling costs	**–535**	–512	–473
Jet fuel	**–8,858**	–6,936	–6,883
Government user fees	**–3,877**	–3,608	–3,540
Catering costs	**–1,238**	–1,262	–1,242
Handling costs	**–5,256**	–5,046	–4,962
Technical aircraft maintenance	**–4,741**	–3,936	–3,825
Computer and telecommunications costs	**–1,478**	–1,505	–1,798
Other operating expenses	**–4,377**	–3,737	–2,988
Operating expenses	**–39,304**	–35,051	–33,554
Income before depreciation and leasing costs, EBITDAR	**2,919**	5,104	5,076
Leasing costs, aircraft	**–2,132**	–2,156	–2,102
Income before depreciation, EBITDA	**787**	2,948	2,974
Depreciation	**–1,089**	–985	–1,187
Share of income in affiliated companies	**–7**	–29	58
Capital gains/losses	**–10**	41	58
Operating income, EBIT	**–319**	1,976	1,903
Net financial items	**23**	–234	–667
Income before tax, EBT	**–296**	1,742	1,236
Income before nonrecurring items	**–177**	1,767	1,252

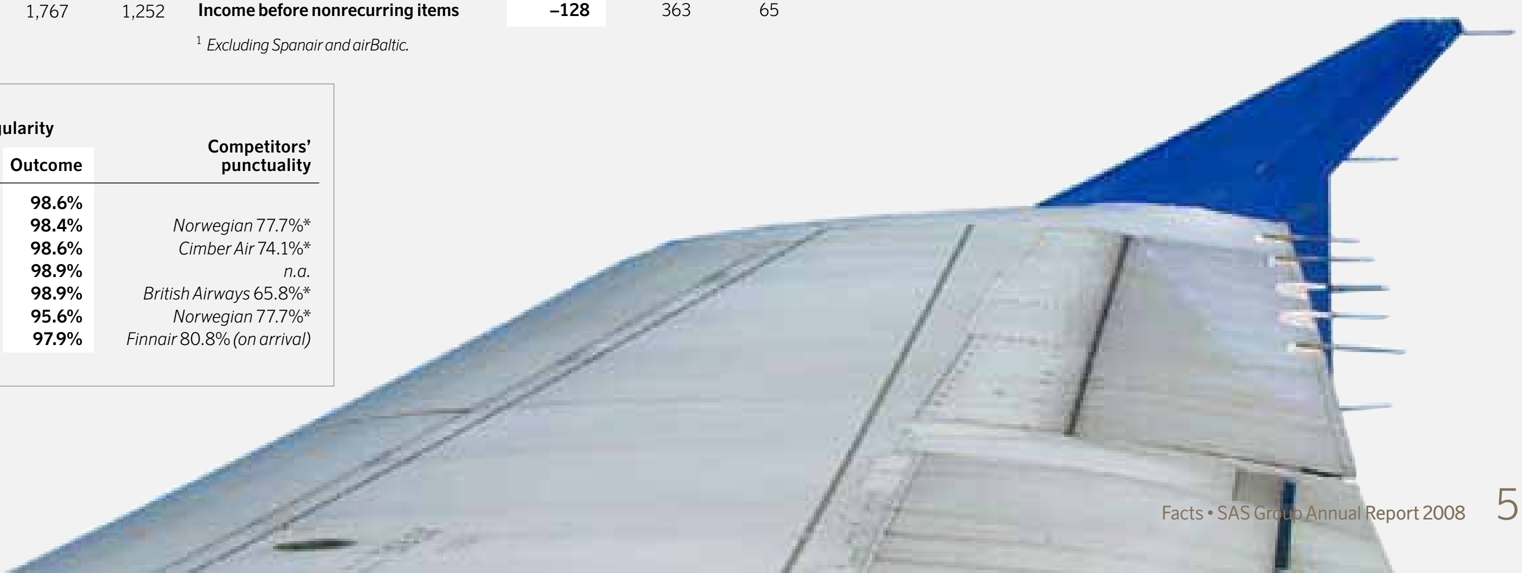
SAS Individually Branded Airlines			
MSEK	**2008**	2007	2006[1]
Passenger revenue (scheduled traffic)	**3,953**	3,783	3,767
Freight revenue	**58**	54	55
Charter revenue	**11**	21	10
Other traffic revenue	**192**	109	107
Other revenue	**1,312**	1,126	1,042
Revenue	**5,526**	5,093	4,981
Payroll expenses	**–1,653**	–1,436	–1,431
Selling costs	**–131**	–136	–124
Jet fuel	**–790**	–622	–669
Government user fees	**–627**	–582	–581
Catering costs	**–106**	–108	–116
Handling costs	**–462**	–417	–452
Technical aircraft maintenance	**–238**	–256	–277
Computer and telecommunications costs	**–67**	–52	–63
Other operating expenses	**–1,049**	–792	–811
Operating expenses	**–5,123**	–4,401	–4,524
Income before depreciation and leasing costs, EBITDAR	**402**	693	457
Leasing costs, aircraft	**–230**	–234	–266
Income before depreciation, EBITDA	**173**	458	191
Depreciation	**–166**	–160	–164
Share of income in affiliated companies	–145	57	43
Capital gains/losses	**14**	12	0
Operating income, EBIT	**–124**	367	74
Net financial items	**9**	8	–5
Income before tax	**–115**	374	65
Income before nonrecurring items	**–128**	363	65

[1] *Excluding Spanair and airBaltic.*

SAS Aviation Services			
MSEK	**2008**	2007	2006
Revenue	**15,032**	14,192	14,308
Payroll expenses	**–6,731**	–6,380	–6,197
Handling costs	**–1,029**	–998	–1,063
Technical aircraft maintenance	**–2,718**	–2,769	–2,551
Computer and telecommunications costs	**–469**	–472	–532
Other operating expenses	**–4,205**	–3,897	–4,073
Operating expenses	**–15,153**	–14,515	–14,417
Income before depreciation, EBITDA	**–121**	–324	–109
Depreciation	**–296**	–257	–316
Share of income in affiliated companies	**5**	6	–41
Operating income, EBIT	**–412**	–575	–466
Net financial items	**–180**	–166	–103
Income before tax	**–592**	–741	–570
Income before nonrecurring items	**–74**	– 600	–150

	Punctuality within 15 min.		Regularity		
SAS Group 2008	**Target**	**Outcome**	**Target**	**Outcome**	**Competitors' punctuality**
Scandinavian Airlines	-	**84.9%**	-	**98.6%**	
Norway	90%	**86.7%**	98.5%	**98.4%**	*Norwegian* 77.7%*
Denmark	90%	**81.5%**	98.5%	**98.6%**	*Cimber Air* 74.1%*
Sweden	90%	**85.9%**	98.5%	**98.9%**	*n.a.*
International	90%	**84.2%**	98.5%	**98.9%**	*British Airways* 65.8%*
Widerøe	90%	**87.1%**	98.5%	**95.6%**	*Norwegian* 77.7%*
Blue1	90%	**84.8%**	98.5%	**97.9%**	*Finnair* 80.8% *(on arrival)*

* *Source: FlightStats*



Group operational key figures and Loyalty program

The key figures refer to consolidated units. airBaltic is included in comparative figures for 2005-2006. Spanair was included from March 2002 to 2006.

SAS Group

Passenger traffic-related key figures	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Number of destinations served, scheduled	**176**	158	164	147	146	130	123	128	92	97
Number of flights, scheduled	**427,201**	423,807	552,899	554,838	530,597	502,145	536,768	445,584	460,496	460,749
Number of passengers carried, total (000) [1]	**30,936**	31,381	43,138	41,033	38,253	36,399	38,775	25,103	25,310	23,990
Number of passengers, scheduled (000)	**29,007**	29,164	39,059	36,312	34,250	31,005	32,562	24,689	25,155	23,755
Available seat kilometers, total (mill.) [1]	**45,764**	44,433	63,555	62,445	60,173	54,800	54,235	38,120	36,334	35,491
Available seat kilometers, scheduled (mill.)	**41,993**	40,019	54,907	53,689	51,478	47,634	47,079	36,765	34,754	33,930
Revenue passenger kilometers, total (mill.) [1]	**33,097**	33,082	46,770	44,566	41,287	36,985	37,237	23,906	23,519	21,722
Revenue passenger kilometers, scheduled (mill.)	**29,916**	29,365	39,247	35,864	33,312	30,403	30,882	23,567	23,243	21,639
Passenger load factor, total (%) [1]	**72.3**	74.5	73.6	71.4	68.6	67.5	68.7	62.7	64.7	61.2
Average passenger distance, total (km)	**1,070**	1,054	1,084	1,086	1,079	1,016	960	952	929	905
Weight-related key figures [4]										
Available tonne kilometers, ATK, total (mill. tonne km)	**5,991**	5,812	7,775	7,614	7,302	6,227	6,084	4,922	4,699	4,698
Available tonne kilometers, scheduled (mill. tonne km)	**5,291**	4,987	6,461	6,376	6,068	5,201	5,171	4,873	4,660	4,637
Available tonne kilometers, other (mill. tonne km)	**700**	827	1,314	1,238	1,233	1,026	914	49	38	61
Revenue tonne kilometers, RTK, total (mill. tonne km)	**4,136**	4,210	5,496	5,299	4,629	4,133	4,191	3,066	3,050	2,869
Passengers and excess baggage (mill. tonne km)	**3,268**	3,265	4,489	4,298	3,844	3,234	3,312	2,295	2,237	2,076
Total load factor, scheduled (%)	**69.0**	72.4	70.7	69.6	63.4	66.4	68.9	62.3	64.9	61.1
Traffic revenue/RTK (SEK)	**10.37**	9.72	9.46	8.80	9.39	10.89	12.31	12.66	12.20	11.85
Key figures for costs and efficiency										
Total unit cost	**0.94**	0.87	0.78	0.73	0.74	0.84	0.92	1.05	0.95	0.91
Jet fuel price paid before hedging, average (USD/tonne)	**1,120**	786	707	564	434	314	268	295	311	199
Revenue-related key figures										
Passenger revenue/Revenue pass. km, scheduled, yield (SEK)	**1.27**	1.25	1.12	1.10	1.11	1.27	1.48	1.55	1.44	1.40
RASK, Pass. revenue/available seat kilometers, scheduled, (SEK)	**0.91**	0.92	0.80	0.73	0.72	0.81	0.97	1.00	0.96	0.89
Environmental key figures										
CO_2, gram/RPK	**129**	130 [3]	131 [3]	136 [3]	154	158	159	176	179	192
Climate index (Environmental index [2] until 2004)	**93**	92 [3]	94 [3]	100 [3]	76	78	78	87	88	88

SAS Scandinavian Airlines, EuroBonus, 000

	Dec 2008	Jan 2008	Change
No. of members	**2,849**	2,889	–1.4%
in Denmark	**524**	515	1.6%
in Norway	**925**	958	–3.5%
in Sweden	**736**	743	–0.8%
international	**665**	673	–1.3%
Share of Gold members	**2.5%**	2.6%	–0.01 p.p.*
Share of Silver members	**5.5%**	5.7%	–0.02 p.p.*

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

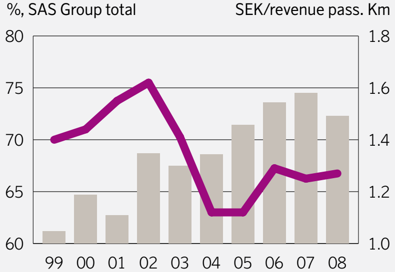
SAS Individually Branded Airlines, EuroBonus, 000

	2008	2007	Change
Finland (EuroBonus)	**213**	211	0.8%
Estonia (EuroBonus)	**30**	28	6.5%
Latvia (EuroBonus)	**27**	23	14.3%
Lithuania (EuroBonus)	**13**	12	13.9%
Total	**283**	274	3.1%

[1] Total production includes scheduled traffic, charter, ad hoc flights and bonus trips, etc. This means that the figures deviate from the traffic statistics of the respective airlines.
[2] Refers to Scandinavian Airlines.
[3] Refers to all SAS Group's airlines.
[4] Excludes Blue1 in 1999-2004 and Braathens in 2002-2003

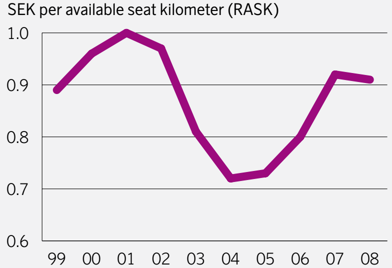
Definitions and concepts, p. 128

Passenger load factor and yield performance
%, SAS Group total SEK/revenue pass. Km



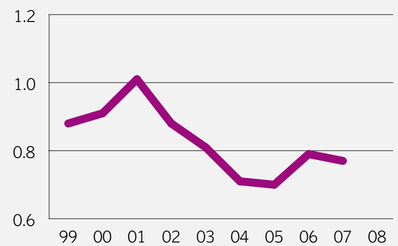
The yield fell sharply in 2001-2005 but rose later mainly due to higher fuel costs.

Passenger revenue
SEK per available seat kilometer (RASK)



RASK rose in 2005-2007 thanks to higher passenger load factor and yield. The lower factor in 2008 had a negative effect.

Total unit cost
Unit



The unit cost increased in 2008 due to record-high jet fuel prices and the reduction in capacity.

Ten-year financial overview Statements of income and balance sheets, cash flow, key figures and targets

SAS Group [1]

Statements of income, MSEK	**2008 [2]**	2007 [2]	2006 [2]	2005 [2]	2004 [3]	2003 [3,5]	2002 [3,5]	2001 [5]	2000 [5]	1999 [5]
Revenue	**53,195**	50,598	50,152	55,501	58,093	57,655	64,906	51,433	47,540	43,746
Operating income before depreciation	**969**	2,677	2,618	2,548	1,779	597	3,463	743	3,710	2,731
Depreciation and impairment	**–1,591**	–1,457	–1,757	–2,170	–2,846	–3,046	–2,953	–2,443	–2,192	–2,087
Share of income in affiliated companies	**–147**	32	59	76	157	39	–409	–70	–1	77
Income from the sale of shares in subsidiaries and affiliated companies	**-**	-	-	41	5	651	817	–24	1,033	283
Income from the sale of aircraft and buildings	**4**	41	85	182	113	649	–320	1,165	490	726
Income before tax	**–1,044**	1,044	177	–246	–1,833	–1,699	–543	–1,140	2,829	1,885
Income from discontinued operations	**–5,305**	–135	4,528	577	-	-	-	-	-	-
Income before capital gains and nonrecurring items in continuing and discontinued operations	**–1,908**	824	1,279	114	–1,701	–2,450	–829	–2,282	1,291	459
Income before capital gains and nonrecurring items in continuing operations	**–395**	1,234	727	–106	-	-	-	-	-	-
Balance sheets, MSEK										
Non-current assets	**26,840**	26,663	31,189	36,439	38,458	42,768	46,845	42,407	33,422	28,587
Current assets, excluding liquid assets	**10,741**	13,216	9,172	12,893	10,748	9,441	9,244	8,693	7,024	7,133
Cash and cash equivalents	**5,783**	8,891	10,803	8,684	8,595	9,066	10,721	11,662	8,979	8,495
Total shareholders' equity	**8,682**	17,149	16,388	12,081	11,044	12,926	15,261	15,807	17,651	16,145
Long-term liabilities	**17,790**	11,274	17,847	23,608	25,193	25,633	27,096	24,569	14,895	12,418
Current liabilities	**16,892**	20,347	16,929	22,327	21,564	22,716	24,453	22,386	16,879	15,652
Total assets	**43,364**	48,770	51,164	58,016	57,801	61,275	66,810	62,762	49,425	44,215
Cash flow statements, MSEK										
Cash flow from operating activities	**–2,651**	2,866	2,102	1,507	–1,440	–1,167	2,138	–350	3,949	1,483
Investment	**–4,448**	–2,908	–2,299	–1,827	–3,865	–4,488	–9,919	–11,676	–9,886	–5,845
Sale of non-current assets etc.	**1,535**	2,695	9,784	2,797	6,853	5,535	6,055	8,382	5,559	6,601
Cash flow before financing activities	**–5,564**	2,653	9,587	2,477	1,548	–120	–1,726	–3,644	–378	2,239
New issue	**-**	-	-	-	-	-	197	-	-	-
Dividend	**-**	-	-	-	-	-	-	–754	–666	–637
External financing, net	**2,480**	–4,492	–7,438	–2,426	–2,016	–1,480	588	7,081	1,528	–1,131
Cash flow for the year	**–3,084**	–1,839	2,149	51	–468	–1,600	–941	2,683	484	471
Key figures										
Gross profit margin, %	**1.8**	5.3	5.2	4.6	3.1	1.0	5.3	1.4	7.8	6.2
Return on capital employed (ROCE), % [4]	**–18.7**	6.7	18.2	5.0	–1.1	0.0	3.5	0.0	10.9	8.7
Return on book equity after tax, % [4]	**–43.7**	3.8	37.8	1.4	–14.9	–11.7	–1.4	–6.3	13.6	9.4
Adjusted equity/assets ratio, % [6]	**15**	27	22	15	15	16	17	20	28	30

[1] *Pertains to the SAS Group pro forma 1999-2000.*

[2] *For a description of reporting of discontinued operations, see* **p. 68**

[3] *Comparative figures for 2004 have been restated according to IFRS. Errors relating to Spanair's accounts have been corrected for 2002-2004.*

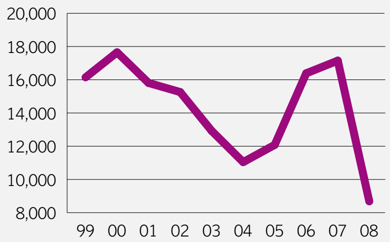
[4] *Includes income from discontinued operations.*

[5] *For 2003 and previous years SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations. For differences between IFRS and previous accounting policies see the SAS Group's 2005 Annual Report.*

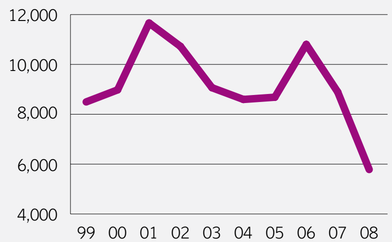
[6] *Estimated starting 2007 with leasing costs of continuing operations. Previous years' key figures also include leasing costs of discontinued operations.*

Definitions and concepts, **p. 128**

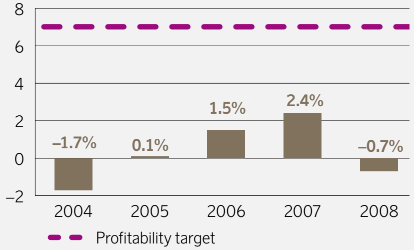
Total equity
MSEK



Cash and cash equivalents
MSEK



The Group's EBT margin
%

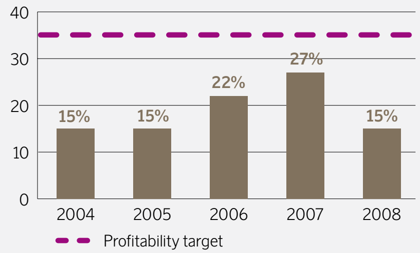


Target: The SAS Group's target is to achieve an EBT margin of 7% annually.

Description: The EBT margin shows earnings before tax as a percentage of the year's operating revenue.

Target achievement: In 2008 the outcome for the SAS Group's EBT margin before nonrecurring items was –0,7%, which is 7,7 percentage points below the target. The EBT margin is expected to improve against the long-term target since SAS's long-term S11 strategy has been fully implemented.

The Group's adjusted equity/assets ratio
%



Target: The SAS Group's target is to achieve an adjusted equity/assets ratio of at least 35% annually.

Description: The adjusted equity/assets ratio is estimated by dividing net worth by adjusted total assets. If the company has off-balance-sheet reserves the adjusted equity/assets ratio shows the company's real financial resistance better than the equity/assets standard.

Target achievement: In 2008 the outcome for the SAS Group's adjusted equity/assets ratio was 15%, which is 15 percentage points below the long-term target. The adjusted equity/assets ratio is expected to improve against the long-term target since SAS's long-term S11 strategy and Core SAS has been fully implemented.

Ten-year financial overview

Financial key figures

SAS Group[1]

	2008	2007	2006	2005	2004 [2]	2003 [2,4]	2002 [2,4]	2001 [4]	2000 [4]	1999 [4]
Income and capital concepts included in CFROI, MSEK										
Income before depreciation, EBITDA, in continuing and discontinued operations	**–1,193**	2,646	3,663	2,984	1,779	597	3,463	743	3,710	2,731
+ Operating lease costs, aircraft	**3,186**	3,472	3,527	3,133	2,689	2,935	3,747	2,425	1,898	1,346
EBITDAR	**1,993**	6,118	7,190	6,117	4,468	3,532	7,210	3,168	5,608	4,077
– Operating lease revenue, aircraft	**–160**	–174	–194	–155	–163	–145	–85	–16	–15	–66
Adjusted EBITDAR in continuing and discontinued operations	**1,833**	5,944	6,996	5,962	4,305	3,387	7,125	3,152	5,593	4,011
Adjusted average capital employed, MSEK										
+ Total shareholders' equity	**14,315**	16,687	12,706	11,921	11,823	13,655	14,914	17,105	16,369	15,393
+ Surplus value, aircraft	**–423**	–208	371	–161	–674	167	1,318	4,638	5,420	4,911
+ Capitalized leasing costs, net (x 7)	**22,016**	23,191	22,567	18,967	18,130	22,844	21,766	14,818	10,840	7,670
– Equity in affiliated companies	**–755**	–1,054	–1,132	–853	–676	–519	–803	–1,087	–895	–1,126
+ Financial net debt	**3,163**	2,447	11,136	16,119	18,592	19,031	16,905	8,661	4,465	3,720
Adjusted capital employed	**38,316**	41,063	45,648	45,993	47,195	55,178	54,100	44,135	36,199	30,568
Cash Flow Return On Investments CFROI, %	**4.8**	14.5	15.3	13.0	9.1	6.1	13.2	7.1	15.5	13.1
Other financial data, MSEK										
Financial income	**654**	787	585	492	357	1,096	1,150	618	518	868
Financial expenses	**–933**	–1,041	–1,367	–1,465	–1,399	–1,684	–2,291	–1,129	–729	–713
Interest-bearing liabilities	**16,117**	12,042	16,478	26,337	27,280	28,866	29,782	26,124	14,563	11,802
Operating leasing capital [5]	**13,573**	14,462	23,331	20,846	17,682	19,530	25,634	16,863	13,181	6,960
Net debt	**–746**	–8,265	–4,671	5,865	9,956	11,466	11,574	7,652	794	–107
Financial net debt	**8,912**	1,231	4,134	14,228	17,377	18,122	17,872	12,824	4,372	2,336
Debt/equity ratio [3]	**1.03**	0.07	0.25	1.18	1.57	1.40	1.17	0.81	0.25	0.14
Adjusted financial net debt (NPV)/equity [5]	**2.10**	0.58	1.03	2.21	2.53	2.18	2.01	1.37	0.45	0.35
Adjusted financial net debt (x 7)/equity [5]	**2.59**	0.92	1.68	2.90	3.17	2.91	2.85	1.89	1.00	0.73
Interest expenses/average gross debt, %	**7.6**	7.8	6.1	5.2	4.3	6.5	6.9	4.4	5.2	5.4
Interest coverage ratio	**–5.2**	1.8	4.4	1.3	–0.3	0.0	0.7	0.0	5.0	3.6

1 *Pertains to the SAS Group pro forma 1999-2000.*

2 *Comparative figures for 2004 have been restated according to IFRS. Errors relating to Spanair's accounts have been corrected for 2002-2004.*

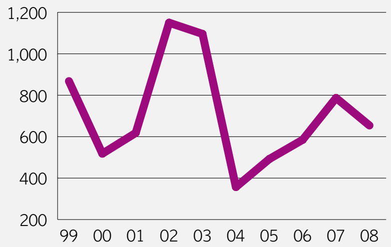
3 *Calculated on financial net debt.*

4 *For 2003 and previous years SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations. For differences between IFRS and previous accounting policies see the SAS Group's 2005 Annual Report.*

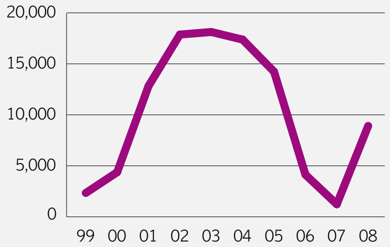
5 *Estimated starting 2007 with, respectively, NPV and leasing costs of continuing operations. Previous years' key figures also include NPV and leasing costs of discontinued operations.*

Definitions and concepts, p. 128

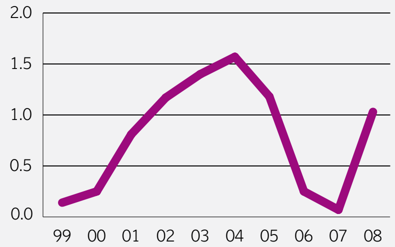
Financial revenue
MSEK



Financial net debt
MSEK



Debt/equity ratio, calculated on financial net debt
MSEK



Star Alliance™

Star Alliance™

Key figures 2008	Pass./year (mill.)	Yearly op. rev.	Dest.	Air-craft
Air Canada	29	7.4	174	335
Air China	35	7.3	121	220
Air New Zealand	12	2.5	49	96
ANA - All Nippon Airways	51	12.7	77	216
Asiana Airlines	14	3.5	82	69
Austrian	11	4.1	130	100
bmi	11	2.0	49	52
LOT Polish Airlines	4	1.2	54	54
Lufthansa	57	35.3	208	513
Scandinavian Airlines	25	27.4	142	181
Shanghai Airlines	8	1.0	71	59
Singapore Airlines	16	7.2	65	92
South African Airways	8	2.3	26	53
Spanair	10	6.6	32	63
Swiss	12	4.9	76	78
TAP	8	1.8	61	69
THAI	20	5.7	74	88
Turkish Airlines	20	2.7	142	102
United Airlines	67	20.5	200	460
US Airways	66	11.5	230	356
Regional members:				
Adria Airways	1	0.3	18	13
Blue1	2	1.3	24	13
Croatia Airlines	2	0.2	29	11
Alliances:				
Star Alliance™	493	170.8	975	3,343
SkyTeam™	462	113.1	905	2,496
oneworld™	319	98.5	664	2,228

Source: Airline Business magazine September 2008.

Key figures - world's biggest airline alliances 2008

Share of world total	ASK	RPK	Pass	Yearly op. rev.
Star Alliance™	23.2%	22.3%	20.6%	26.1%
SkyTeam™	18.7%	20.5%	19.0%	20.8%
oneworld™	15.4%	16.4%	13.1%	18.1%
Total	57.3%	59.2%	52.7%	65.0%

Source: Airline Business magazine September 2008.


"We fly to more than 150
destinations worldwide"

Report by the Board of Directors

The Board of Directors and the President of SAS AB hereby submit the annual report for SAS AB and the SAS Group for fiscal year 2008.

MARKET PERFORMANCE

For all airline operations in the SAS Group the year was characterized by weaker external conditions compared with 2007, which impacted earnings negatively. The high level of jet fuel prices for much of the year and the gradually weakening economy have burdened the company, despite the introduction of a fuel surcharge and capacity adjustments to lower demand. In addition, the negative consequences of the Q400 problems were extensive, particularly for SAS Denmark, but SAS Sweden was also affected.

CHANGE IN GROUP STRUCTURE

During the year, the Group's holding in Go Now AS rose from 45% to 100%, which is why the company is consolidated as a subsidiary. SAS Media, SAS Facility Management and the Group's remaining holding in ST Aerospace Solutions (Europe) were divested in the second quarter.

Against the background of the considerable turmoil in the financial markets, the weak economy and overcapacity in the aviation market, the SAS Group's goodwill with respect to Spanair was tested for impairment and the goodwill in its entirety was impaired by MSEK 1,686 at September 30, 2008. At the same time, deferred tax assets in Spanair were written down by MSEK 273.

The SAS Group reached a definitive agreement with a group of investors from Catalonia, led by the Consorci de Turisme de Barcelona and Catalana d'Inciatives, whereby the group of investors will acquire a majority stake in SAS's subsidiary Spanair for a cash consideration of EUR 1. In the year-end accounts for 2008, MSEK 712 was charged to income for the remeasurement of the company's assets and liabilities at fair value. For further details see p. 60.

The Latvian government decided during the spring that the privatization of airBaltic would not be completed. This made it impossible for the SAS Group to assume a majority ownership in airBaltic. Accordingly, a decision was taken to instead divest the SAS Group's stake in airBaltic. An agreement was signed in December for the sale of the Group's shareholding to the management of airBaltic. The sales consideration amounted to MSEK 216 and the capital gain totaled MSEK 169. The transaction was completed in January 2009.

A process relating to the divestment of Aerolineas de Baleares was initiated during the summer. An agreement on the sale of the SAS Group's holding was reached in December 2008, resulting in a capital loss of MSEK 203.

FINANCIAL RISK MANAGEMENT

The SAS Group is exposed to various types of financial risk. All risk management is handled centrally and in accordance with the financial policy set by the Board. The SAS Group uses derivative instruments as part of its risk management to limit its currency, interest rate and fuel price exposure. See Note 28. p. 81

THE SAS SHARE

Two share classes

SAS AB has two classes of shares, common shares and subordinated shares.

Currently, only 164,500,000 common shares have been issued, which, all together, constitute a registered share capital of SEK 1,645,000,000. Common shares give shareholders all the rights laid down in the Companies Act and Articles of Association.

In addition, the capacity exists to issue special subordinated shares to safeguard the company's air traffic rights. Subordinated shares give shareholders the right to participate in and vote at the company's shareholders' meetings. On the other hand, subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets are replaced, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest rate factor.

Protection of the Group's air traffic rights in the Articles of Association

For aviation policy reasons the company's Articles of Association authorizes, in part, the mandatory redemption of shares by means of a reduction of share capital and, in part, should redemption not be possible or judged adequate, an option to issue subordinated shares for subscription with the support of previously issued share warrants.

A precondition for both of these actions is an assessment by the company's board that a direct threat exists against the air traffic rights of the company or any of its subsidiaries when the non-Scandinavian holding or control of the company or any subsidiary increases, causing the company or the subsidiary to infringe or risk infringing relevant provisions on ownership and control in either any bilateral aviation agreement that Denmark, Norway or Sweden has entered into with another country or equivalent provisions pursuant to laws or regulations pertaining to the state of air traffic in the EU/EEA.

In that case the Board may decide to mandatorily redeem a sufficient number of shares not owned by shareholders domiciled in Denmark, Norway or Sweden along with shares that, even if they are held by a legal entity domiciled in any of these countries, are controlled, directly or indirectly, by a person or company outside of these three countries, so as to ensure continued Scandinavian ownership and control. Preferably, such mandatory redemption of shares shall be done with shares owned or controlled by a person or company outside the EU/EEA. Before the redemption takes place, the shareholders shall be given the opportunity to sell their shares voluntarily within a prescribed period. Redemptions are made subsequently without refund to the shareholder.

Should the Board deem the action of redeeming common shares not possible or adequate, the Board may propose a shareholders' meeting to decide to issue subordinated shares in such number so as to safeguard continued Scandinavian ownership and control. Such a decision must be approved by at least half of the votes cast at the meeting. The subordinated shares thus issued are subscribed for with the support of previously issued share warrants, which currently are held by a subsidiary of SAS AB but which the Board of SAS AB has the right to decide to transfer to one or more appropriate legal entities domiciled in Denmark, Norway or Sweden as soon as this is judged necessary for aviation policy reasons. All together, 75,000 share warrants have been issued, giving entitlement to new subscriptions for all together 75,000,000 subordinated shares, which would increase the company's share capital by a maximum of SEK 750,000,000. As soon as the threat no longer exists the Board shall see to it that the issued subordinated shares are redeemed.

Furthermore, for aviation policy reasons, the Articles of Association contain certain suitability and qualifications requirements for Board members to ensure that the Board will at all times have the composition it needs to ensure that the company and its subsidiaries will be able to retain their air traffic rights. These requirements include citizenship, domicile and knowledge and experience of the social, business and cultural conditions prevailing in the Scandinavian countries. Beyond these requirements there are no restrictions or voting rules pertaining to the appointment or removal of Board members.

Ownership and control

Currently there are only three shareholders who each own and control more than 10% of the voting rights for all shares in the company. The Danish government owns 14.3%, the Norwegian government owns 14.3% and the Swedish government owns 21.4%. All together, the three states own 50.0% of the shares in the company. Furthermore, at the beginning of the year, the share of Scandinavian shareholders amounted to approximately 90% and the share of non-Scandinavian shareholders came to approximately 10% of the total number of shareholders in SAS AB.

Apart from the requirement under the Articles of Association that shareholders vote the entire number of shares they own or represent by proxy, no restrictions exist concerning the voting rights of shareholders at shareholders' meetings. Nor are there any special plans, such as employee benefit plans or the like, through which company or Group employees own shares with restricted voting rights.

The company has no knowledge of agreements between shareholders that would restrict the capacity of shareholders to vote at a shareholders' meeting or their right to freely transfer such shares.

Besides the aforementioned share warrants for subordinated shares (which require the approval of the shareholders' meeting), the Board currently has no authorization to decide that the company will issue new shares or repurchase its own shares.

Effects of a public takeover bid

SAS AB is currently party to a small number of loan agreements in which the lending banks are entitled to demand repayment of issued loans, in the event of changes in the majority stake or control of the company.

Through his employment contract, Mats Jansson, President and CEO of SAS, is entitled to severance pay in the event of noncontractual termination by the company and, in certain cases, if he resigns in response to a change in ownership or control of SAS, in the manner described in Note 3. p. 72

CAPITAL MANAGEMENT

Profitability targets

The SAS Group's overall objective is to create value for its shareholders. The SAS Group's profitability target is an EBT margin of 7%, which corresponds to a CFROI of at least 25%, or income after tax of about SEK 3,5 billion.

Dividend policy

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

Targets for financial position

Adjusted equity/assets ratio	>35%
Adjusted debt/equity ratio	<100%
Financial preparedness	>20% of operating revenue

WORK OF THE BOARD OF DIRECTORS

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

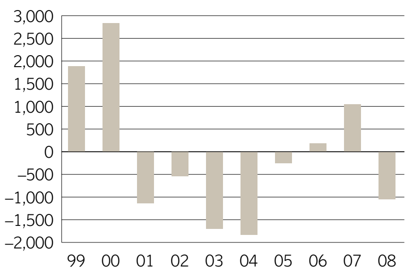
The Board's work is primarily governed by the Swedish Companies Act, the Articles of Association, the Swedish Code of Corporate Governance and the formal work plan adopted by the Board each year, which regulates the division of the Board's work between the Board and its committees and among the Board,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

At the Annual General Shareholders' Meeting on April 9, 2008, all board members were reelected with the exception of Egil Myklebust, who declined reelection. Dag Mejdell was elected as a new Board member. Furthermore, Fritz H. Schur was elected Chairman of the Board.

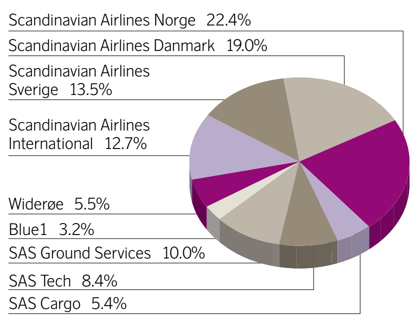
Working closely with the President, the Chairman of the Board monitors the company's performance, plans Board meetings, takes responsibility for ensuring that the other members of the Board always receive high-quality information

SAS Group's income before tax 1999-2008

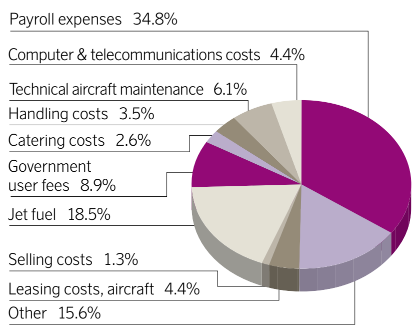
MSEK



SAS Group's revenue breakdown in 2008



SAS Group's breakdown of costs in 2008



about the Group's finances and performance, and ensures that the Board evaluates its work and that of the President each year.

In 2008 the Board held 13 meetings, of which eight were ordinary and five extraordinary. In addition, one meeting was held per capsulam. At the ordinary meetings the Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow-up, the company's financial position and investment. Additionally, at various meetings the Board discussed matters involving flight safety work, internal control, the work of the Board, the year-end report, interim reports, strategy and business plan, and financial frameworks.

Special topics discussed by the Board during the year include the evaluation of alternatives for the SAS Group's future strategic and structural direction, implementation of short-term measures to improve earnings ("P08"), the sale of Spanair and airBaltic, expenditure on aircraft, environmental and sustainability issues, competition law investigations involving SAS Cargo, and negotiations with unions to achieve competitive collective agreements.

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

The main task of the Board's two committees is to prepare business for the Board's decision. The remuneration committee consists of three members and the audit committee of four members all elected by the shareholders' meeting. In 2008 the audit committee held four recorded meetings, examining the scope and performance of external and internal auditing work, financial reporting and internal control. During the year, the remuneration committee held three recorded meetings in addition to a number of informal contacts in connection with the determination of guidelines and principles for remuneration and other employment terms for the President and company executives and the recruiting of a new Group Management member.

The fees paid to Board members and remuneration for serving on Board committees are reported on page p. 72.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The principles for remuneration of Group Management are prepared by the remuneration committee and subsequently discussed by the Board, which presents the motion to the Annual General Shareholders' Meeting for a decision. Remuneration of the President is to be decided by the Board within its framework of approved policies following remuneration committee preparation and recommendation. Remuneration of other senior executives is to be decided by the President within the framework of remuneration policies and after consulting with the remuneration committee.

The guidelines set at the 2008 Annual General Shareholders' Meeting are presented in Note 3 p. 72. There were no deviations from these guidelines during the year.

The guidelines to be proposed to the Annual General Shareholders' Meeting on March 31, 2009 are unchanged in relation to the remuneration policies adopted at the 2008 Annual General Shareholders' Meeting.

SAFETY WORK

All SAS Group airlines are IOSA-certified. IOSA certification may be viewed as the airline industry's answer to ISO 9000 certification. The flight safety level of the SAS Group in 2008 is considered normal in relation to current industry standards.

The SAS Group has a well-functioning and ambitious reporting culture. A survey conducted in SAS Scandinavian Airlines shows that, in general, the safety culture of the company is high.

SAS is simplifying its technical organization by establishing SAS Tech, which includes both SAS Technical Services (STS) and SAS Technical Operations.

The goal is for SAS Tech to maintain continuous airworthiness of the airlines' fleets, improve the quality of deliveries, boost efficiency and reduce costs.

On August 20, 2008, a McDonnell Douglas DC-9-82 aircraft operated by Spanair crashed immediately after takeoff from Madrid-Barajas Airport in Spain. The aircraft was destroyed as a result of the collision with the ground and subsequent fire. 154 passengers, including all six crew members, perished and 18 were seriously injured. The preliminary report of the Spanish investigators indicates that the aircraft's flaps were not in the correct position for takeoff and that the system meant to alert the pilot of this did not function.

LEGAL ISSUES

SAS Cargo

On February 14, 2006, the European Commission and the U.S. Department of Justice each initiated public investigations into possible price fixing with respect to certain surcharges in the air cargo industry. SAS Cargo is one of several air cargo carriers involved in the investigations. On July 21, 2008, SAS Cargo Group entered into a plea agreement, pleading guilty to violations of U.S. antitrust laws, and agreed to pay a fine of MUSD 52 in installments over the next four years in settlement of the investigation by the U.S. Department of Justice. This concludes the investigation of SAS by the U.S. authorities and resolves all liability in connection with the U.S. investigation. SAS Cargo continues to cooperate with the U.S. authorities in connection with the investigation of other airlines.

With respect to the separate investigation initiated by the European Commission, a Statement of Objections was issued on December 20, 2007, in which the Commission alleged that certain investigated practices in the air cargo sector constituted infringements of EU competition rules. The relevant companies within the SAS Group provided written responses to the Statement of Objections in April 2008 and made oral submissions addressing the allegations against it at a hearing held in the week of June 30, 2008. Thereafter, SAS has had certain informal contacts and discussions with the Commission regarding the continued process. The Commission is expected to make a decision in 2009, which may be published as early as second quarter 2009, though the SAS Group is unable to predict the precise timing of its release. It is the opinion of Group Management that the SAS Group will probably be fined by the Commission. The final amount of the fine could be impacted by a variety of factors, including the arguments the SAS Group has made in its defense. Taking the nature of the allegations into account, an adverse outcome is likely to have a substantial negative financial impact on the SAS Group. However, it is impossible to quantify such a potential liability and for this reason no provisions have been made in the SAS Group's financial statements with respect to the investigation.

The Group is cooperating with the authorities in other jurisdictions such as Switzerland and Korea in conjunction with the investigations of these authorities into possible price fixing in the air cargo market. The authorities in these jurisdictions have requested certain information from the SAS Group, but have not launched a formal investigation or brought charges against the SAS Group. However, it cannot be ruled that the authorities in these or other jurisdictions may launch formal investigations or bring charges against the SAS Group in the future.

Moreover, a number of class actions brought against SAS Cargo Group and other air cargo carriers in the United States, alleging harm and seeking damages, are pending in a consolidated civil case in New York. SAS continues to be in settlement negotiations relating to this civil case. Furthermore, a related lawsuit is pending in Canada and the risk of further claims for damages in other jurisdictions and relating to other markets cannot be ruled out. Since it is impossible to quantify the potential liability of the lawsuits in New York and Canada or predict the outcomes of any other suits in other jurisdictions, no provisions have been made in the SAS Group's financial statements with respect to the litigation.

Norwegian Air Shuttle

Norwegian Air Shuttle has brought a claim for damages against the Group for alleged improper use of trade information including underpricing that Norwegian Air Shuttle had determined to be business secrets. On May 19, 2008, Norwegian Air Shuttle was awarded damages in the amount of MNOK 132 in addition to legal costs of MNOK 7. The Group has appealed this decision with a trial expected in the fall of 2009. The Group has not made any provisions for this on its consolidated balance sheet.

SAS GROUP'S CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

The SAS Group has an overarching sustainability policy which, taking the Group's requirement regarding long-term financial performance into account, guides its efforts to reduce its environmental impact and contribute to social progress. Sustaining and developing the skills of its employees is an inherent part of this. As an important indication of this responsibility and to clarify and summarize SAS values and policies, the Group has a Code of Conduct covering all employees.

Environmental responsibility

Flight operations and their use of fossil fuels account for just over 95% of the SAS Group's environmental impact. Barely 5% of the impact stems from cabin and ground operations, where energy and water consumption and waste generation are the main parameters.

The main environmental impact of flight operations consists of the consumption of non-renewable fuels, emissions of carbon dioxide and nitrogen oxides, and noise. These emissions are affecting the climate. The local and regional environmental impact consists mainly of noise during takeoffs and landings, as well as of acidification and eutrophication of soil and water. The greatest potential for environmental improvements lies in continuous renewal of the aircraft fleet, which means the SAS Group always seeks the best economically available technology. Environmental aspects are a key element in the Group's choice of new aircraft and engines. Commercial aviation uses aircraft internationally type-approved according to ICAO certification standards. Environmental approval is an integral part of national registrations of aircraft. Environmentally based national and/or local permits, rules and regulations provide a framework for aircraft use.

The trend is toward a stricter environmental policy framework for the airline industry. For instance, there is a risk that in coming years tightened emissions and noise standards may affect the Group's traffic to certain airports. This may prevent the Group from utilizing its aircraft fleet in the most flexible way possible and/or lead to higher emission-based landing fees. In 2008 Amsterdam-Schiphol implemented a new environment-related air passenger tax. Moreover, a majority of airports in Europe implemented NO_x charges. For SAS Norge and Widerøe the NO_x tax introduced in 2007 was replaced by the Business Sector's NO_x Fund in 2008. Furthermore, the carbon tax in Norway was increased to NOK 0.67 per liter of fuel starting January 1, 2009. In addition to this the airports in Barcelona and Madrid introduced noise charges at the end of 2007.

In 2008 the EU voted in favor of including aviation in the European Union Emissions Trading Scheme (EU-ETS) starting in 2012 and reviewed the EU Emissions Trading Directive. Otherwise, SAS is not aware of any changes in operating conditions that could have significant operational or financial consequences for its business during the coming fiscal year.

Since 1996 the SAS Group has measured its ecoefficiency with an environmental index, which is the most important tool for managing and following up the environmental work of the Group and its companies. In addition, a Group-wide climate index covering the airlines' greenhouse emissions has been prepared. In 2007 environmental targets were set for all subsidiaries up to 2011. In this effort, the development of an environmental index is one of the parameters against which subsidiaries will be evaluated. The performance of the individual companies' environmental index was mixed in 2008. While many of the companies improved an equal number fell behind. The climate index for 2008 deteriorated to 93 (92). The increase was caused by the changed use of the aircraft fleet and a relative increase of NO_x emissions. CO_2 emissions, however, fell both in absolute and relative terms.

The goal of the Group's airlines is to lower their relative fuel consumption by 6-7% by 2011. During the year consumption fell by 2-3 (1-2)%.

Of the SAS Group's operations, parts of ground operations at Stockholm, Oslo, Copenhagen and Stavanger airports are covered by permits pursuant to national environmental laws. The permit in Stockholm covers maintenance bases and regulates emissions to air, chemicals and waste management and sets target and monthly mean values for effluent from the treatment plant. SAS Tech submits an annual environmental report to Sigtuna Municipality. There is also a permit from the Swedish Chemicals Agency for certain products (methylene chloride and 2-methoxyethanol). The permit at Oslo Airport covers water from a treatment plant connected to hangars and maintenance bases. SAS Tech submits an annual environmental report to Ullensaker Municipality and to the County Governor of Akershus. Copenhagen Airport has environmental permits for treatment plants and chemical stocks and permits that primarily concern the use of chemicals in maintenance work in workshops and hangars. Here too, an annual report must be submitted to the local environmental agencies. SAS has an environmental permit for a treatment plant at Stavanger Airport. In 2008 the operation of SAS premises in Scandinavia was taken over by Coor Service Management. Responsibility for the Group's operations carried out in properties managed by Coor Service Management, including all environmental permits, belongs to SAS.

In general, the SAS Group's airline operations are totally dependent on the licensed activities SGS and SAS Tech carry out in workshops, maintenance bases and hangars and on the respective airport owners' licenses for operations and glycol handling and thresholds for atmospheric emissions and noise. Apart for local waste management permits, SAS has no permit requirements for airline operations in Finland, the Baltic countries and Spain. The Group has obtained all the necessary licenses and permits for its operations in Scandinavia, none of which come up for renewal during the coming fiscal year. In 2008 the Environmental Court decided to postpone the mandatory emissions ceiling at Arlanda until 2016 provided that a complete permit application is submitted by LFV, the Swedish airport operator, no later than 2010. Airline operations have a dispensation for halon use and submit annual reports to the authorities on use and storage. In 2008 just under 8 kilograms of halon was discharged and the event was reported to the proper authorities. During the year the authorities did not issue the Group any orders with a material impact on its activities.

In 2008, aircraft operated by SAS Group airlines sometimes deviated from local approach and takeoff rules. Spanair and Blue1 were fined on a few occasions for approaches and takeoffs. In total, the fines may amount to MSEK 1. None of the incidents had any major environmental consequences.

Spanair is working closely with the Spanish authorities to examine any contamination resulting from the accident with Spanair's MD-82 in August 2008. So far, the results show that there was no contamination of soil or water for which the airline could be held liable.

In 2006 two minor ground pollution incidents caused by the leakage of oil and diesel on an area covering 1,100 sq. m. were identified at Copenhagen Airport. In 2008 SAS continued talks with the airport owners and the authorities on the cleanup of the site. In 2008 discharges of oil and glycol were identified outside a workshop at Oslo Airport. Analyses and examinations have been performed to determine what actions need to be taken. The Group was not involved in any environment-related disputes or complaints and otherwise has no known major environment-related debts or provisions for ground pollution or the like.

Corporate social responsibility

The SAS Group's social responsibilities include responsibility for employees and for its impact on the surroundings and communities in which the Group operates.

Given the organizational changes that the renewed strategic approach, Core SAS, entails, redundancies will occur. The issue of redundancy is initially handled by the individual companies, where the negotiations follow national laws and practice. In addition, the SAS Group has its own set of rules that permits transfer of employees between the national companies under a special arrangement negotiated between SAS AB and personnel organizations.

In January 2009 negotiations were concluded between SAS and the unions concerning new collective agreements for the entire Group. The agreement is a result of an extensive dialog throughout 2008.

SAS Group subsidiaries and units report sick leave and occupational injuries pursuant to national legislation. Efforts to reduce sick leave have priority, and there are special projects to get employees on long-term sick leave back to work. In 2008, the average sick leave in the SAS Group was to 6.5%. In August 2008 an MD-80 belonging to Spanair crashed outside Madrid, killing 154 persons and seriously injuring 18. Of those who perished, six were employees of Spanair.

SAS Group companies are working actively on equal opportunity, based in part on the legislation in effect in each country, and based in part on the current situation in the respective companies. The SAS Group's diversity policy is based on equal treatment of all employees and job applicants. Work on equal treatment includes promotion of diversity and equality in all its forms. Women make up 16% of the SAS Group's top executives.

With regard to human resources, the airlines plan and conduct regular in-service training of all certified personnel such as technicians, cabin crew and pilots. This is done to uphold the competency standards required by air operator certificates (AOCs). In 2008 Web-based training programs were introduced for the Code of Conduct and environmental protection.

Compared with the previous year, Group companies, all in all, showed improved results concerning motivation and leadership in the PULS employee satisfaction survey. The response rate was 77 (72)%, the highest ever recorded.

Other parts of the annual and sustainability report contain more complete descriptions of the SAS Group's efforts to contribute to sustainable development.

Financial effects from the Spanair transaction MSEK	**Q1-Q3 2008**	**Q4 2008**	**FY 2008**
Impairment of goodwill in Spanair	–1,686	-	–1,686
Impairment of deferred tax assets	–273	-	–273
EBT before non-recurring items in Spanair	–750	–560	–1,310
Non-recurring restructuring costs in Spanair	–7	–907	–914
Remeasurement of assets and liabilities to fair value	-	–712	–712
Total	**–2,716**	**–2,179**	**–4,895**

DIVIDEND 2008

The Board of Directors proposes to the Annual General Meeting that no dividends be paid to SAS AB's shareholders for the 2008 fiscal year. This is motivated by the SAS Group's relatively weak financial position and cash flow, as a result of which, financial flexibility will be of major importance in managing future restructuring measures and investment.

DISPOSITION OF EARNINGS

The following Parent Company earnings are available for disposition by the Annual General Shareholders' Meeting:

	MSEK
Retained earnings	9,589
Group contribution received, net	38
Net income for the year	–7,313
Total nonrestricted equity	**2,314**

The Board of Directors proposes that the earnings be allocated as follows:

	MSEK
Amount retained by Parent Company	2,314
Total	**2,314**

The position of the Group and Parent Company at year-end 2008 and the earnings of operations for fiscal year 2008 are stated in the following statements of income, balance sheets, cash flow statements, changes in shareholders' equity, comments on the financial statements and notes.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Spanair

The Group entered into an initial agreement on December 18, 2008, with a group of investors based in Catalonia, Spain, led by the Consorci de Turisme de Barcelona and Catalana d'Iniciatives, regarding the sale of a majority stake in Spanair Holding ("Spanair"). The Group entered into a definitive agreement regarding the sale of 80.1% of Spanair on January 30, 2009. The purchase price for the sale was EUR 1. After the sale, the Group will have an interest-bearing receivable of MSEK 99 against Spanair. Moreover, the Group will convert MSEK 20 in current loans to equity in Spanair and represent the Group's remaining 19.9% ownership interest.

- The sale of this business is expected to be completed in the first quarter of 2009 and is currently subject to regulatory approval.
- The sale agreement has included a number of elements including but not limited to:
- The assumption of MEUR 18 of Spanair's outstanding external loans;
- The Group will lease 18 aircraft to Spanair;
- The Group will provide an additional MEUR 50 in financing to Spanair if Spanair fails to raise this amount by December 31, 2011, and if taken will mature in January 2014.
- The purchasers have agreed to provide MEUR 80 as a share capital contribution to Spanair. In the event that the purchasers fail to raise the full amount by December 1, 2009, the Group has agreed to provide a bridge loan facility to the purchasers to cover the shortfall up to a maximum amount of MEUR 30. The bridge loan facility will mature on December 31, 2009.

At December 31, 2008, the Group classified Spanair as an asset held for sale. Accordingly, it has remeasured its assets and liabilities to their fair value and recorded an expense of MSEK 712 in the consolidated income statement for 2008.

Sale of Cubic Air Cargo ("Cubic")

On February 1, 2009, the Group divested Cubic in a sale to a third party for a purchase price of MSEK 5. The sale of Cubic, which includes Cubic's staff and cargo sales activities in the Nordic and Baltic regions, was done as part of the implementation of Core SAS.

Rights issue in Estonian Air ("Estonian Air")

Estonian Air, in which the Group has a 49% stake, decided in February 2009 to conduct a rights issue of approximately MEUR 7.3. The Group intends to participate in the rights issue and subscribe for its pro rata portion of the offering along with the other shareholders and thus retain its holding in Estonian Air. The Group intends to proceed with its plans to divest its interest in Estonian Air as part of Core SAS.

SGS Finland

In February 2009 the Group initiated discussions with a third party on a sale of SGS Finland, one of the Group's wholly owned subsidiaries. A letter of interest concerning the general terms of a transfer has been signed by the parties, and the Group currently expects that the transaction will be completed in May 2009.

FULL-YEAR 2009

2008 was characterized by historic volatility in the financial markets. Problems in the financial markets have adversely affected the real economy, which has led to a sharp decline in growth and harsh market conditions in the Nordic region, which is SAS's home market.

Growth in 2009 is expected to be negative and official forecasts have been revised downward in the Nordic region and on a global scale. As a result of this, the market's passenger growth is expected to be lower in 2009. Uncertainty regarding the price of jet fuel remains, although the price has fallen substantially in line with the weakening of the economy.

Factors expected to negatively impact yield are primarily the weaker GDP trend and the risk of higher oil prices, combined with a stronger USD. However, the initiatives being undertaken by SAS within the Core SAS framework are expected to have a positive effect on yield.

SAS Group statement of income

MSEK	Note	2008	2007
Revenue	2	53,195	50,598
Payroll expenses	3	–18,153	–16,897
Other operating expenses	4	–31,791	–28,682
Leasing costs for aircraft		–2,282	–2,342
Depreciation, amortization and impairment	5	–1,591	–1,457
Share of income in affiliated companies	6	–147	32
Income from the sale of aircraft and buildings	7	4	41
Operating income		**–765**	**1,293**
Income from other holdings of securities	8	0	5
Financial income	9	654	787
Financial expenses	9	–933	–1,041
Income before tax		**–1,044**	**1,044**
Tax	10	28	–273
Net income for the year from continuing operations		**–1,016**	**771**
Income from discontinued operations	11	–5,305	–135
Net income for the year		**–6,321**	**636**
Attributable to:			
Parent Company shareholders		–6,264	637
Minority interest		–57	–1
Earnings per share (SEK) [1]		–38.08	3.87
Earnings per share (SEK) from continuing operations [1]		–6.18	4.69
Earnings per share (SEK) from discontinued operations [1]		–31.90	–0.82

[1] *Earnings per share is calculated on the basis of 164,500,000 outstanding shares (IAS33). Since the SAS Group has no options, convertible or share programs, dilution cannot occur.*

Income before capital gains and nonrecurring items

MSEK	2008	2007
Income before tax in continuing operations	–1,044	1,044
Impairments	12	0
Restructuring costs	284	216
Capital gains	–4	–46
Other nonrecurring items	357	20
Income before capital gains and nonrecurring items in continuing operations	**–395**	**1,234**

Comments on the statement of income

Continuing operations

The SAS Group's income before nonrecurring items in continuing operations amounted to MSEK –395 (1,234).

The net effect of currency fluctuations between the January-December periods of 2007 and 2008 was positive in an amount of MSEK 1,329. The effect was MSEK 590 on revenue, MSEK 702 on operating expenses, of which MSEK 683 is attributable to the decline in the proportion of USD debt, and MSEK 37 on net financial items. In addition, MSEK 217 is contributed as a positive effect on income from discontinued operations.

The SAS Group's revenue amounted to MSEK 53,195 (50,598), up MSEK 2,597 or 5.1%. Taking into account currency effects, revenue increased by 4.0%. The revenue increase includes the compensation received relating to the Q400 incidents in the preceding year. Passenger traffic (RPK) rose by 1.9% for the Group.

The Group's costs for jet fuel amounted to MSEK 9,637 (7,554), an increase of MSEK 2,083. Adjusted for positive currency effects, fuel costs rose by MSEK 2,323. Restructuring costs amounting to MSEK 284 (216) are included in payroll expenses and primarily relate in the current year to measures in SAS Ground Services, SAS Airlines Sweden, SAS Airlines Norway and SAS Cargo. Other operating expenses include MSEK 314 attributable to fines levied on SAS Cargo for breaches of competition regulations in the U.S. A total of MSEK 43 in legal expenses was also charged. In addition, operating expenses rose due to expanded capacity.

Operating income before depreciation, impairment and leasing costs, EBITDAR, was MSEK 3,892 (5,225) before nonrecurring items.

Leasing costs and depreciation, after currency adjustments, were MSEK 158 higher than in the year-earlier period.

The share of income in affiliated companies amounted to MSEK –147 (32). This decline is primarily attributable to the negative earnings trend in British Midland. Estonian Air also reported weaker earnings compared with the year-earlier period.

The Group's income from the sale of aircraft and buildings amounted to MSEK 4 (41) for the full-year. A total of eight deHavilland Q400 aircraft were divested during the year and five Boeing 737s were sold and leased back, generating a total capital gain of MSEK 4. The capital gain for aircraft transactions in the preceding year totaled MSEK 41. Income from other holdings of securities in 2007, amounting to MSEK 5, comprised profit from the sale of shares in OMX.

The Group's net financial items amounted to MSEK –279 (–254). Net interest was MSEK –291 (–228). The currency effect was MSEK 51 (14). Other net financial expenses were MSEK –39 (–40).

Discontinued operations

Income from discontinued operations totaled MSEK –5,305 (–135), which represents losses after tax of MSEK –1,786 from discontinued businesses, nonrecurring charges of MSEK –914 in Spanair and losses associated with disposals of MSEK –2,605. In April, SAS Media was sold to Datagraf at a capital loss of MSEK 11. SAS Facility Management was sold to Coor Service Management in June, resulting in a capital loss of a total of MSEK 30.

The Group's holding in ST Aerospace Solutions (Europe) was sold to Singapore Technologies at the end of June. This transaction was based on a put option in the share-sale agreement from 2005, when 67% of the then SAS Component was divested. Income amounted to MSEK –139. The Group's stake in airBaltic was divested in December 2008 at a capital gain amounting to MSEK 169. Aerolineas de Baleares was divested at year-end with a capital loss of MSEK 203. Other divestments generated a net amount of MSEK 7.

The recognized goodwill in Spanair (see below) was impaired by MSEK 1,686 in September 2008. In December Spanair's assets and liabilities were remeasured at fair value, which resulted in a charge to income of MSEK 712. Income after tax in the divested operations is also included in the amount of MSEK –2,700.

Spanair MSEK		
EBT before nonrecurring items	–1,310	
Nonrecurring items	–914	
Tax	–273	–2,497
Goodwill impairment		–1,686
Effect of divestment		–712
Total		**–4,895**

Capital gains pertaining to Rezidor Hotel Group, SAS Flight Academy and Newco in the amount of MSEK 1,060 are reported for January-December 2007. In addition, MSEK –445 is included for an agreement in principle regarding the purchase consideration for the divestment of 67% of the shares in SAS Component in 2005, and income after tax in SAS Flight Academy, Newco, SAS Media, SAS Facility Management, ST Aerospace Solutions, airBaltic, Aerolineas de Baleares and Spanair.

CURRENCY EFFECTS ON SAS GROUP EARNINGS

Operating revenue as well as operating expenses and financial items are affected significantly by exchange rate fluctuations. Only approximately 24% of operating revenue and 16% of operating expenses are in Swedish kronor.

The aggregate effect of changed exchange rates on the SAS Group's operating income for 2008 compared with 2007 was MSEK 1,292 (606). The currency effect is mainly due to the fluctuations of the USD and the NOK. The difference between the years in the effect of exchange rate differences on the financial net debt was MSEK 37 (13), plus MSEK 217 (264) in discontinued operations.

Comparing 2008 with 2007, the total currency effect on income before tax was therefore MSEK 1,546 (883).

Change MSEK	2007/08	2006/07
Revenue	590	–587
Payroll expenses	–331	82
Other expenses	194	1,309
Translation of working capital	–149	74
Income from hedging commercial flows	988	–272
Operating income	**1,292**	**606**
Net financial items	37	13
Income before tax in continuing operations	**1,329**	**619**
Discontinued operations	217	264
Income before tax	**1,546**	**883**

Currency effects on net income for the year, MSEK	2008	2007
Translation of working capital	–66	83
Income from hedging commercial flows	759	–229
Operating income	**693**	**–146**
Currency effect on Group's financial net debt	51	14
Income before tax in continuing operations	**744**	**–132**
Discontinued operations	–116	–108
Income before tax	**628**	**–240**

Statement of income - Quarterly breakdown

MSEK	2007					2008				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year Jan-Dec
Revenue	11,591	13,024	12,976	13,007	50,598	12,445	14,500	13,330	12,920	53,195
Payroll expenses	–4,046	–4,208	–4,138	–4,505	–16,897	–4,622	–4,612	–4,371	–4,548	–18,153
Other operating expenses	–6,555	–7,076	–7,523	–7,528	–28,682	–7,602	–8,774	–7,873	–7,542	–31,791
Leasing costs for aircraft	–599	–584	–592	–567	–2,342	–547	–519	–543	–673	–2,282
Depreciation, amortization and impairment	–359	–373	–365	–360	–1,457	–356	–368	–405	–462	–1,591
Share of income in affiliated companies	15	34	6	–23	32	–65	–78	7	–11	–147
Income from the sale of aircraft and buildings	–2	–44	20	67	41	0	6	6	–8	4
Operating income	**45**	**773**	**384**	**91**	**1,293**	**–747**	**155**	**151**	**–324**	**–765**
Income from other holdings of security	0	0	5	0	5	0	0	0	0	0
Net financial items	–108	–82	–30	–34	–254	–99	–21	–80	–79	–279
Income before tax	**–63**	**691**	**359**	**57**	**1,044**	**–846**	**134**	**71**	**–403**	**–1,044**
Tax	57	–212	–78	–40	–273	200	–124	33	–81	28
Income from continuing operations	**–6**	**479**	**281**	**17**	**771**	**–646**	**10**	**104**	**–484**	**–1,016**
Income from discontinued operations	–41	128	420	–642	–135	–488	–421	–2,109	–2,287	–5,305
Net income for the period	**–47**	**607**	**701**	**–625**	**636**	**–1,134**	**–411**	**–2,005**	**–2,771**	**–6,321**
Attributable to:										
Parent Company shareholders	–18	584	667	–596	637	–1,077	–411	–2,005	–2,771	–6,264
Minority interest	–29	23	34	–29	–1	–57	0	0	0	–57

SAS Group balance sheet

ASSETS, MSEK	Note	2008	2007
Non-current assets			
Intangible assets	12	1,092	1,226
Tangible fixed assets	13		
Land and buildings		513	568
Aircraft		11,037	10,766
Spare engines and spare parts		1,185	1,211
Workshop and aircraft servicing equipment		220	226
Other equipment and vehicles		318	308
Construction in progress		232	172
Prepayments relating to tangible fixed assets	14	627	185
		14,132	**13,436**
Financial fixed assets	15		
Equity in affiliated companies	6	622	1,063
Long-term receivables from affiliated companies	16	0	170
Other holdings of securities		5	5
Pension funds, net	17	9,658	9,496
Deferred tax assets	10	921	690
Other long-term receivables		410	577
		11,616	**12,001**
Total non-current assets		**26,840**	**26,663**
Current assets			
Expendable spare parts and inventories	18	819	849
Prepayments to suppliers		1	1
		820	**850**
Current receivables			
Accounts receivable	19	1,851	1,951
Receivables from affiliated companies	20	479	510
Other receivables		2,661	2,637
Prepaid expenses and accrued income	21	1,009	1,070
		6,000	**6,168**
Short-term investments	22	3,872	7,308
Cash and bank balances		1,911	1,583
Assets held for sale	11	3,921	6,198
Total current assets		**16,524**	**22,107**
TOTAL ASSETS		**43,364**	**48,770**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	2008	2007
Shareholders' equity			
Share capital		1,645	1,645
Other contributed capital		170	170
Reserves	23	–718	1,466
Retained earnings		7,585	13,849
Total shareholders' equity attributable to Parent Company owners		**8,682**	**17,130**
Minority interests		-	19
Total shareholders' equity		**8,682**	**17,149**
Long-term liabilities	24		
Subordinated loans	25	953	693
Bond issues	26	2,212	2,079
Other loans	27	10,535	3,936
Deferred tax liabilities	10	2,988	3,755
Other provisions	29	768	691
Other liabilities		334	120
		17,790	**11,274**
Current liabilities			
Current portion of long-term loans		872	1,615
Short-term loans	30	1,189	421
Prepayments from customers		7	20
Accounts payable		2,068	2,108
Liabilities to affiliated companies	31	0	94
Tax payable		110	5
Unearned transportation revenue	32	3,299	3,842
Current portion of other provisions	29	148	190
Other liabilities		2,460	1,580
Accrued expenses and prepaid income	33	4,274	5,149
Liabilities attributable to assets held for sale	11	2,465	5,323
		16,892	**20,347**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**43,364**	**48,770**
Book equity per share (SEK) [1]		52.78	104.13

Information about the Group's pledged assets, contingent liabilities and leasing commitments is given in Notes 34, 35 and 36.

[1] *Calculated on 164,500,000 shares.*

Comments on the balance sheet

Because Spanair is classified as a discontinued operation, the company's assets and liabilities are recognized on one separate line in the Group's balance sheet. See also Note 11.

Assets

The SAS Group's total assets decreased in 2008, from MSEK 48,770 to MSEK 43,364.

The decrease in intangible assets by MSEK 134 is mainly due to goodwill and other intangible assets in airBaltic totaling MSEK 84. In addition, MSEK 12 was deducted due to impairment of goodwill in SAS Cargo. Depreciation for the year amounted to MSEK 31. MSEK 53 was invested in systems development during the year. Currency effects due to translations came to MSEK –60.

The book value of aircraft increased by MSEK 271. Investment in three new Boeing 737s, one CRJ-900, four used Boeing 737s, five used McDonnell Douglas MD-87s and buyback of 14 Q400s amounted to MSEK 2,965. Utilization of prepayments to aircraft manufacturers and modifications came to MSEK 288. Depreciation for the year amounted to MSEK 1,149 and the residual value of sold aircraft etc. was MSEK 1,833.

Long-term prepayments to suppliers of flight equipment increased during the year by MSEK 442. MSEK 134 was utilized for deliveries. Long-term prepayments decreased by MSEK 180 in connection with the sale of airBaltic. Prepayments of MSEK 665 were made for future deliveries. Capitalized financial expenses amounted to MSEK 26, and translation differences due to a stronger USD increased the value by MSEK 65.

Equity in affiliated companies decreased by MSEK 441 to MSEK 622. Share of income for the year was MSEK –147. Divestment of ST Aerospace Solutions (Europe) and airBaltic etc. reduced equity shares by MSEK 463. In addition, equity shares increased by MSEK 169 from positive currency effects.

For all defined benefit pension plans, the pension commitments are calculated and all funded assets are taken into account. At December 31, 2008, book net pension funds totaled MSEK 9,658 (9,496) (see also Note 17).

At year-end, short-term liquidity, defined as short term investments and cash and bank balances, totaled MSEK 5,783 (8,891), or 13% (18%) of total assets.

Shareholders' equity

Shareholders' equity including minority interests decreased by MSEK 8,467, to MSEK 8,682 (17,149), of which MSEK –6,321 is the net income for the year. The change in value of cash flow hedges amounted to MSEK –1,848. The remaining MSEK –298 consists of translation differences in foreign and affiliated companies, etc. The equity/assets ratio at the end of the year was 20% (35%) and return on book equity amounted to –44% (4%).

Liabilities

MSEK 16,117 (12,042) of total liabilities was interest bearing. The change is mainly attributed to weaker earnings in continuing and discontinued operations and higher working capital employed.

At December 31, 2008, the interest-bearing net debt amounted to MSEK –746 (–8,265). The SAS Group's average net debt during the year was MSEK –6,483 (–6,697). Financial net debt excluding net pension funds amounted to MSEK 8,912 (1,231). The debt/equity ratio calculated on the financial net debt at December 31, 2008, was 1.03 (0.07).

Provision for marginal costs associated with the provision of free travel in exchange for redeemed points in the Group's loyalty programs amounted to MSEK 507 (495) at December 31, 2008.

Total capital employed amounted to MSEK 24,799 (29,191) at year-end. Average capital employed during the year was MSEK 27,324 (30,280). Return on capital employed was –19% (7%).

Changes in shareholders' equity

	Shareholders' equity attributable to Parent Company shareholders								
MSEK	Share capital [1]	Other contributed capital [2]	Hedge reserves	Fair value reserve	Translation reserve	Retained earnings [3]	Total equity attributed to Parent Company owners	Minority interest	Total equity
Opening equity at January 1, 2007	**1,645**	**170**	**518**	**508**	**286**	**13,239**	**16,366**	**22**	**16,388**
Change in affiliated companies						–26	–26		–26
Change in fair value reserve				–508			–508		–508
Change in hedge reserve			583				583		583
Tax charged directly to equity			–163				–163		–163
Translation differences					75		75	–2	73
Revenue and expenses for the period recognized directly in shareholders' equity	**0**	**0**	**420**	**–508**	**75**	**–26**	**–39**	**–2**	**–41**
Hedge reserve transferred to income			232				232		232
Tax on items transferred to income			–65				–65		–65
Net income for the period						636	636	–1	635
Total income and expenses for the period	0	0	587	–508	75	610	764	–3	761
Closing equity at December 31, 2007	**1,645**	**170**	**1,105**	**0**	**361**	**13,849**	**17,130**	**19**	**17,149**
Change in participating interest in subsidiaries							0	38	38
Change in hedge reserve			–1,516				–1,516		–1,516
Tax charged directly to equity			407		–85		322		322
Translation differences					–251		–251		–251
Revenue and expenses for the period recognized directly in shareholders' equity	**0**	**0**	**–1,109**	**0**	**–336**	**0**	**–1,445**	**38**	**–1,407**
Hedge reserve transferred to income			–1,027				–1,027		–1,027
Tax on items transferred to income			288				288		288
Net income for the period						–6,264	–6,264	–57	–6,321
Total income and expenses for the period	0	0	–1,848	0	–336	–6,264	–8,448	–19	–8,467
Closing equity at December 31, 2008	**1,645**	**170**	**–743**	**0**	**25**	**7,585**	**8,682**	**0**	**8,682**

[1] *The share capital of SAS AB is divided into 164,500,000 shares with a nominal value of SEK 10 per share in both the opening and closing balance.*

[2] *The entire amount consists of share premium reserves.* [3] *No dividends were paid in 2006 and 2007.*

SAS Group cash flow statement

MSEK	Note	2008	2007
OPERATING ACTIVITIES			
Income before tax		–1,044	1,044
Depreciation, amortization and impairment		1,591	1,457
Income from the sale of aircraft, buildings and shares		–4	–46
Income before tax in discontinued operations, excl. capital gain	11	–4,113	–710
Depreciation and impairments in discontinued operations	11	1,804	485
Adjustments for items not incl. in the cash flow, etc.	37	–64	–15
Paid tax		–19	–38
Cash flow from operating activities before changes in working capital		**–1,849**	**2,177**
Change in:			
Expendable spare parts and inventories		42	11
Operating receivables		177	–397
Operating liabilities		–1,021	1,075
Cash flow from changes in working capital		**–802**	**689**
Cash flow from operating activities		**–2,651**	**2,866**
INVESTING ACTIVITIES			
Aircraft		–2,995	–1,310
Spare parts		–127	–127
Buildings, equipment and other facilities		–599	–782
Shares and participations, intangible assets, etc.		–69	–171
Prepayments for flight equipment		–665	–293
Aquisitions of subsidiaries	38	7	–225
Total investments		**–4,448**	**–2,908**
Disposal of subsidiaries	39	103	549
Sale of aircraft, buildings and shares		655	652
Income from sale and leaseback of aircraft		1,166	1,387
Sale of other non-current assets, etc.		–389	107
Cash flow from investing activities		**–2,913**	**–213**
FINANCING ACTIVITIES			
Proceeds from issuance of borrowings		6,500	0
Repayment of borrowing		–4,260	–4,700
Change in interest-bearing receivables and liabilities		240	208
Cash flow from financing activities		**2,480**	**–4,492**
Cash flow for the year		**–3,084**	**–1,839**
Translation difference in liquid assets		–18	29
Liquid assets reclassified to assets held for sale		–6	–102
Liquid assets at beginning of the year	40	8,891	10,803
Liquid assets at year-end	40	**5,783**	**8,891**

Comments on the cash flow statement

In 2008 earnings in both continuing operations and discontinued operations were substantially lower than in 2007. The SAS Group's cash flow from operating activities before changes in working capital decreased during the year to MSEK –1,849 (2,177). About SEK 2 billion of the deterioration is due to continuing operations and about SEK 2 billion is due to discontinued operations. Working capital employed increased during the year by MSEK 802 (–689), largely because of lower current liabilities relating to sold but unused tickets at the turn of the year. Cash flow from operating activities amounted to MSEK –2,651 (2,866).

Total investments including prepayments to aircraft suppliers amounted to MSEK 4,448 (2,908). Aircraft expenditures in 2008 include the buyback of 14 Q400s to be sold onward as part of the discontinuation of the fleet, and delivery payments for three new Boeing 737s and one CRJ-900. In addition, four used Boeing 737s and five McDonnell Douglas MD-87s were purchased.

The subsidiaries SAS Media, SAS Facility Management and Aerolineas de Baleares were divested during the year, as was the remaining holding in ST Aerospace Solutions (formerly SAS Component). airBaltic was reclassified during the year from subsidiary to affiliated company and subsequently divested. Furthermore, the affiliated companies Baltic Cargo Center and Travel AS were sold in December. With respect to cash and cash equivalents in the divested companies and selling costs, divestments of subsidiary and affiliated companies impacted the Group's cash and cash equivalents by MSEK 103.

Sales of aircraft, buildings and shares generated MSEK 1,821 (2,039), of which MSEK 1,821 (1,484) refers to disposals of aircraft. Eight Q400s were sold and five of the Boeing 737s purchased during the year were disposed of through sale and leaseback transactions.

Since year-end, net borrowing rose by about SEK 2.2 billion compared with amortization of SEK 4.7 billion in the preceding year.

Overall, the SAS Group's cash and cash equivalents decreased by MSEK 3,102 (1,810). After MSEK 6 (102) was transferred to assets held for sale, cash and cash equivalents in continuing operations amounted to MSEK 5,783 (8,891).

Notes to the financial statements

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

Note 1 • Significant accounting policies

General

SAS AB (the "Company") and its subsidiaries (collectively referred to as the "Group") provide transportation services.

The Group's core business is operating passenger flights on an extensive Nordic and international route network. The Group's three main operational hubs in Copenhagen, Stockholm and Oslo form the backbone of its flight network. In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network. The Group's operations are organized into three business segments: SAS Scandinavian Airlines, SAS Individually Branded Airlines and SAS Aviation Services.

The Company maintains its registered office in Stockholm, Sweden.

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2008. The transition date for reporting according to IFRS was January 1, 2004, which means that the comparable figures for 2004 and since have been prepared according to the new principles. Furthermore, the Group also applies Swedish Financial Reporting Board recommendation RFR 1.1, "Supplementary Accounting Rules for Groups," which specifies the additions to IFRS information required under the Swedish Annual Accounts Act.

The Parent Company's accounting policies are the same as for the Group with the exception of the imperative rules contained in Swedish Financial Reporting Board recommendation RFR 2.1. "Accounting for Legal Entities". The accounting policies for the Parent Company are stated under the heading "Parent Company accounting policies."

The Parent Company's functional currency is the Swedish krona, which is also the reporting currency for the Group and for the Parent Company. Unless otherwise stated, all amounts in the financial statements are given in millions of Swedish kronor (MSEK).

In the annual financial statements, items have been measured at cost except when it concerns measurement of financial assets and liabilities (including derivative financial instruments) measured at fair value or amortized cost depending on their classification under IAS 39 and IFRS7.

Starting January 1, 2005, SAS began applying IAS 39, Financial Instruments: Recognition and Measurement. IAS 39 has been applied prospectively, i.e., the comparative year 2004 has not been restated. IAS 39 entailed a change of accounting policies.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2008. These standards have been consistently applied to all periods presented in the Group's financial statements. The financial statements have been prepared on a historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below.

Accounting estimates in the financial statements

The preparation of financial statements in accordance with IFRS requires management to make accounting estimates and assumptions that influence the application of the accounting policies and the carrying amounts of assets, liabilities, revenue and expenses. Actual outcome may differ from these estimates and assumptions.

The estimates and assumptions are regularly reviewed. Changes in estimates are reported in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current and future periods.

New standards and interpretations

The International Accounting Standards Board (IASB) and IFRIC issued the following standards and interpretations with an effective date after the date of these financial statements.

IFRIC 13 'Customer Loyalty Programmes', effective for annual periods beginning on or after July 1, 2008. Under IFRIC 13, the allocation of award credits is to be considered to be a separately identifiable component of the purchase of airline tickets. The portion of the ticket price allocated to award credits is to be valued at fair value and recognized in revenue in the period in which the commitment is fulfilled. The fair value of the future flight is based on the lowest price offered to paying passengers. The new measurement of the EuroBonus liability on January 1, 2009 results in an increase of the liability by approximately MSEK 1,376, which is recognized directly in equity. The SAS Group will restate its comparative figures for earlier periods to present the financial statements on a consistent basis of accounting.

IAS 1 (Amendment) 'Presentation of Financial Statements' – A Revised Presentation; effective for annual periods beginning on or after January 1, 2009, requires separate presentation of owner and non-owner changes in equity by introducing the statement of comprehensive income. The statement of recognized income and expense will no longer be presented. Whenever there is a restatement or reclassification, an additional balance sheet, as at the beginning of the earliest period presented, will be required to be published. Management does not expect the adoption of the amendment to have a material impact on the Group's financial statements.

IFRS 3 (Revised) 'Business Combinations'; effective for annual periods beginning on or after July 1, 2009, requires the purchase method of accounting to be applied to business combinations but will introduce some changes to existing accounting treatment. Management does not expect this revised standard to have a significant impact on the Group's financial statements.

IAS 27 (Amendment) 'Consolidated Financial Statements and Accounting for Investments in Subsidiaries'; effective for annual periods beginning on or after July 1, 2009, requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions will no longer result in goodwill or gains or losses. Where control is lost, any remaining interest in the entity is remeasured to fair value and a gain or loss recognized in the income statement. Management does not expect the adoption of the amendment to have a material impact on the Group.

IAS 23 (Amendment) 'Borrowing Costs'; effective for annual periods beginning on or after January 1, 2009, requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Management does not expect this amendment to impact the Group, as the Group's current policy is to capitalize borrowing costs on qualifying assets.

IAS 32 (Amendment) 'Financial Instruments: Presentation', and IAS 1 (Amendment) 'Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation'; both effective for financial years beginning on or after January 1, 2009, require entities to classify as equity certain financial instruments provided certain criteria are met. The instruments to be classified as equity are puttable financial instruments and those instruments that impose an obligation on the entity to deliver to another party a pro rata share of the net assets of the entity only upon liquidation. Management does not expect the adoption of the amendment to have a material impact on the Group's financial statements.

IFRIC 12 'Service Concession Arrangements'; effective for annual periods beginning on or after January 1, 2008. Management does not expect this interpretation to impact the Group.

IFRS 8 'Operating Segments'; effective for annual periods beginning on or after January 1, 2009, subject to EU endorsement. IFRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Management is in the process of assessing the impact on IFRS 8 on its external reporting from first quarter 2009.

Principles of consolidation

The consolidated financial statements include the financial statements of the Parent Company and the entities controlled by the Company. Control is achieved where the Group directly or indirectly owns more than 50% of the voting rights or has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Entities in which the Group has an ownership interest of at least 20% and no more than 50%, or where the Group has significant influence but does not have the power to control the entity, are affiliated companies. Affiliates are accounted for under the equity method of accounting.

Results of subsidiaries acquired during the year are included in Group's profit from the effective date of control. The separate net assets, both tangible and intangible, of newly acquired subsidiaries are consolidated into the financial statements on the basis of the fair value to the Group as at the effective date of control. Results of subsidiaries disposed of during the financial year are included in Group's profit up to the effective date of disposal.

Minority interest in the net assets of consolidated subsidiaries are recognized in the consolidated balance sheet as a separate component of shareholders' equity in the balance sheet and the share of profit attributable to minority interests is shown as a component of profit for the period in the consolidated income statement.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *IFRS 3 'Business Combinations'* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'*, which are recognized and measured at fair value less costs to sell. When a business combination is achieved in stages, each exchange transaction is treated separately for the purpose of determining the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and for determining the amount of any goodwill on that transaction.

Investments in affiliates

Affiliated companies are accounted for using the equity method from the date significant influence commenced until the date that significant influence effectively ceased.

The results of affiliates are accounted for based upon the Group's proportional ownership of the results of these affiliates. Any losses of affiliates are recorded in the consolidated financial statements until the investment in such affiliates is written down to zero. Thereafter losses are only accounted for to the extent that the Group is committed to providing financial support to such affiliates.

The carrying value of investments in affiliates represents the cost of each investment, including goodwill, the share of post-acquisition retained earnings and any other changes in equity. The carrying value of investments in affiliates is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified.

Profits and losses resulting from transactions with affiliates are eliminated in proportion to the Group's interest in these affiliates.

Assets held for sale and discontinued operations

When the Group intends to dispose of, or classify as held for sale, a business component that represents a separate major line of business or geographical area of operations, it classifies it as discontinued. The post tax profit or loss from discontinued operations is shown as a single amount on the face of the income statements, separate from the other results of the Group.

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when a decision has been made by the management and board to dispose of the business, an active sales process has commenced, and the asset is available for immediate sale in its present condition, and it is highly probable that the sale will take place within one year.

Foreign currency translation

The individual financial statements of the entities in the Group are presented in its functional currency, i.e., the currency of the primary economic environment in which the entity operates. The consolidated financial statements of the Group are presented in Swedish kronor, which is the functional currency of the Parent Company.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising from the retranslation are recognized as a gain or loss in the period in which they arise except for exchange differences on transactions entered into to hedge currency risks relating to monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation. These differences are recorded in the translation reserve in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Any resulting exchange differences are classified as equity and recognized in the Group's foreign currency translation reserve. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

The exchange rates applied in the translation of the financial statements for consolidation purpose are as follows:

Exchange rates			Closing rate		Average rate	
			2008	2007	2008	2007
Denmark	DKK	100	146.80	127.05	128.19	123.84
Norway	NOK	100	110.35	118.75	117.60	115.02
U.S.	USD		7.75	6.47	6.50	6.77
U.K.	GBP		11.25	12.90	12.18	13.53
Switzerland	CHF	100	734.55	569.85	600.77	562.25
Japan	JPY	100	8.60	5.72	6.34	5.73
EMU countries	EUR		10.94	9.47	9.56	9.23

Financial instruments

Financial instruments are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument and are stated at amortized cost or fair value depending on their initial classification according to IAS 39.

Amortized cost is calculated using the effective interest method, where any premiums or discounts and directly attributable costs and revenues are capitalized over the contract period using the effective interest rate. The effective interest rate is the rate that yields the instrument's cost when calculating the present value of future cash flows.

Fair value is generally determined by reference to official market quotes. When market quotes are not available, the fair value is determined using generally accepted valuation methods such as discounted future cash flows based on observable market inputs.

Financial assets

Financial assets are classified into the following categories: available-for-sale, financial assets remeasured at fair value through the income statement and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Receivables in affiliated companies are categorized as loans and receivables and are measured at amortized cost. These receivables are presented at present value and interest income is recognized using the effective interest rate.

Accounts receivable are categorized as loans and receivables, and are measured at amortized cost. Since the terms of accounts receivable are expected to be less than 13 days, the value of each receivable is carried at its nominal amount with no discount, which is deemed to be a good estimate of fair value. Accounts receivables are assessed individually for impairment and any impairment losses are recognized in operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The short-term investments and cash and bank balances items in the consolidated balance sheet comprise the Group's cash and cash equivalents. Deposits and blocked deposits are categorized as loans and receivables. Other investments are categorized as financial assets held for trading.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements.

An equity instrument is any contract that represents a residual interest in the assets of the Group after deducting its liabilities. Equity instruments issued by the Group are recorded in the amount of the proceeds after direct issue costs.

Financial liabilities represent contractual obligations and are recorded when the Group becomes contractually liable.

Accounts payable

Accounts payable are categorized as other liabilities and measured at amortized cost. Since the terms of account payables are expected to be short, the liabilities are carried at nominal amounts with no discounts, which gives an estimated fair value.

Borrowings

Long-term borrowings, i.e., liabilities with a term longer than one year, consist of interest-bearing liabilities to banks and credit institutions as well as bond issues. Short-term borrowings comprise the current portion of interest-bearing long-term borrowings, i.e., the portion of the loans that is to be paid and amortized in the coming fiscal year, as well as other current interest-bearing liabilities with a term shorter than one year.

All borrowings are categorized as other liabilities and initially recorded at fair value less direct transaction costs. Subsequently borrowings are measured at amortized cost using the effective interest method, except any long-term borrowings designated as fair value hedges. The hedged risk related to long-term borrowings designated as fair value hedges is measured at fair value.

Derivative financial instruments

The Group holds various financial instruments to manage its exposure to foreign currency, interest and jet fuel risk (see Note 28).

All derivatives are initially recorded as either assets or liabilities at their fair value in the consolidated balance sheet and subsequently remeasured at fair value at each balance sheet date.

The accounting for changes in fair value for financial instruments depends on whether or not the derivative has been designated and qualifies as a hedging instrument and on the type of hedge. If a derivative is designated as a hedging instrument in a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in income in the line of the consolidated income statement relating to the hedged item. If a derivative is designated as a hedging instrument in a cash flow hedge or a net investment hedge, the effective portion of changes in the fair value of derivative financial instruments is recognized directly in equity. The ineffective portion of cash flow hedges is recognized in the consolidated income statement. Amounts deferred in equity are recycled in the consolidated income statement in the periods when the hedged item is recognized in the consolidated income statement. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

In order for hedge accounting to be applied, its effectiveness has to be demonstrated at inception and on a regular basis during the hedge period. A requirement for hedging forecasted cash flows is that it is highly probable that the forecasted event will occur.

Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation and any impairment. These assets are depreciated to their estimated residual values on a straight line basis over their estimated useful lives. As the components of aircraft have varying useful lives, the Group has separated the components for depreciation purposes.

Costs for routine aircraft maintenance as well as repair costs are expensed as incurred. Extensive modifications, including the required major overhauls of engines, and improvements to non-current assets are capitalized and depreciated together with the asset to which the work is related over its remaining useful life. Investment in own and leased premises is amortized over their estimated useful lives, but not over a period exceeding the remaining leasing period for leased premises.

Income from the sale or disposal of a tangible fixed asset is calculated as the difference between the sales value and carrying amount. The gain or loss that arises is recognized in the statement of income.

Depreciation is based on the following estimated periods of useful life:

Assets class	Depreciation
Aircraft	20 years *
Spare equipment and spare parts	20 years *
Engine components (average)	8 years
Workshop and aircraft servicing equipment	5 years
Other equipment and vehicles	3-5 years
Buildings	5-50 years

** Estimated residual value after a useful life of 20 years is 10%.*

Leasing

SAS has entered into finance and operating leasing contracts. Leasing contracts where the terms of the lease transfer substantially all the risks and benefits of the asset to SAS are reported as finance leases. All other lease contracts are classified as operating leases.

The Group as lessee

Finance leases – At the beginning of the leasing period, finance leases are recognized at the lower of the fair value of the lease's asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet under other loans. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. The depreciable life of the asset corresponds to the Group's policy for owned assets.

Gains on the sale and leaseback of property and equipment under finance leases are deferred and amortized over the lease term.

Sale and leaseback agreements are classified according to the above-mentioned principles for financial and operating leasing.

Operating leases – Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, the Group recognizes any profit or loss immediately.

The Group as lessor

Finance leases – Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease, which is calculated based upon the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease. Finance lease income is allocated to different accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Operating leases – Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Intangible assets

Intangible assets comprise goodwill, capitalized costs for systems development, and other intangible assets. The Group is not engaged in any research and development (R&D) activity.

Intangible assets are recognized in the balance sheet when:

- an identifiable, non-monetary asset exists
- it is probable that the future financial advantages that can be attributable to the asset will accrue to the company and
- the cost of the asset can be calculated in a reliable manner.

Goodwill is recognized in the balance sheet as an intangible asset at cost less accumulated impairments. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Gains and losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

Goodwill is assessed as having an indefinite useful life. Goodwill is allocated to the smallest possible cash-generating unit and the carrying amount is tested at least once a year for any impairment. However, testing for impairment takes place more frequently if there are indications that a loss in value has occurred. A discounted cash flow analysis is carried out based on the cash flows of the cash-generating unit (CGU) and comparing the carrying value of assets of the CGU with their recoverable amount. These cash flows are discounted at rates that the Group estimates to be the risk-affected average cost of capital for the particular businesses. Any impairment is recognized immediately in the income statement.

Development costs that do not meet the criteria specified above are expensed in the period they arise. Costs for systems development are reported as an asset provided that they meet the criteria specified above. Capitalized development costs are amortized on a straight-line basis over the estimated useful life of the asset. Maximum useful life is five years. Amortization of capitalized development costs is included in the depreciation item in the statement of income.

Other intangible assets with a limited useful life are amortized over their useful life. Amortization of other intangible assets is included in the depreciation item in the statement of income.

Impairment of tangible and definite lived intangible assets

At least once a year, the Group reviews the carrying amounts of its tangible and definite lived intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated (or the cash-generating unit to which it belongs) to determine the extent of any impairment loss. The recoverable amount is defined as the higher of an asset's fair value less selling costs and value in use (VIU). If the recoverable amount of the asset (or the cash-generating unit) is estimated to be lower than its book value, the book value of the asset (or the cash-generating unit) is written down. Recoverable amount is determined based on the type of assets. For aircraft it is based on the present value of the current market leasing revenue assuming than an aircraft generates market leasing revenue until it reaches an age of 25 years. For spare equipment and spare parts for aircraft, the recoverable amount is calculated by estimating the fair value at the end of each reporting period. For all other assets, the Group estimates the future discounted cash flows based on the Group's financial plan.

At each balance sheet date, a review is conducted to assess for indications that any earlier impairments no longer exist or have improved. When such indications exist, the recoverable amount is recalculated and the carrying amount is increased to the lower of the recoverable amount and the carrying amount that the asset would have had if the previous impairment had not taken place.

Expendable spare parts and inventories

Expendable spare parts and inventories are carried at the lower of historical cost or net realizable value. Historical cost is calculated by application of the first in first out (FIFO) method. Some spare parts related to aircraft are valued according to the lower of cost or market value principle collectively with the aircraft concerned.

Provisions and contingent liabilities

Provisions are reported when the SAS Group identifies legal or informal commitments as a result of historic events, where the outcome is probable, and where the financial resources required to settle these commitments can be estimated with reasonable certainty.

Remuneration of employees

Pensions

The Group has various pension plans for its employees. These vary considerably due to different legislation and agreements on occupational pension systems in the individual countries.

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

For other pension plans where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid. The Group calculates its pension commitments for the defined benefit pension plans based on estimated future final salary. An estimate of funded assets is made at the same time.

Pension costs for the year comprise the present value of pension earnings for the year, interest on the obligation at the beginning of the year, less return on funded assets, and amortization of actuarial gains and losses and plan amendments is added to this total for certain pension plans. The Group uses the "corridor approach" when recognizing actuarial gains and losses. Under the corridor approach actuarial gains and losses outside the lower and upper limits of the corridor, which is calculated as 10 percent of the greater of the defined benefit obligation as of that date or the fair value of plan assets are recognized immediately. Actuarial gains and losses within the corridor are amortized over a 15-year period, which corresponds to the average remaining employment period.

Plan amendments and deviations between anticipated and actual results for estimated pension commitments and funded assets are amortized over the average remaining working lives of the employees participating in the pension plan.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes severance pay when such an obligation exists according to employment contracts or for termination as a result of an offer made to encourage voluntary redundancy.

Revenue recognition

Passenger revenue

Sales of passenger tickets are recorded as short-term unearned transportation revenue on the consolidated balance sheet. Passenger revenue is recognized when SAS or another airline provides the transportation. Additionally, tickets that have not been utilized by the passenger and have expired, are recognized as revenue. The Group estimates unutilized tickets each period, and recognizes revenue and reduces the short-term unearned transportation revenue based on that estimate. The estimated reserve of unused tickets is reported as revenue the following year.

The Group's management periodically evaluates the estimated short-term unearned transportation revenue and records any resulting adjustments in its financial statements in the period in which the evaluations are completed. These adjustments relate primarily to refunds, exchanges, transactions with other airlines and other items for which final settlement occurs in periods subsequent to the sale of the related tickets at amounts other than the original sales price.

Charter revenue

The Group operates aircraft on a charter basis for flights that take place outside normal schedules, by a hiring arrangement with particular customers. Charter revenues, similar to passenger revenues, are recognized when transportation has been provided.

Mail and freight revenue

The Group provides cargo services, both on passenger flights and on commercial cargo flights. This revenue is recognized as revenue when the air transportation is completed.

Other revenue

Sales of goods and other services are recognized as revenue when the goods are delivered or the service carried out.

Loyalty program

Through membership in the Group's loyalty program, EuroBonus, customers can earn bonus points by flying with SAS and other Star Alliance airlines, as well as by trading with commercial partners such as rental car and credit card companies.

The Group records a provision as points are earned for the variable marginal costs associated with the provision of free travel in exchange for the redemption of the points earned by members. The expense associated with this program is recorded as selling costs.

Borrowing costs

Borrowing costs that arise in operations are expensed in the period in which they are incurred. Interest expenses on prepayments for aircraft not yet delivered are capitalized. If a decision is made to postpone deliveries of aircraft for which prepayments have been made, capitalization of interest expenses ceases. On commissioning of aircraft, depreciation of the capitalized interest expenses begins, in accordance with the main principle for aircraft.

Taxes

Current tax for the period is based on earnings for the period, adjusted for non-tax deductible costs and revenues not liable to tax. The current tax is calculated on the basis of tax rates applying on the closing date.

Deferred tax is reported according to the balance sheet method whereby temporary differences, differences between the reported and fiscal value of assets or liabilities, result in a deferred tax asset or deferred tax liability. A deferred tax liability is reported for all temporary differences liable to tax, while a deferred tax asset is reported to the extent it is probable that a taxable surplus will be created against which the deductible temporary difference can be utilized or before the right to utilize the loss carryforward is lost.

A deferred tax liability is reported for all taxable temporary differences attributable to investments in subsidiaries and affiliated companies except in cases where the Group can control the timing of reversal of the temporary differences, and it is probable that such reversal will not take place in the foreseeable future.

Deferred tax is calculated based on the tax rates that are expected to apply during the period the tax is realized. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and deferred tax liabilities are recognized net if the items pertain to the same tax authority.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements and application of accounting policies are often based on the management's assessments or on estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Below is an overall description of the accounting policies affected by such estimates or assumptions that are expected to have the biggest impact on the SAS Group's reported earnings and financial position.

Estimated useful economic lives of tangible fixed assets

The Group's management periodically reviews the appropriateness of the useful economic lives of its tangible fixed assets. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group, historic information on similar assets and industry trends.

Any changes in the useful economic life of property, plant and equipment are recognized prospectively in the income statement.

Impairment of assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

Management is required to make assumptions in estimating the value of the assets, including the timing and value of cash flows to be generated from the assets. The cash flow projections are based on reasonable assumptions that represent management's best estimate of the set of economic conditions that will exist over the remaining useful life of the asset and are based on the most recent financial plan that management has approved. Due to its subjective nature, these estimates will likely differ from future actual results of operations and cash flows, any such difference may result in an impairment in future periods.

Pensions

Actuarial assumptions are an important element in the actuarial methods used to measure pension commitments and asset valuations and significantly affect the reported pension commitment, pension assets and the annual pension cost. The two most critical assumptions are the discount rate and expected return on plan assets.

The discount rate corresponds to market yields on high-quality corporate bonds or, if there is no deep market for such bonds, the market yields on government bonds. A lower discount rate increases the present value of the pension liability and the annual pension cost.

In order to determine the expected rate of return on plan assets, the Group considers the current and anticipated categories of plan assets as well as historic and expected returns on the various categories.

Any change in these assumptions could potentially result in a significant change to the pension assets, commitments and pension costs in future periods.

Deferred taxes

The Group records deferred tax assets at each balance sheet date to the extent that it is probable that they will be utilized in future periods. This determination is based on estimates of future profitability. A change in these estimates could result in a decrease in deferred tax assets in future periods for assets that are currently recorded on the consolidated balance sheet. In estimating levels of future profitability, the Group has considered historical results of operations in recent years and would, if necessary, consider the implementation of prudent and feasible tax planning strategies to generate future profitability. If future profitability is less than the amount that has been assumed in determining the deferred tax asset, then a decrease in deferred tax assets will be required, with a corresponding charge in the income statement. On the other hand, if future profitability exceeds the level that has been assumed in calculating the deferred tax asset, an additional deferred tax asset can be recognized, with a corresponding credit in the income statement, except to the extent that the deferred tax arises from a business combination.

A change in these estimates could also result in the write-off of deferred tax assets in future periods for assets that are currently recorded on the balance sheet.

Litigation

The Group is involved in litigations and other claims that are in the ordinary course of its business activities. Management judgment is required in determining the likelihood of the outcome. Actual results of the outcome could differ from management's estimate which would impact the Group's results.

Segment reporting

Information is provided for business areas and geographical markets. This information is based on the SAS Group's accounting policies and the Group's internal reporting to company management.

The primary segment comprises the SAS Group's three business areas (SAS Scandinavian Airlines, SAS Individually Branded Airlines and SAS Aviation Services), corporate functions and group-wide eliminations. All operations, whether they are corporations or business units, are to have a businesslike relationship with customers and suppliers within the Group.

The Group's statement of income is shown by business area for operating income, EBIT. Other items are not broken down by business area.

Business area assets comprise all assets used directly in the business area's operations. Equity shares in affiliated companies, however, are presented separately. Business area liabilities and provisions comprise all commitments that are directly attributable to the business area's operations.

The secondary segment comprises the SAS Group's geographical markets, and revenues are broken down by the geographical markets where operations are conducted.

Traffic revenue from domestic service in Denmark, Norway and Sweden is allocated to Domestic. Traffic between the three countries is allocated to Intrascandinavian. Other traffic revenues are allocated to the geographical area where the destination is located.

Other revenues are allocated to a geographical area based on:

- the customer's geographical location relating, for example, to goods exported to a customer in another country
- the geographical location where the service is performed

Assets broken down by geographic area do not include the Group's aircraft and spare parts. Since aircraft are utilized in a flexible manner across the route network, there is no justifiable basis for allocating these assets.

Parent Company accounting policies

The Parent Company has prepared its financial statements according to the Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2.1 "Accounting for Legal Entities" as well as applicable statements from the Swedish Financial Reporting Board. Under RFR 2.1, the Parent Company, in preparing the annual financial statements for the legal entity, shall apply all EU-approved IFRS and statements insofar as this is possible within the framework of the Annual Accounts Act and Tryggandelagen (the Swedish law on safeguarding pension obligations) and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS.

The differences between the Group's and the Parent Company's accounting policies are listed below:

Pensions: Current pension premiums are recognized as an expense.
Shares in subsidiaries and affiliated companies: Stated at acquisition value.
Other shares and participations: Stated at acquisition value.
Hedging of net investments in foreign operations: Translation differences relating to currency hedging are recognized in the statement of income.

Note 2 • Revenue

	2008	2007
Traffic revenue:		
Passenger revenue	38,103	36,814
Charter	1,663	1,927
Mail and freight	1,509	1,700
Other traffic revenue	2,159	1,295
Other operating revenue:		
In-flight sales	519	511
Ground handling services	1,265	1,455
Technical maintenance	792	973
Terminal and forwarding services	1,916	1,592
Sales commissions and charges	668	834
Other operating revenue	4,601	3,497
	53,195	**50,598**

Note 3 • Payroll expenses

Average number of employees

In 2008, the average number of employees in the SAS Group's continuing operations was 20,496 (20,784). A breakdown of the average number of employees by country is provided in the table below.

Average number of employees totaled 6,219 (6,058) in Denmark, 6,512 (6,791) in Norway, and 5,438 (5,361) in Sweden.

	2008		2007	
	Men	Women	Men	Women
Denmark	3,999	2,220	3,789	2,269
Norway	3,411	3,101	4,481	2,310
Sweden	3,375	2,063	3,050	2,311
U.K.	209	303	261	387
Finland	359	380	385	411
Estonia	164	93	135	103
U.S.	67	120	73	129
Other countries	234	398	256	434
Total	**11,818**	**8,678**	**12,430**	**8,354**
Total men and women	**20,496**		**20,784**	

Average number of employees in divested operations totaled 4,139 (5,754).

Gender breakdown among senior executives in the Group

	2008		2007	
	Total on closing date	of which men	Total on closing date	of which men
Board members	82	61%	90	69%
President and other senior executives	79	68%	70	74%

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses in continuing operations amounted to MSEK 17,286 (16,407), of which social security expenses comprised MSEK 2,047 (1,877) and pensions MSEK 2,594 (2,105).

	2008		2007	
	Salaries & other remuneration	Soc. sec. (of which pension cost) *	Salaries & other remuneration	Soc. sec. (of which pension cost)
SAS AB	218	126 (63)	216	100 (46)
SAS Consortium	916	559 (318)	1,015	339 (91)
Other subsidiaries	11,511	3,956 (2,213)	11,194	3,543 (1,968)
SAS Group total	**12,645**	**4,641 (2,594)**	**12,425**	**3,982 (2,105)**

* *The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 32 (46).*

A breakdown of the salaries and other remuneration of Board members, CEOs, other senior executives and other employees is provided in the table below.

Note 3. continued

	2008 Board, CEO & senior executives (of which variable salary)	2008 Other employees	2007 Board, CEO & senior executives (of which variable salary)	2007 Other employees
SAS AB	41 (6)	178	42 (8)	174
SAS Consortium	- (-)	916	- (-)	1,015
SAS Scandinavian Airlines Danmark	7 (1)	1,830	6 (1)	1,628
SAS Scandinavian Airlines Sverige	16 (3)	959	15 (2)	1,014
SAS Scandinavian Airlines Norge	19 (3)	2,151	17 (4)	2,260
SAS Ground Services	25 (4)	3,140	64 (4)	2,879
SAS Technical Services	12 (2)	1,343	13 (1)	1,350
Blue1	9 (1)	259	7 (0)	216
Widerøes Flyveselskap	4 (1)	933	9 (1)	924
SAS Cargo	11 (1)	622	11 (2)	603
Other subsidiaries	13 (1)	160	11 (2)	165
SAS Group total	**157 (23)**	**12,491**	**195 (25)**	**12,228**

Sick leave in the Parent Company SAS AB

	2008	2007
Total sick leave	0.9%	0.9%
Long-term sick leave >59 days	0.3%	0.2%
Sick leave for women	0.9%	0.9%
Sick leave for men	0.9%	0.9%
Sick leave employees <30 years	0.0%	0.0%
Sick leave employees 30-49 years	0.6%	1.1%
Sick leave employees >49 years	1.2%	0.8%

The total sick leave is stated as a percentage of the employees' total working hours. The data apply only to employees in Sweden.

Pension costs

	2008	2007
Defined benefit pension plans	1,552	1,161
Defined contribution pension plans	1,042	944
Total	**2,594**	**2,105**

Remuneration and benefits paid to senior executives

The fees and other remuneration paid to Board members of SAS AB shall be determined by the Annual General Shareholders' Meeting, which has also approved the principles for the remuneration of senior management.

Board of Directors

At the Annual General Shareholders' Meeting of SAS AB on April 9, 2008, the fees paid to directors and remuneration for serving on board committees were set as follows:

Board chairman	625 TSEK
Board vice chairman	415 TSEK
Other board members (8 persons)	TSEK 315 per member
Employee deputies (6 persons)	TSEK 1 study fee/board meeting
	TSEK 3.75 fee/board meeting at participation
Chairman of audit committee	TSEK 100
Other members of audit committee (3 persons)	TSEK 50
Chairman of remuneration committee	TSEK 75
Other members of remuneration committee (2 persons)	TSEK 25

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in 2008. No Board member not employed by the SAS Group received any remuneration or benefit from any company in the SAS Group beyond customary travel benefits and the fees received for board duties.

All Board members reduced their Directors' fees by 6% starting January 1, 2009.

Principles

The following remuneration principles have been applied in 2008 in regard to senior executives in the SAS Group. In this connection, senior executives refers to the President and the other five members of the SAS Group Management.

The SAS Group's overarching remuneration policy is aimed at offering market compensation.

The SAS Group's overall remuneration model is based on the following four cornerstones:

- Salary setting shall be individual and differentiated
- Salary setting shall be national and adapted to the market
- Salary setting shall be an important management tool in reaching the organization's goals
- Salary setting shall motivate professional and personal advancement

Total remuneration shall consist of fixed salary, variable salary, other benefits and pension.

The SAS Group applies a remuneration model that means that salary shall be performance-based. The division of salary into a fixed and a performance-based variable part shall be in proportion to the responsibilities and authorities of the position. A specific target-based variable salary is an important management tool and is aimed at ensuring that the priorities of senior executives are consistent with the Group's overall goals and strategies.

The variable salary shall be maximum and never exceed 50% of the fixed salary. At least 20% and maximum 60% of the variable salary is to be related to the Group's earnings. No earnings-based salary will be paid if the Group's earnings (EBT before nonrecurring items) are negative. The outcome of the variable salary is based on achievement of the targets contracted between the employee and his or her superior. On the recommendations of the remuneration committee the Board sets the President's targets, degree of target achievement and the size of the variable salary. The President annually sets the target criteria for the people who report directly to him and decides, in consultation with the remuneration committee, payment of the variable salary.

Payment of the variable salary takes place after the SAS Group's annual report has been adopted by the Annual General Shareholders' Meeting.

President and CEO

Mats Jansson, who assumed the position of President and CEO on January 1, 2007, has the following remuneration components in his employment contract:

- An annual fixed base salary of TSEK 10,000 that will not be subject to salary revision from January 1, 2007 to December 31, 2011.
- Mats Jansson reduced his annual fixed base salary by 6% starting January 1, 2009 and it now amounts to TSEK 9,400 on an annual basis.
- A variable salary comprising a maximum of 20% of his annual fixed salary.
- A defined contribution pension plan where 35% of his fixed salary is paid as premiums to an agreed pension insurance. Should Mats Jansson remain in his position on December 31, 2011, SAS will pay a lump sum pension premium of MSEK 8.

The notice period is 6 months in the event the President resigns and 12 months if the termination of employment is by SAS AB. Severance pay for the President in the event his employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of his duties as President or criminal acts against the SAS Group is payable in an amount equivalent to 12 months of salary. Should new employment be obtained within 12 months after his employment ended the awarded severance pay shall be reduced by the remuneration received from the new position. No severance pay is paid if the President resigns of his own accord, unless his resignation is occasioned by the following circumstances:

- Should SAS be bought up by any industrial or financial owners and cease to exist as an independent company.
- Should any external, industrial or financial owners acquire a controlling stake corresponding to at least 30% of the votes in SAS. External industrial or financial owners means persons or groups that do not currently own or have any controlling stake in SAS that influences the management of the company.

Deputy Presidents

In 2008 the SAS Group had two deputy presidents, Gunilla Berg (CFO) until December 31, 2008, and John S. Dueholm (Deputy CEO and COO).

Gunilla Berg had the following remuneration components in her employment contract:

- An annual fixed base salary of TSEK 3,850, which refers to the salary set on January 1, 2008.
- A variable salary comprising a maximum of 40% of her annual fixed base salary.
- A defined benefit pension plan which means that earnings are on a straight-line basis until retirement age, 60 years. With fully earned entitlement, the pension level amounts to 70% of pensionable salary up to 30 base amounts (currently TSEK 1,300) and 35% of pensionable salary in excess of that amount. Pensionable salary refers to the annual fixed salary with the addition of the average of the variable salary paid in the last three years.

Note 3, continued

John S. Dueholm has the following remuneration components in his employment contract:

- An annual fixed base salary of TDKK 4,725, which refers to the salary set on January 1, 2008, and is subject to salary revision in January of each year.
- John S. Dueholm reduced his fixed annual salary by 6% starting January 1, 2009, and it now amounts to TDKK 4,442 on an annual basis.
- A variable salary comprising a maximum of 50% of his annual fixed base salary.
- A defined contribution pension plan where 35% of salary is paid into a chosen insurance plan. Should John Dueholm remain in his position on June 30, 2011, SAS will pay a lump sum pension premium of MDKK 5, equivalent to MSEK 6.4.

The notice period is 6 months if Gunilla Berg resigns and 12 months if the termination of employment is by SAS AB. The notice period is 6 months if John Dueholm resigns and 6 months if the termination of employment is by SAS AB.

Severance pay is payable to the deputy presidents in the event their employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of their duties as deputy president or criminal acts against the SAS Group in an amount equivalent to 24 months' salary, where the reconciliation against income from another appointment or engagement totals a maximum of one fixed annual salary.

Severance pay is also payable if the senior executive resigns if his or her responsibilities or authorities are materially changed through ownership or organizational changes. However, severance pay in the above case is not payable if the senior executive is offered another position in the SAS Group and the position has the same classification level as the previous position.

Other senior executives

The three other members of the Group Management, all have a defined contribution pension plan, two of which have a retirement age of 65 and one a retirement age of 60, where 15-35% of the fixed base salary is paid into a pension. The notice period is 12 months if the termination of employment is by SAS AB and 6 months if the employee resigns.

Severance pay for these senior executives is set according to the same principles for the two deputy presidents, with, however, the difference that the severance pay totals an amount equivalent to one fixed annual salary with full deduction for income from another appointment or engagement for two of the senior executives and with two years' severance pay with 50% deduction for one of the senior executives.

These three senior executives have also reduced their fixed annual salaries by 6% starting January 1, 2009.

Share price-related remuneration

Because the SAS Group does not have a share price-related incentive program, no such benefits were allotted to any senior executives in the SAS Group.

Variable salary 2008

The President and the other five Group Management members have decided to forgo variable salary for 2008.

Other

Other typical managers' contracts in the SAS Group are based on the principles outlined under the "Principles" heading above.

Discussion and decision-making process

The issue of the Directors' fees is discussed by the nomination committee, which consists of representatives elected at the Annual General Shareholders' Meeting. The nomination committee presents its proposal concerning Directors' fees to the Shareholders' Meeting, which votes on it.

The primary task of the Board-created remuneration committee is to prepare for the decision of the Board proposals pertaining to the President's salary and other employment terms, and to prepare and propose the main principles and general conditions applying to the setting of salaries and other remuneration and employment terms (including variable salary, pension and severance pay policy) for the Group Management and other senior executives in the SAS Group. The Board presents the proposals for the principles regarding remuneration and other employment terms for the Group Management to the Annual General Shareholders' Meeting, which votes on them.

During the year the remuneration committee discussed and made recommendations to the Board concerning overarching principles for remuneration policies in the SAS Group that include the principles and levels of variable salary, and also submitted recommendations regarding the President's target contract and variable remuneration. The remuneration committee considered the departure terms for Gunilla Berg, employment terms for the new CFO, Mats Lönnqvist, and questions relating to salary reductions for 2009 along with the Group Management's decision to forgo variable salary for 2008. The Board discussed the remuneration committee's recommendations and made decisions accordingly. Remuneration of other senior executives was decided by the President after consultation with the remuneration committee and in accordance with the principles approved by the Shareholders' Meeting. The remuneration committee held eight minuted meetings plus a number of informal discussions.

REMUNERATION AND BENEFITS 2008

Name	Fixed base salary (TSEK)	Variable remuneration (TSEK) 2007	Variable remuneration (TSEK) 2008 [3]	Other benefits [2] (TSEK)	Pension cost [1] (TSEK)	Financial instruments	Insurance (TSEK)	Total (TSEK)	Pension commitments [1]
Mats Jansson	10,000	800	0	470	3,500	-	26	14,796	-
Gunilla Berg	3,850	1,362	0	159	2,978	-	6	8,355	-
John S. Dueholm [4]	6,057	2,700	0	304	2,100	-	10	11,171	-
Other [4]	9,716	1,300	0	791	1,501	-	12	13,320	-

1 *All retirement benefits are insured and vested.*
2 *2007 = including vacation supplement.*
3 *SAS remuneration committee and SAS Group Management have decided that no variable salary for 2008 will be paid.*
4 *Converted to TSEK.*

Note 4 • Other operating expenses

	2008	2007
Selling costs	680	660
Jet fuel	9,637	7,554
Government user fees	4,662	4,316
Catering costs	1,346	1,373
Handling costs	1,851	1,776
Technical aircraft maintenance	3,197	3,144
Computer and telecommunications costs	2,282	2,219
Other	8,136	7,640
Total	**31,791**	**28,682**

Note 5 • Depreciation, amortization and impairment

	2008	2007
Intangible assets	27	41
Aircraft	1,149	1,045
Spare engines and spare parts	147	135
Workshop and aircraft servicing equipment	69	64
Other equipment and vehicles	105	89
Buildings and fittings	82	83
Impairment	12	-
Total	**1,591**	**1,457**

Note 6 • Share of income and equity in affiliated companies

Share of income in affiliated companies:	2008	2007
British Midland PLC [1]	–114	33
Skyways Holding AB [2]	2	11
Air Greenland A/S [3]	17	33
Go Now AS [4]	–21	–18
AS Estonian Air [5]	–50	–20
Commercial Aviation Leasing Ltd	14	–11
Malmö Flygfraktterminal AB	5	5
Other	-	–1
Total	**–147**	**32**
Total revenue of affiliated companies	16,347	15,817
Income after tax in affiliated companies	–1,039	208
SAS Group's share of income	–147	32

1 *The share of income includes adjustment of last year's income figure by MSEK –11 (1).*
2 *The share of income includes adjustment of last year's income figure by MSEK 2 (-).*
3 *The share of income includes adjustment of last year's income figure by MSEK - (10).*
4 *Go Now AS was included as an affiliated company in the SAS Group from March 2007 to February 2008. The share of income includes adjustment of last year's income figure by MSEK –13 (-).*
5 *The share of income includes adjustment of last year's income figure by MSEK 1 (-).*

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

Note 6, continued

Equity in affiliated companies:

	Corporate ID No.	Domicile	Share of equity %	Share of equity 2008	Share of equity 2007
British Midland PLC	2107441	Derby, U.K.	20.0	0	95
Skyways Holding AB	556021-5872	Stockholm, Sweden	25.0	58	57
Air Greenland A/S	30672	Nuuk, Greenland	37.5	273	218
AS Estonian Air	10076042	Tallinn, Estonia	49.0	161	189
ST Aerospace Solutions (Europe) A/S	28501048	Copenhagen, Denmark		-	412
Commercial Aviation Leasing Ltd	IE6328550R	Dublin, Ireland	49.0	231	179
Elimination of intra-Group profit for Commercial Aviation Leasing Ltd				–119	–119
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40.0	15	8
Travel AS	987096985	Fredrikstad, Norway		-	6
SIA Baltijas Kravu Centers	40003458674	Riga, Latvia		-	5
Go Now AS	989867873	Oslo, Norway		-	10
Other				3	3
Total				**622**	**1,063**
Total assets in affiliated companies				8,739	12,303
Total liabilities in affiliated companies				8,054	9,436
Equity in affiliated companies				685	2,867
SAS Group's share of equity in affiliated companies				622	1,063

Equity in affiliated companies includes acquired surplus value of MSEK - (34) in British Midland PLC, MSEK 39 (39) in Skyways Holding AB and MSEK 171 (148) in AS Estonian Air.

Note 7 • Income from the sale of aircraft and buildings

	2008	2007
Airbus A319/321	-	29
Boeing 737	–5	–30
Boeing 767 [1]	-	42
deHavilland Q100	-	12
deHavilland Q400	9	-
Properties	-	–12
Total	**4**	**41**

[1] *Pertains to corrected selling costs for previous year's disposal.*

Note 8 • Income from other holdings of securities

	2008	2007
Capital gains from the sale of shares and participations	-	5
Total	**-**	**5**

Note 9 • Net financial items

Financial income	2008	2007
Interest income on financial assets not measured at fair value	76	41
Interest income on financial assets measured at fair value	578	746
Other financial income	0	0
Total	**654**	**787**
Financial expenses		
Interest on financial liabilities not measured at fair value	–726	–847
Interest on financial liabilities measured at fair value	–230	–236
Other financial expenses	–39	–40
Exchange rate differences, net	51	14
Net profit/loss on financial instruments categorized as:		
Held for trading	2	76
Other liabilities	9	–8
Hedge accounting		
Fair value hedge	0	0
- of which change in fair value of hedging instrument	72	–16
- of which change in fair value of hedged item	–72	16
Ineffective portion of cash flow hedge	0	0
Ineffective portion of net investment hedge in foreign operations	0	0
Total	**–933**	**–1,041**

Note 10 • Tax

The following components are included in the Group's tax expense:

	Continuing operations 2008	Continuing operations 2007	Discontinued operations 2008	Discontinued operations 2007	Total 2008	Total 2007
Current tax	–36	–16	-	–24	–36	–40
Deferred tax	64	–257	–273	4	–209	–253
Tax attributable to the parent company and its subsidiaries	**28**	**–273**	**–273**	**–20**	**–245**	**–293**

Current tax is calculated based on the tax rate in each country. The tax rate in Sweden was changed on January 1, 2009, from 28% to 26.3%. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

The tax expense for the fiscal year can be reconciled against income before tax as follows:

	2008	2008 (%)	2007	2007 (%)
Income before tax in continuing operations	–1,044		1,044	
Income before tax in discontinued operations	–5,032		–115	
Income before tax	–6,076		929	
Tax according to rate in Sweden	1,701	28.0	–260	–28.0
Tax effect of income in affiliated companies	–12	–0.2	10	1,1
Tax effect of non-deductible costs	–928	–15.3	–142	–15.3
Tax effect of non-taxable income	52	0.9	174	18.7
Tax effect of loss carryforward	–815	–13.4	–166	–17.8
Tax effect of changed tax rate	30	0.5	91	9.8
Write-down of tax assets in Spanair	–273	–4.5		
Tax expense and effective tax rate for the fiscal year	**–245**	**–4.0**	**–293**	**–31.5**

Deferred tax liability/tax asset:	2008	2007
Deferred tax liability	2,988	3,755
Deferred tax asset	–921	–690
Deferred tax liability, net	**2,067**	**3,065**

Note 10. continued

The tables below show the Group's most significant deferred tax liabilities and tax receivables according to category and how these liabilities and receivables changed.

Deferred tax liability in the balance sheet:	**2008**	**2007**
Non-current assets	1,830	1,955
Provisions	–43	–49
Cash flow hedges	–208	439
Pensions	1,228	1,247
Other temporary differences	321	431
Fiscal loss carryforward	–140	–268
Total	**2,988**	**3,755**

Deferred tax asset in the balance sheet:	**2008**	**2007**
Fiscal loss carryforward	767	1,254
Non-current assets	59	–25
Provisions/receivables	95	15
Assets held for sale	-	–554
Total	**921**	**690**

Reconciliation of deferred tax liability, net:	**2008**	**2007**
Opening balance	3,065	2,095
Assets held for sale	-	554
Change for the year for cash flow hedges	–695	228
Net tax liability in sold companies	-	–35
Change according to statement of income	–64	253
Deferred tax recognized in equity	–28	–90
Exchange differences etc.	–211	60
Deferred tax liability, net, closing balance	**2,067**	**3,065**

On the closing date the Group had unutilized loss carryforwards in continuing operations totaling MSEK 4,570 (4,289). Based on these loss carryforwards, the Group recognizes a deferred tax asset of MSEK 907 (968). Deferred tax assets are recognized to the extent it is probable that there are factors indicating that taxable profits will be created before the right to use the loss carryforwards is lost. The assessment of the respective group company's future profit performance is based on earnings reported in recent years as well as improved profitability prospects. The recognized tax receivables refer primarily to Blue1, SAS AB and the Group's operations in Denmark. For the loss carryforward amounting to MSEK 1,101 (727), no deferred tax asset is recognized due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 38 expires in 2009 and MSEK 295 in 2011-2016. There are no expiration dates for the remaining loss carryforwards.

No provision has been made for deferred tax on temporary differences relating to non-distributed profits in subsidiaries and affiliated companies, since these profits will not be distributed within the foreseeable future; alternatively a distribution can be made without the profits being subject to tax.

Taxes recognized directly in equity regarding cash flow hedges reported according to IAS 39 amounted to MSEK 383 (287).

Note 11 • Discontinued operations

In 2008 the subsidiaries SAS Media, SAS Facility Management and Aerolineas de Baleares were divested along with the remaining holding in ST Aerospace Solutions. Furthermore, the affiliated companies airBaltic, Baltic Cargo Center and Travel AS were sold. Spanair is in the process of being sold and is reported as a discontinued operation.

In the previous year SAS Flight Academy and Newco Airport Services were sold along with the remaining shareholding in Rezidor Hotel Group. As a result of the sale of Rezidor Hotel Group, MSEK 495 was transferred from equity to the statement of income.

Net income for the year from discontinued operations	**2008**	**2007**
Net income for the year in discontinued operations	–4,386	–750
Income from sale of subsidiaries	–919	609
Dividends from discontinued operations	-	6
Income from discontinued operations	**–5,305**	**–135**
Net income for the year in discontinued operations		
Revenue	11,553	13,758
Payroll expenses	–2,125	–2,365
Other operating expenses	–10,676	–10,116
Leasing costs for aircraft	–914	–1,308
Depreciation, amortization and impairment	–118	–185
Share of income in affiliated companies	5	–23
Income from the sale of shares in subsidiaries and affiliated companies	-	59
Income from the sale of aircraft and buildings	9	–14
Operating income	**–2,266**	**–194**
Net financial items	–152	–177
Income before tax	**–2,418**	**–371**
Tax	–273	–20
Net income for the year	**–2,691**	**–391**
Impairment of goodwill	–1,686	–300
Group elimination	–9	–59
Net income for the year after group adjustments	**–4,386**	**–750**

Assets held for sale and related liabilities	**2008**	**2007**
Goodwill	-	1,711
Other intangible assets	64	86
Tangible fixed assets	447	535
Financial fixed assets	873	1,159
Total non-current assets	**1,384**	**3,491**
Current assets	160	147
Current receivables	2,269	2,458
Cash and cash equivalents	108	102
Total current assets	**2,537**	**2,707**
Assets held for sale	**3,921**	**6,198**
Long-term liabilities	54	53
Current liabilities	2,411	5,270
Liabilities attributable to assets held for sale	**2,465**	**5,323**
Interest-bearing assets	335	329
Interest-bearing liabilities	70	3,240

Net cash flow from discontinued operations recognized as assets held for sale.

	2008	**2007**
Cash flow from operating activities	–1,519	–362
Cash flow from investing activities	–517	–173
Cash flow from financing activities	2,055	526
Net cash flow	**19**	**–9**

Note 12 • Intangible assets

	Goodwill		Other assets		Total intangible assets	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Opening aquisition value	1,141	2,880	1,249	1,439	2,390	4,319
Investment	-	266	53	126	53	392
Sales/disposals	-	-	-	–9	-	–9
Sales of companies [1]	-	–116	-	–64	-	–180
Reclassifications to assets held for sale [1]	-	–2,103	-	–260	-	–2,363
Reclassifications	–64	38	–33	3	–97	41
Exchange rate differences	–67	176	15	14	–52	190
Closing accumulated aquisition value	**1,010**	**1,141**	**1,284**	**1,249**	**2,294**	**2,390**
Opening amortization and impairment	–110	–198	–1,054	–1,189	–1,164	–1,387
Amortization for the year in continuing operations	-	-	–27	–41	–27	–41
Amortization for the year in discontinued operations	-	-	–4	–32	–4	–32
Impairments in continuing operations	–12	-	-	-	–12	-
Impairments in discontinued operations	-	–300	-	-	-	–300
Sales/disposals	-	-	-	-	-	-
Sales of companies [1]	-	11	-	45	-	56
Reclassifications to assets held for sale [1]	-	392	-	174	-	566
Reclassifications	-	-	13	-	13	-
Exchange rate differences	6	–15	–14	–11	–8	–26
Closing accumulated amortization and impairment	–116	–110	–1,086	–1,054	–1,202	–1,164
Closing planned residual value	**894**	**1,031**	**198**	**195**	**1,092**	**1,226**

[1] *During the year, Aerolineas de Baleares, which was reported along with Spanair as assets held for sale at the beginning of the year, was sold. airBaltic was reclassified as an affiliated company and divested. SAS Flight Academy and Newco Airport Services were divested the previous year.*

The SAS Group is not engaged in activities relating to research and development (R&D).

Breakdown of planned residual value:

	2008	2007
Goodwill	894	1,031
Capitalized system development costs	198	195
Total residual value	**1,092**	**1,226**

Goodwill:	2008	2007
SAS Scandinavian Airlines Norge	702	756
Widerøe	145	156
airBaltic	-	65
Air Maintenance Estonia	29	25
Blue1	14	14
SAS Cargo	4	15
Total goodwill	**894**	**1,031**

Testing for impairment of intangible assets

Estimating the value of the Group's goodwill items and other intangible assets with an indefinite useful life has been done by comparison with the recoverable amount. The recoverable amount has been based on the respective cash-generating unit's value in use and is based on the cash flows in the respective unit's business plan, which covers four years.

The projected cash flows are based on assumptions regarding volume performance, unit revenue, operating margins and discount rates. The assumption beyond the plan period is an annual growth rate of 4% with maintained margins.

The discount rate has been estimated based on a weighted cost of capital after tax of 8% for maintenance operations, 9% for airlines, and 10% for other operations. The discount rate before tax for the respective companies was then determined on the basis of their nominal tax rate and amounts to 11.1% for maintenance operations, between 12.0% and 13.8% for airlines and between 13.9% and 15.4% for other operations.

To support the impairment tests performed on goodwill in the Group, an overarching analysis has been done of the sensitivity in the variables used in the model. A weakening of any of the significant assumptions included in the business plans or a weakening of the annual operating revenue growth rate and operating margins beyond the plan period, or an increase in the discount rate that, individually, is reasonably likely, shows that a healthy margin still exists between the recoverable amount and carrying amount. For this reason it was determined that there was no need for impairment of goodwill and other intangible assets with indefinite useful life at the end of 2008.

Note 13 • Tangible fixed assets

	Buildings & land		Aircraft [1,2]		Spare engines & spare parts		Workshop & aircraft & servicing equipment	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Opening aquisition value	1,580	1,717	18,666	18,358	1,791	1,755	1,350	1,310
Investment	13	24	2,965	1,310	123	127	85	97
Capitalized interest [3]	-	-	-	-	-	-	-	-
Sales/disposals	–15	–23	–1,964	–1,510	–34	–33	–78	–39
Sales of companies [4]	-	–35	-	-	-	-	–4	-
Reclassifications to assets held for sale [4]	-	–175	-	–515	-	–289	-	–80
Reclassifications	10	17	288	877	36	181	–55	–4
Exchange rate differences	12	55	–109	146	–25	50	24	66
Closing accumulated aqusition value	1,600	1,580	19,846	18,666	1,891	1,791	1,322	1,350
Opening depreciation	–1,012	–1,033	–7,900	–7,028	–580	–372	–1,124	–1,095
Depreciation for the year in continuing operations	–82	–83	–1,149	–1,045	–147	–135	–69	–64
Depreciation for the year in discont. operations	–2	–16	-	–66	-	–15	–5	–14
Sales/disposals	14	22	144	71	19	14	75	37
Sales of companies [4]	-	26	-	-	-	-	4	-
Reclassifications to assets held for sale [4]	-	103	-	293	-	89	-	66
Reclassifications	12	-	-	–17	-	–142	26	4
Exchange rate differences	–17	–31	96	–108	2	–19	–9	–58
Closing accumulated depreciation	–1,087	–1,012	–8,809	–7,900	–706	–580	–1,102	–1,124
Closing planned residual value	**513**	**568**	**11,037**	**10,766**	**1,185**	**1,211**	**220**	**226**

	Other equipment & vehicles		Construction in progress		Prepayment fixed assets		Total tangible assets	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Opening aquisition value	1,953	3,472	172	378	185	317	25,697	27,307
Investment	137	293	352	368	665	293	4,340	2,512
Capitalized interest [3]	-	-	-	-	26	17	26	17
Sales/disposals	–324	–224	-	-	-	-	–2,415	–1,829
Sales of companies [4]	–32	–1,607	-	–71	-	-	–36	–1,713
Reclassifications to assets held for sale [4]	-	–79	-	-	-	-	-	–1,138
Reclassifications	–68	19	–290	–505	–314	–434	–393	151
Exchange rate differences	27	79	–2	2	65	–8	–8	390
Closing accumulated aquisition value	1,693	1,953	232	172	627	185	27,211	25,697
Opening depreciation	–1,645	–2,838	-	-	-	-	–12,261	–12,366
Depreciation for the year in continuing operations	–105	–89	-	-	-	-	–1,552	–1,416
Depreciation for the year in discont. operations	–1	–42	-	-	-	-	–8	–153
Sales/disposals	309	220	-	-	-	-	561	364
Sales of companies [4]	30	1,136	-	-	-	-	34	1,162
Reclassifications to assets held for sale [4]	-	52	-	-	-	-	-	603
Reclassifications	55	–4	-	-	-	-	93	–159
Exchange rate differences	–18	–80	-	-	-	-	54	–296
Closing accumulated depreciation	–1,375	–1,645	-	-	-	-	–13,079	–12,261
Closing planned residual value	**318**	**308**	**232**	**172**	**627**	**185**	**14,132**	**13,436**

At the beginning of 2008, seven Boeing737s, four Airbus A321s and five Airbus A340/340s were acquired, formally through finance leases, with original terms of 9-10 years. During the year no transactions pertaining to finance-leased aircraft were carried out.

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

The 16 (16) finance-leased aircraft are recognized in the balance sheet in the amount of MSEK 6,228 (6,468). In addition to these, owned aircraft include 27 (3) aircraft valued at MSEK 3,327 (551) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 2,553 (234), which are to be viewed as finance-leased.

The SAS Group's aircraft holdings can be specified as follows:

	2008	2007
Owned	4,809	4,298
Finance leased	6,228	6,468
Book value	**11,037**	**10,766**

Finance leasing

The SAS Group has finance leases for aircraft with remaining terms of up to eight years.

Lease payments consist in part of minimum lease payments and in part of contingent rents. In those cases where the lease payments are based on a floating interest rate they are included in minimum lease payments according to the current rate at the start of the agreement. Future changes of the interest rate are included in the contingent rents. Total lease payments amounted to MSEK 500 (643). Contingent rents impacted lease payments for the year by MSEK 35 (113).

At the closing date leasing of finance leased assets to third parties did not occur.

Book values of finance lease assets amounted on the closing date to:

	Aircraft	
	2008	**2007**
Cost	8,698	8,656
Less accum. depreciation	–2,470	–2,188
Book value of finance leased assets	**6,228**	**6,468**

[1] The insured value of aircraft at December 31, 2008 amounted to MSEK 38,844. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 27,090.

[2] Modifications of aircraft under operating leases are included in planned residual value in the amount of MSEK 252 (259).

[3] Capitalizing of interest was done at an average interest rate of 6.0% (6.0%).

[4] SAS Media and SAS Facility Management were divested during the year. Aerolineas de Baleares, which was reported along with Spanair as assets held for sale at the beginning of the year, was also sold. airBaltic was reclassified as an affiliated company and divested. SAS Flight Academy and Newco Airport Services were divested the previous year.

Future minimum lease payments and their present value for finance leases applying on closing date.

Due date:	2008 Future minimum lease pmts.	2008 Present value of future minimum lease pmts.	2007 Future minimum lease pmts.	2007 Present value of future minimum lease pmts.
Within one year	579	574	518	506
1-5 years	3,327	3,151	3,070	2,668
Over 5 years	789	669	1,141	827
Total	**4,695**	**4,394**	**4,729**	**4,001**

Operating leasing

SAS Group leases out owned assets with book values that on the closing date amounted to:

	Aircraft		Machinery & equipment	
	2008	**2007**	**2008**	**2007**
Cost	1,458	1,459	14	12
Less accumulated depreciation	–887	–806	–5	–4
Book value of assets leased out on operating leases	**571**	**653**	**9**	**8**

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 85 (87).

Leasing revenues for the year did not contain any contingent rent.

Future leasing revenues for operating leases on the closing date:

	2008	2007
Within one year	299	252
1-5 years	631	512
Over 5 years	448	337
Total	**1,378**	**1,101**

Contractual purchase commitments

On the closing date the Group had the following commitments relating to future acquisition of tangible fixed assets.

	2008	2007
Aircraft	3,411	1,139
Other purchase commitments	49	46
Total	**3,460**	**1,185**

On the basis of external valuations, the SAS Group is of the opinion that the contractual future acquisitions are in line with expected market values.

Tax value

Buildings:	**2008**	**2007**
Sverigehuset, part of Arlanda 2:1	51	51
Flight Academy, part of Arlanda 2:1	190	190
Total	**241**	**241**

Note 14 • Prepayments relating to tangible fixed assets

	2008	2007
Airbus	308	-
Boeing	314	175
Other	5	10
Total	**627**	**185**

Note 15 • Financial fixed assets

	Equity in affiliated companies		Long-term receivables from affiliated companies		Other holdings of securities		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Opening aquisition value	1,088	1,037	170	189	58	329	9,496	8,805	1,267	2,709	12,054	13,044
Contributions	-	44	-	-	-	1	245	485	379	254	624	784
Share of income in affiliated companies, continuing operations	–147	32	-	-	-	-	-	-	-	-	–147	32
Share of income in affiliated companies, discontinued operations	5	–23	-	-	-	-	-	-	-	-	5	–23
Sales	-	-	-	-	-	–89	-	-	-	-	-	–89
Sales of companies [1]	–463	-	-	-	-		–28	–35	–1	–25	–492	–60
Reclassifications to assets held for sale [1]	-	-	-	-	-	-	-	-	-	–1,159	-	–1,159
Amortization	-	-	–9	–8	-	-	-	-	–208	–550	–217	–558
Dividend	-	–14	-	-	-	-	-	-	-	-	-	–14
Reclassifications	70	–3	–193	-	-	-	-	-	–99	–7	–222	–10
Disposal	-	-	-	-	-	–183	-	-	-	-	-	–183
Exchange rate differences	94	15	32	–11	-	-	–55	241	–7	45	64	290
Closing accumulated aquisition value	647	1,088	-	170	58	58	9,658	9,496	1,331	1,267	11,669	12,054
Opening revaluation	-	-	-	-	-	508	-	-	-	-	-	508
Revaluation for the year	-	-	-	-	-	–13	-	-	-	-	-	–13
Sales [1]	-	-	-	-	-	–495	-	-	-	-	-	–495
Closing accumulated revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Opening impairment	–25	–25	-	-	–53	–236	-	-	-	-	–53	–236
Disposal	-	-	-	-	-	183	-	-	-	-	-	183
Closing impairment	–25	–25	-	-	–53	–53	-	-	-	-	–53	–53
Closing residual value	**622**	**1,063**	**-**	**170**	**5**	**5**	**9,658**	**9,496**	**1,331**	**1,267**	**11,616**	**12,001**

[1] *SAS Media and SAS Facility Management were divested during the year. Aerolineas de Baleares, which was reported along with Spanair as assets held for sale at the beginning of the year, was also sold. airBaltic was reclassified as an affiliated company and divested during the year along with remaining holding in ST Aerospace Solutions (formerly SAS Component). In the previous year SAS Flight Academy and Newco Airport Services were sold along with the remaining shareholding in Rezidor Hotel Group.*

Note 16 • Long-term receivables from affiliated companies

	2008	2007
Commercial Aviation Leasing Ltd	-	170
Total	**-**	**170**

Note 17 • Pension funds, net

	2008	2007
Pension funds, net, funded plans	11,694	11,441
Pension funds, net, unfunded plans	–2,036	–1,945
Total	**9,658**	**9,496**

Most pension plans in Scandinavia are defined benefit plans. The majority are placed with insurance companies. The group's pension plans for salaried employees in Sweden and for employees in Norway are defined benefit pension plans managed by insurance companies. In Sweden, pension plans are mainly placed with Alecta and Euroben and in Norway with Vital. Employees in Denmark have mostly defined contribution solutions.

The majority of SAS employees in Sweden are covered by ITP pension reinsured by Alecta (the Alecta plan). The Alecta plan is a multi-employer pension plan and has been classified by the Swedish Financial Accounting Standards Council as a defined benefit pension plan. SAS has signed a special and specific agreement with Alecta whereby Alecta has undertaken to supply all basic data concerning employees and former employees (pay, age, etc.), which supports SAS accounting according to IAS 19. The agreement with Alecta also means that SAS received written confirmation that the surplus in the Alecta plan will benefit SAS in the form of either indirect or direct premium reductions or through cash refunds. Based on the information SAS receives, SAS reports its proportional share of the Alecta plan's commitments, plan assets and costs in accordance with IAS 19 rules regarding defined benefit pension plans.

The normal retirement age for non-flight personnel mainly follows the respective country's rules regarding general retirement. The normal retirement age for SAS flight personnel is 60. According to agreements with SAS pilots in Denmark, Norway and Sweden, and with cabin crew in Norway, voluntary early retirement with pension is allowed from the age of 55 at the earliest. SAS has also undertaken to pay a pension up to normal retirement age, 60, to pilots who have lost their licenses. The retirement age for cabin crew employed in Sweden is 65, but once they reach the age of 50 the retirement age is reduced to 60. The estimated present value of all these obligations is included in SAS's estimated total pension commitment.

In calculating pension commitments, the year's pension earnings and returns, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends. The following long-term economic assumptions represent a weighted average for the SAS Group:

	2008	2007	2006
Discount rate	4.9%	5.8%	5.2%
Long-term rate of return	6.0%	6.2%	7.4%
Inflation	1.7%	1.7%	1.7%
Future salary adjustments	2.6%	3.2%	2.6%
Future adjustments of current pensions	1.7%	1.7%	1.7%

The following interest parameters are used for the largest pension plans in Sweden and Norway:

Discount rate	4.5% (5.5%) in Sweden and 5.0% (6.0%) in Norway
Long-term rate of return	6.0% (6.5%) in Sweden and 6.0% (6.0%) in Norway

According to IAS 19 the discount rate is determined by reference to the market yields on corporate bonds at the balance sheet date. Other financial assumptions are based on anticipated developments during the term of the commitments.

The discount rate is determined on the balance sheet date with reference to corporate bonds and with regard to relevant spread whose term is compatible with the term of the commitments. The long-term return shall correspond to a long-term expectation of return on funded assets based on the pension institutes' investments in equities and fixed-income securities.

The inflation assumption is 1.5% in Sweden and Denmark and 2% in Norway. Future salary adjustment for Sweden and Denmark has been set at one percentage point and, for Norway, two percentage points above the inflation assumption for the purpose of including a real salary increase in calculations of pension commitments.

At December 31, 2008, pension funds, net were reported as an asset in the amount of MSEK 9,658. This item comprises pension fund assets totaling MSEK 30,472, liabilities amounting to MSEK 32,615 (of which MSEK 3,003 is unfunded) and actuarial losses including plan amendments totaling MSEK 11,801.

Actuarial gains or losses may arise from actual returns being lower or higher than the expected level, or by actual inflation levels and salary adjustments deviating from assumptions. In addition, an actuarial gain or loss is impacted by changed parameters regarding the discount rate, life expectancy and early retirement.

IAS 19 permits the postponement of recognizing deviations arising during the year by amortizing accumulated deviations that exceed the higher of 10% of the commitment or the funded amount over the average remaining period of employment, which SAS estimates is 15 years.

At the beginning of 2008, the accumulated, unrecognized actuarial gains and losses amounted to approximately SEK 8 billion. Against the backdrop of a weak stock-market trend in 2008, the deviation increased by approximately SEK 1.5 billion due to lower returns of an average of 5 percentage points. In addition, the discount rate was lowered by 1 percentage point in Sweden and Norway. Salary adjustments in Norway were also reduced by 1 percentage point to 3%. Jointly, these changes led to an increased deviation of SEK 2.3 billion. The deviation will be amortized in future years at about SEK 0.6 -0.7 billion per year. Any improvements in returns on assets in the pension schemes will reduce the actuarial gains and losses.

Sensitivity to changes in individual parameters can be estimated as follows. A 1 percentage point change in the discount rate will affect commitments by approximately SEK 4.5 billion. A 1 percentage point change in the inflation assumption will affect commitments by about SEK 3 billion and a 1 percentage point change in the salary adjustment parameter will affect commitments by approximately SEK 4 billion.

IAS 19 is being revised and a discussion paper has been released by the IASB. The proposed changes, which mean that actuarial gains and losses may no longer be amortized over the remaining average period of service, but recognized on an ongoing basis directly in equity or recognized in the income statement, will probably come into effect on January 1, 2012, at the earliest. As a result of this change, accumulated actuarial gains and losses existing on the effective date of the revised IAS must then be recognized in their entirety in shareholders' equity.

Defined benefit pension plans	2008	2007
Pension earned during the year	–1,079	–1,008
Interest on pension provisions	–1,618	–1,488
Expected return on funded assets for the year	1,786	1,841
Amortization of actuarial gains and losses and plan amendments for year	–641	–506
Impact on income for the year, net, pertaining to defined benefit pension plans continuing operations	**–1,552**	**–1,161**

The above cost is recognized in its entirety as a payroll expense.

In the financial statements the commitments of the SAS Group are included as specified in the table below.

Status at year-end	2008	2007
Funded assets	30,472	30,585
Pension commitments	–32,615	–29,069
Difference between funded assets and commitments	–2,143	1,516
Unrecognized actuarial gains and losses and plan amendments [1]	11,801	7,980
Book assets	**9,658**	**9,496**

[1] *Of which actuarial gains and losses MSEK 11,582 (7,716)*

Changes in present value of commitment for defined benefit plans	2008	2007
Commitment for defined benefit pensions at beginning of year	29,069	27,307
Pensions paid	–1,470	–1,250
Cost of earning	1,079	1,008
Interest expenses	1,660	1,488
Actuarial gains and losses (–/+)	2,636	–670
Effects of sold companies	–95	–67
Exchange rate differences	–264	1,253
Commitment for defined benefit pensions at year-end	**32,615**	**29,069**

Note 17, continued

Change of plan assets' fair value	**2008**	**2007**
Plan assets' fair value at beginning of year	30,585	27,954
Paid-in premiums	1,557	1,535
Pensions paid	–1,230	–971
Expected return on plan assets	1,786	1,841
Actuarial gains and losses (+/–)	–1,877	–433
Utilization of company funds in Alecta	-	–273
Effects of sold companies	–111	–102
Exchange rate differences	–238	1,034
Fair value of changes at year-end	**30,472**	**30,585**

Plan assets consist of the following Group	**2008**	**2007**
Equities	18%	31%
Fixed-income securities	70%	57%
Properties	9%	9%
Other	3%	3%
	100%	**100%**

Only an insignificant share of the plan assets is invested in SAS shares.

In some pension plans in earlier years the real return rate has been lower than the Group's estimated long-term return, which is reflected in the item, "Unrecognized actuarial gains and losses." The actual return on plan assets was 5% in 2007 and 7.2% in 2006. For 2008 the return is expected to be about 1%.

The difference between funded assets/commitments and net book assets is shown below:

	Funded assets	Commit-ments (PBO)	Difference funded assets/com-mitments	Pension funds, net
Pension plans in Sweden	13,360	11,355	2,005	6,031
Pension plans in Norway	11,382	14,873	–3,491	2,323
Pension plants in other countries	5,730	6,387	–657	1,304
Total	**30,472**	**32,615**	**–2,143**	**9,658**

"Pension funds, net" includes unfunded plans funded via operating income in the amount of MSEK 348 in Sweden and MSEK 1,633 in Norway.

Pension funds, net, including pension commitments, plan assets plus unrecognized plan amendments and actuarial gains and losses for the defined benefit pension plans performed as follows:

	2008	**2007**
Opening balance	9,496	8,805
Impact on income for the year in continuing and discontinued operations	–1,552	–1,161
Paid-in premiums	1,557	1,535
Pensions paid	240	279
Utilization of company funds in Alecta	-	–273
Pension funds in divested operations	–28	–35
Change in actuarial gains and losses	-	105
Currency effect	–55	241
Closing balance	**9,658**	**9,496**

Of total pension commitments of MSEK 32,615 (29,069), MSEK 29,612 (25,962) was funded and MSEK 3,003 (3,107) was unfunded.

In 2009 paid-in premiums are expected to amount to approximately MSEK 1,700.

	2008	**2007**
Present value of defined benefit plan commitment	–32,615	–29,069
Fair value of plan assets	30,472	30,585
Deficit/surplus	–2,143	1,516
Experience adjustments arising on plan assets	–1,529	289
Experience adjustments arising on defined benefit plan commitments	318	610

Note 18 • Expendable spare parts and inventories

	2008	**2007**
Expendable spare parts, flight equipment	581	610
Expendable spare parts, other	176	171
Inventories	62	68
Total	**819**	**849**
Measured at historical cost	819	835
Measured at net realizable value	-	14
Total	**819**	**849**

Note 19 • Current receivables

Impairment of accounts receivable and recovered accounts receivable, net, in continuing operations came to MSEK 41 (27), charged to income. In discontinued operations the corresponding amount was MSEK 146 (107).

Impairment of other current receivables in continuing operations came to MSEK - (1), charged to income.

The Group's combined accounts receivable amount to MSEK 3,479 (3,733) of which MSEK 1,628 (1,782) is recognized as assets held for sale.

Age analysis of accounts receivable that are not impaired	**2008**	**2007**
Accounts receivable not yet due	1,232	1,613
Due < 31 days	205	223
Due 31-90 days	92	61
Due 91-180 days	40	29
Due>180 days	282	25
Total	**1,851**	**1,951**

Provision for doubtful accounts receivable	**2008**	**2007**
Opening provision	135	215
Divested subsidiaries	–6	-
Reclassification to assets held for sale	-	–93
Provision for expected losses	30	33
Reversed provisions	–42	–13
Actual losses	–23	–8
Exchange rate differences	0	1
Closing provision	**94**	**135**

Note 20 • Current receivables from affiliated companies

	2008	**2007**
ST Aerospace Solutions (Europe) A/S	-	365
Commercial Aviation Leasing Ltd	375	128
AS Estonian Air	104	-
Skyways Holding AB	-	8
Other companies	-	9
Total	**479**	**510**

Note 21 • Prepaid expenses and accrued income

	2008	**2007**
Prepaid expenses	551	548
Accrued income	458	522
Total	**1,009**	**1,070**

Note 22 • Short-term investments

	2008	**2007**
Treasury bills	-	1,990
Housing bonds	748	2,379
Deposits	2,412	1,754
Commercial paper	499	945
Blocked deposits in tax deduction account in Norway	213	240
Total	**3,872**	**7,308**

The book value of short-term investments corresponds with the fair value. Fair value is the amount that should have been received for outstanding short-term investments if sold on the closing date. Deposits and blocked bank accounts are categorized as loans and receivables. Other short-term investments are classified as held for trading. All investments have a term of no more than three months.

Note 23 • Reserves

Translation reserve	2008	2007
Opening translation reserve	361	286
Translation differences for the year	–251	273
Less: Hedging of exchange risk in foreign operations	–100	–314
Tax pertaining to hedging of exchange risk in foreign operations[1]	28	113
Less: Translation differences attributed to divested operations	–13	3
Closing translation reserve	**25**	**361**
Fair value reserve		
Opening fair value reserve	0	508
Available-for-sale financial assets:		
- Revaluations recognized directly in equity	-	–13
- Recognized in statement of income when divested	-	–495
Closing fair value reserve	**0**	**0**
Hedging reserve		
Opening hedging reserve	1,105	518
Cash flow hedges:		
- Recognized directly in equity	–1,516	583
- Change in statement of income	–1,027	232
- Tax attributed to year's change in hedging reserve	695	–228
Closing hedging reserve	**–743**	**1,105**
Total reserves		
Opening reserves	1,466	1,312
Change of reserves for the year:		
- Translation reserve	–336	75
- Fair value reserve	-	–508
- Hedging reserve	–1,848	587
Closing reserves	**–718**	**1,466**

[1] *In 2007, MSEK 23 consists of tax pertaining to hedging of exchange risk in foreign operations for 2004-2006.*

Translation reserve

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than Swedish kronor. The translation reserve also comprises exchange-rate differences arising in conjunction with the translation of liabilities and forward exchange contracts reported as hedging instruments of a net investment in a foreign operation.

Fair value reserve

The fair value reserve includes the accumulated net change in fair value of financial assets available for sale until the asset is eliminated from the balance sheet.

Hedging reserve

The hedging reserve includes the effective part of the cumulative net change in fair value on a cash flow instrument attributable to hedging transactions that have not yet occured.

Note 24 • Long-term liabilities

Long-term liabilities that fall due more than five years after the closing date.

	2008	2007
Subordinated loans	953	693
Other loans	855	1,055
Total	**1,808**	**1,748**

Note 25 • Subordinated loans

A subordinated loan of MCHF 200 was issued during the 1985/86 fiscal year. There is no set maturity date for this loan. The interest rate is fixed for 10-year periods and amounts to 2.375% from January 2006. SAS has an exclusive right to cancel this loan every fifth year. When the loan is canceled in connection with an interest rate reset SAS is entitled to repay the loan at 100% of its nominal value. If it is canceled in five years after an interest rate reset the loan shall be repaid at 102.5% of nominal value.

In previous years SAS repurchased MCHF 73 of the bonds, after which the balance of the loan is MCHF 127(127), with a countervalue of MSEK 934 (725). The interest exposure of the loan has been switched from fixed to floating interest through an interest rate swap. The loan is included in a fair value hedge and the fair value, with respect only to the interest rate of the loan, amounted to MSEK 953 (693) on the closing date.

The loan is listed on the Basel Stock Exchange, Geneva Stock Exchange and Swiss Exchange. On the closing date its total market value (including credit risk) amounted to MCHF 42 (61), with a countervalue of MSEK 308 (348).

Note 26 • Bond issues

SAS's bond issues amounted to MSEK 2,212 (2,079).
Specification of individual loans:

Original issued amount	Interest rate	Duration	Outstanding debt currency	2008 Book value MSEK	2007 Book value MSEK
MJPY 5,500.0		2001/2008	-	-	154
MCZK 750.0		2001/2008	-	-	134
MEUR 500.0		2001/2008	-	-	3,730
MEUR 108.0	7.725%[1]	2003/2010	MEUR 104.1	1,139	965
MSEK 200.0	8.068%[1]	2005/2010	MSEK 199.8	200	200
MNOK 454.0[2]	9.860%[1]	2005/2010	MNOK 452.6	499	536
MNOK 265.5[2/3]	7.000%	2005/2010	MNOK 265.5	294	300
MNOK 50.0[2/3]	7.000%	2005/2010	MNOK 49.6	55	56
MNOK 17.0[2/3]	7.000%	2005/2010	MNOK 16.9	19	19
MNOK 213.0[2]	9.856%[1]	2006/2010	MNOK 5.9	6	3
Total				**2,212**	**6,097**
Less current portion				0	–4,018
Total				**2,212**	**2,079**

Outstanding debt in foreign exchange and book value in MSEK agrees with amortized cost with the exception of the loans carried at fair value[3]. No repurchasing was done in 2008.

The interest rate exposure is managed by entering into interest-rate swap contracts to adjust the fixed-interest term for some of the loans.

[1] *Interest rate on closing date. The loan has a floating interest rate set every three months.*
[2] *The loan is listed on the Oslo Stock Exchange and on the closing date the total fair value of these five loans was MNOK 653.2, equivalent to MSEK 720.8.*
[3] *The loan comprises part of a fair value hedge and is carried at fair value with respect to the hedged risk.*

Note 27 • Other loans

	2008 Book value	2008 Fair value	2007 Book value	2007 Fair value
Finance leasing	4,210	4,358	3,818	3,954
Other loans	7,204	7,257	424	433
Currency interest swap contracts	-	-	90	87
Total before amortization	**11,414**	**11,615**	**4,332**	**4,474**
Less current portion	–872	–996	–343	–510
Total after amortization	**10,542**	**10,619**	**3,989**	**3,964**
Liabilities attributable to assets held for sale	–7	–7	–53	–53
Total other loans	**10,535**	**10,612**	**3,936**	**3,911**

Maturity profile of other loans:

	2009	2010	2011	2012	2013	2014>	Total
Finance leases	436	465	1,002	1,110	473	724	4,210
Other loans	443	4,393	1,085	54	1,098	131	7,204
Total	**879**	**4,858**	**2,087**	**1,164**	**1,571**	**855**	**11,414**

Other loans are categorized as other liabilities, with recognition at amortized cost. The average interest rate on closing day amounted to 4.00% for financial leasing and 5.81% for other loans.

Note 28 • Financial risk management and financial derivatives

The SAS Group is exposed to various types of financial risk. All risk management is handled centrally and in accordance with the policies set by the Board. The SAS Group uses derivative instruments as part of its risk management to limit its fuel, currency and interest rate exposure.

Fuel price risk

The SAS Group is exposed to changes in jet fuel prices. Exposure is handled by hedging on an ongoing basis 40-60% of the forecast consumption in the coming 12 months. The main financial derivatives used for hedging jet fuel are options and swaps.

Foreign currency risk

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

Transaction risk arises when flows in foreign currencies are exposed to currency rate fluctuations. To manage the transaction risk the SAS Group is exposed to, the projected commercial currency flows are hedged using currency derivatives and future aircraft sales are hedged by currency derivatives and loans in USD. According to the financial policy, the hedge level shall be between 60-90% of a 12-month rolling liquidity forecast, and the hedge level for future aircraft sales shall according to the policy amount to 20-80% of the book value of the aircraft fleet. Additionally, future contracted aircraft purchases denominated in USD can be hedged by up 80% of the contracted amount.

Translation risk arises during conversion of balance sheet items in foreign currencies due to changes in exchange rates. To limit translation risk the policy is to keep the financial net debt mainly in the accounting currency of the respective company. Furthermore, the SAS Group hedged its foreign subsidiaries' equity through borrowing and derivatives.

Interest rate risk

The SAS Group is exposed to interest rate risk when the market value of the financial net debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). To manage the interest rate risk, interest rate derivatives are used to change the fixed-interest term of the underlying financial net debt. The goal of current policy is for the average fixed-interest term of the financial net debt to correspond to 3.5 years. The average fixed-interest term during the year was approximately 2.6 (3.8) years. At the end of 2008 the fixed-interest term was 0.4 (2.5) years.

Sensitivity analysis, revaluation effect on closing day

Market risk	Change	Earnings impact MSEK 2008	Earnings impact MSEK 2007	Equity impact MSEK 2008	Equity impact MSEK 2007
Fuel price	+10 %	-	-	166	260
Fuel price	–10 %	-	-	–161	–305
Currency	+10 %	–1	-	–62	–427
Currency	–10 %	3	2	80	447
Market interest rates	+1 %	–19	–14	11	20
Market interest rates	–1 %	20	14	–12	–21

The sensitivity analysis concerning fuel price shows the immediate revaluation effect of a 10% parallel shift in the price curve for underlying fuel.

The sensitivity analysis concerning currency shows the immediate revaluation effect of a 10-percent strengthening or weakening of the Swedish krona against all currencies the SAS Group is exposed to. Beyond the above effect on equity, a 10% change in currency will impact equity by MSEK 334 (511) of changes in value for hedges of net investments. A corresponding change in value arises for net investments in foreign operations. The net effect of the above change in value has no impact on equity. The remaining amount consists of change in value for cash flow hedges.

The sensitivity analysis for market interest rates shows the immediate revaluation effect on the closing date for interest rate derivatives, fair value hedges and short-term investments with a 1-percent parallel shifting of the yield curve. Beyond the revaluation effect, the SAS Group's net interest for 2009 is affected by around MSEK –80 (27) in higher interest expenses if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding positive effect on net interest is MSEK 80 (–27). The estimate also includes interest rate derivatives.

Financial derivatives

Different types of currency derivatives such as forward currency contracts, currency swap contracts and currency options are used to manage currency exposure. Furthermore, interest rate exposure is managed by different types of interest rate derivatives such as forward rate agreements (FRAs), futures, interest-rate swap contracts and currency interest swap contracts.

At December 31, 2008, the fair value of the SAS Group's outstanding derivative instruments totaled MSEK –792 (409), broken down according to the table below.

	2008				2007	
		Fair value				
	Outstanding volume	Assets	Liabilities	Net	Outstanding volume	Fair value, net
Currency derivatives	29,747	1,741	–249	1,492	25,836	–190
Interest rate derivatives	12,875	4	–33	–29	10,309	52
Fuel derivatives	7,033	–2,233	–22	–2,255	5,835	547
Total	**49,655**	**–488**	**–304**	**–792**	**41,980**	**409**

As of December 31, 2008, fair value is consistent with book value. The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. Of the assets' total book value of MSEK –488 (619), MSEK 4 (1) is shown as other long-term receivables and the remaining MSEK –492 (618) as other receivables. Of the liabilities' total book value of MSEK –304 (–210), MSEK –38 (–32) consists of other loans and the remainder of MSEK –266 (–178) as short-term loans.

Of the book value of the above derivatives, MSEK –1 011 (322) refers to cash flow hedges, MSEK 40 (–32) to fair value hedges, MSEK –46 (–81) to hedging of net investment, and MSEK 225 (200) to derivatives that are not hedge-accounted. Derivatives not subject to hedge accounting are categorized as financial instruments held for trading. Outstanding volume means the derivative contracts' nominal amount expressed in absolute terms.

Hedge-accounted derivatives, cash flow hedge

Investment in aircraft

Investment in aircraft and hedging of future contracted aircraft purchases represent hedging transactions since it is the payment flow in foreign currency during a future sale/purchase that is hedged according to the cash flow method. The loans and the forward currency contracts included in hedging relationships are translated at the relevant closing rate and the change that is calculated as effective is recognized in equity. At December 31, 2008, the accumulated currency effect on cash-flow hedged loans and derivatives relating to future aircraft sales and purchases was recognized in shareholders' equity in the amount of MSEK 207 (952).

Commercial flows

Currency derivatives are used to manage the transaction risk relating to projected commercial flows. These currency derivatives represent hedging transactions according to the cash flow method and their accounting policies are matched with those of the underlying liquidity projection. Provided that the effectiveness of the hedges can be demonstrated, the accumulated change in market value of each hedging transaction is recorded in equity until it is recycled to the statement of income as a cost/revenue. At December 31, 2008, the accumulated currency effect of these cash flow-hedged currency derivatives was recognized in equity in the amount of MSEK 814 (–159).

Interest rate derivatives

When the SAS Group borrows at floating interest rates and changes its interest rate exposure by entering into interest-rate swap agreements whereby floating interest is received and fixed interest is paid, the hedging relationship is classified as a cash flow hedge. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recorded in equity. The accounting policies for the interest rate derivatives used for hedging transactions are matched with those of the individual loans. At December 31, 2008, the accumulated effect on these cash flow-hedged interest derivatives was recognized in equity in the amount of MSEK –18 (1).

Fuel derivatives

Fuel derivatives are used to manage the price risk relating to jet fuel. These derivatives represent hedging transactions according to the cash flow method and their accounting policies are matched with those of the underlying forecasted fuel need. At December 31, 2008, the accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK –1,662 (393).

All together, MSEK –659 (1,187) relating to cash flow hedges was recognized in equity at December 31, 2008, and is expected to affect the statement of income in the following years:

	2009	2010	2011	2012	2013	2014>	Total
Aircraft	–28	183	9	–6	0	123	281
Commercial flows	1,105	-	-	-	-	-	1,105
Interest rate derivatives	-	-	-	-	–13	–12	–25
Fuel derivatives	–2,244	–11	-	-	-	-	–2,255
Deferred tax	307	–45	–3	2	3	–29	235
Effect on equity	**–860**	**127**	**6**	**–4**	**–10**	**82**	**–659**

Hedge-accounted derivatives, fair value hedge

In cases where the SAS Group borrows at fixed interest rates and changes its interest rate exposure by entering into interest-rate swap agreements whereby fixed interest is received and floating interest is paid, the hedging relationship is classified as a fair value hedge. When hedge accounting is applied changes in value attributable to the hedge instrument are recorded in net interest, where the effects are counteracted because the underlying hedged position (interest portion of the loan) is also measured at fair value and recorded in net interest. The accounting policies for the interest rate derivatives used for hedging transactions are matched with those of the individual loans.

Hedge-accounted derivatives, hedging of net investments in foreign operations

To hedge net investments in foreign operations, SAS has entered into currency derivative agreements and loans in the corresponding currency. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in equity. At December 31, 2008, the Group's net investments were MDKK 1,141 and MNOK 1,506.

Derivatives not subject to hedge accounting

Other currency derivatives not subject to hedge accounting are remeasured on an ongoing basis at fair value in the statement of income. Nor are interest rate derivatives that cannot be linked to specific borrowing subject to hedge accounting and are remeasured on an ongoing basis at their fair value in the income statement.

Credit risk

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations. The financial policy prescribes that transactions may only be entered into with counterparties with high creditworthiness, defined as category A3/P–1 or better according to Moody's.

Limits are set for each counterparty and are continually revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. Approximately 86% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 7% in the rest of Europe and 7% in the rest of the world. The maximum credit exposure for derivative instruments is matched by book value, see the table below the heading financial derivatives. For short-term investments the size of the credit risk is the book value and is distributed as follows:

	Book value in MSEK	
Rating (Moody's)	**2008**	**2007**
Aaa/P–1	-	1,990
Aa1/P–1	3,459	2,882
Aa2/P–1	213	595
Aa3/P–1	-	744
A1/P–1	100	799
A2/P–1	100	298
A3/P–1	-	-
Total	**3,872**	**7,308**

In relation to the SAS Group's accounts receivables the credit risk is spread over a large number of customers including private individuals and companies in various industries. Credit information is required for credit sales with the aim of minimizing the risk of bad debt losses and is based on intragroup information on payment history supplemented with credit and business information from external sources.

The maximum credit risk for the SAS Group accords with the financial assets' book value according to the categorization table.

Liquidity and borrowing risk

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic.

The goal is for financial preparedness to amount to a minimum of 20% of the SAS Group's revenues, of which at least half is to be held in cash and cash equivalents. On December 31, 2008, financial preparedness amounted to MSEK 8,825 (14,989), with cash and cash equivalents amounting to MSEK 5,783 (8,891) and unutilized credit facilities totaling MSEK 3,042 (6,098). This provides a financial preparedness level of 17% (29)%. The SAS Group's cash and cash equivalents shall be held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P–1 according to Moody's.

At December 31, 2008, the Group's interest-bearing liabilities amounted to MSEK 16,117 (12,042); 38% (0%) of the interest-bearing liabilities have financial key ratio requirements for cash flow, debt/equity and liquidity. The term of the interest-bearing gross debt amounted to approximately 2.2 (2.3) years at year-end, excluding subordinated loan of MCHF 127 which runs without stipulated maturity.

Liquidity risk

MSEK

December 31, 2008	Up to 3 mos.	3-12 mos.	1-5 years	Over 5 years
Subordinated loans	22	-	89	1,001
Bond issues	39	114	2,407	-
Other loans	198	459	7,322	156
Finance leases	111	467	3,357	774
Short-term loans	770	-	-	-
Other liabilities	-	-	241	-
Fuel derivatives	559	1,685	11	-
Currency derivatives	–744	–748	-	-
Interest rate derivatives	25	–9	8	5
Accounts payable	2,068	-	-	-
Total	**3,048**	**1,968**	**13,435**	**1,936**

December 31, 2007	Up to 3 mos.	3-12 mos.	1-5 years	Over 5 years
Subordinated loans	17	-	69	794
Bond issues	15	4,359	2,343	-
Other loans	95	29	388	72
Finance leases	108	437	3,443	1,314
Short-term loans	1	1	-	-
Fuel derivatives	–260	–286	-	-
Currency derivatives	167	23	-	-
Interest rate derivatives	88	–173	24	9
Accounts payable	2,108	-	-	-
Total	**2,339**	**4,390**	**6,267**	**2,189**

The above table shows the remaining contractual terms for SAS's financial liabilities excluding operations held for sale. The amounts are the contractual undiscounted cash flows for financial liabilities. The table shows the earliest point at which SAS is liable to pay and contains both interest and nominal amount.

Contracted credit facilities:

The Group has entered into various credit facilities in order to provide additional funding if needed for future use.
The schedule below provides details of the credit facilities at December 31, 2008.

Facility	Expiration	Total facility	Utilized facility	Unutilized facility 2008	Unutilized facility 2007
Revolving credit facility, MEUR 366	2010	4,002	4,002	-	3,467
Revolving credit facility, MNOK 90	2011	99	99	-	116
Revolving credit facility, MUSD 156	2011	1,209	1,157	52	1,008
Revolving credit facility, MUSD 125	2013	969	929	40	-
Bilateral bank facilities	2011	500	-	500	500
Bilateral bank facilities	2009	500	-	500	500
Bilateral bank facilities	2010	250	-	250	250
Credit facility, MUSD 213	2009	1,648	165	1,483	-
Other facilities	2009	560	343	217	257
Total		**9,737**	**6,695**	**3,042**	**6,098**

Categorization of financial assets and liabilities

	Held for trading	Loans & receivables	Financial assets available for sale	Other liabilities	Hedging instruments, derivatives	Non-financial items	Continuing operations and operations held for sale		Assets and liabilities held for sale	Total book value
							Total book value	Total fair value [1]		
December 31, 2008	*Fair value*	*Amortized cost*	*Fair value*	*Amortized cost*	*Fair value*					
ASSETS										
Long-term receivables from affiliated companies							0	0	0	0
Other holdings of securities			5				5	5	0	5
Other long-term receivables		602					602	602	–196	406
- Other long-term receivables, interest rate derivatives	4						4	4	0	4
Accounts receivable		3,479					3,479	3,479	–1,628	1,851
Receivables from affiliated companies		479					479	479	0	479
Other receivables						3,727	3,727	3,727	–574	3,153
- Other receivables, fuel derivatives					–2,233		–2,233	–2,233	0	–2,233
- Other receivables, currency derivatives	370				1,371		1,741	1,741	0	1,741
Short-term investments	1,243	2,629					3,872	3,872	0	3,872
Cash & bank balances	1,602	417					2,019	2,019	–108	1,911
Total	**3,219**	**7,606**	**5**	**0**	**–862**	**3,727**	**13,695**	**13,695**	**–2,506**	**11,189**
SHAREHOLDERS' EQUITY AND LIABILITIES										
Subordinated loans				953			953	308	0	953
Bond issues				2,212			2,212	1,964	0	2,212
Other loans				10,497			10,497	10,896	0	10,497
- Other loans, interest rate derivatives	33				5		38	38	0	38
Other liabilities				233		101	334	334	0	334
Current portion of long-term loans				879			879	900	–7	872
Short-term loans				932			932	932	–9	923
- Short-term loans, fuel derivatives					22		22	22	0	22
- Short-term loans, currency derivatives	102				147		249	249	0	249
- Short-term loans, interest rate derivatives	14				–19		–5	–5	0	–5
Accounts payable				2,801			2,801	2,801	–733	2,068
Total	**149**	**0**	**0**	**18,507** [2]	**155**	**101**	**18,912**	**18,439**	**–749**	**18,163**
December 31, 2007										
ASSETS										
Long-term receivables from affiliated companies		170					170	170	0	170
Other holdings of securities			5				5	5	0	5
Other long-term receivables		1,181					1,181	1,181	–605	576
- Other long-term receivables, interest rate derivatives					1		1	1	0	1
Accounts receivable		3,733					3,733	3,733	–1,782	1,951
Receivables from affiliated companies		510					510	510	0	510
Other receivables						2,592	2,592	2,592	–574	2,018
- Other receivables, fuel derivatives					547		547	547	0	547
- Other receivables, currency derivatives	26				46		72	72	0	72
Short-term investments	5,314	1,994					7,308	7,308	0	7,308
Cash & bank balances	1,145	540					1,685	1,685	–102	1,583
Total	**6,485**	**8,128**	**5**	**0**	**594**	**2,592**	**17,804**	**17,804**	**–3,063**	**14,741**
SHAREHOLDERS' EQUITY AND LIABILITIES										
Subordinated loans				693			693	348	0	693
Bond issues				2,079			2,079	2,086	0	2,079
Other loans				3,957			3,957	3,932	–53	3,904
- Other loans, interest rate derivatives					32		32	32	0	32
Other liabilities						120	120	120	0	120
Current portion of long-term loans				4,361			4,361	4,368	–2,746	1,615
Short-term loans				678			678	678	–436	242
- Short-term loans, currency derivatives	–94				356		262	262	0	262
- Short-term loans, interest rate derivatives	–80				–3		–83	–83	0	–83
Accounts payable				3,550			3,550	3,550	–1,442	2,108
Total	**–174**	**0**	**0**	**15,318** [3]	**385**	**120**	**15,649**	**15,293**	**–4,677**	**10,972**

[1] *Fair value of short-term investments, subordinated loans and one of the bond issues has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.* [2] *Of which MSEK 1,321 has been dedicated as a hedged item in fair value hedges and is measured at fair value of hedged risk.* [3] *Of which MSEK 1,068 has been dedicated as a hedged item in fair value hedges and is measured at fair value of hedged risk.*

Note 29 • Other provisions

	Restructuring		Loyalty program		Other provisions		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Opening balance, January 1	**239**	**162**	**495**	**551**	**147**	**208**	**881**	**921**
Provisions	284	216	221	272	30	137	535	625
Utilized provisions	–228	–143	–209	–308	–75	–195	–512	–646
Currency effects	3	4	-	1	9	–3	12	2
Liabilities attributable to assets held for sale	-	-	-	–21	-	-	-	–21
Closing balance, December 31	**298**	**239**	**507**	**495**	**111**	**147**	**916**	**881**

Breakdown in balance sheet:	2008	2007
Long-term liabilities	768	691
Current liabilities	148	190
	916	**881**

Other provisions include provisions for leasing costs relating to unused premises and maintenance costs for leased aircraft according to the lease.

Note 30 • Short-term loans

	2008	2007
Issued commercial paper[1]	646	-
Bank loans	11	7
Overdraft facilities, utilized portion	114	436
Accrued interest	153	255
Derivatives	266	159
Other	8	-
Total	**1,198**	**857**
Liabilities attributable to assets held for sale	–9	–436
Total	**1,189**	**421**

[1] *On the closing date, the average interest rate amounted to 5,92% for issued commercial paper.*

Note 31 • Liabilities to affiliated companies

	2008	2007
ST Aerospace Solutions (Europe) A/S	-	93
Other companies	-	1
Total	**-**	**94**

Note 32 • Unearned transportation revenue (net)

Unearned transportation revenue consists of tickets sold and still valid but unused, see Note 1, Significant accounting policies, page 70 - revenue recognition.

On December 31, 2008, the estimated reserve in the unearned transportation revenue liability amounted to MSEK 500 (482).

Note 33 • Accrued expenses and prepaid income

	2008	2007
Vacation pay liability	1,685	1,608
Other accrued payroll expenses	440	493
Fuel costs	207	577
Selling costs	253	229
Technical aircraft maintenance	97	109
Government user fees	214	154
Handling costs	109	148
Leasing costs for aircraft	184	193
Other accrued expenses	691	1,118
Prepaid income	394	520
Total	**4,274**	**5,149**

Note 34 • Pledged assets

	2008	2007
Related to long-term liabilities to credit institutions:		
Real estate mortgages	116	125
Aircraft mortgages	412	328
Company mortgages	41	26
Shares in subsidiaries	0	0
Related to deposits:	**361**	**86**
Total	**930**	**565**

Outstanding liability at December 31, 2008, relating to aircraft mortgages was MSEK 332 (154).

The item "Shares in subsidiaries" includes the book value of SAS shares in SAS's wholly owned financing structures for aircraft. For additional information in this regard, please see Note 13.

Note 35 • Contingent liabilities

Guarantees	2008	2007
Related to long-term borrowings:		
Government user fee	131	114
Leasing contracts	213	-
Fuel	116	-
Travel guarantees	12	-
Others	151	23
Total	**623**	**137**

The Group is involved in various other claims and legal proceedings arising in the ordinary course of business. These claims relate to, but are not limited to, its business practices, employment matters, and tax matters. The Group believes that it has recorded adequate provisions for such matters as appropriate or, for matters not requiring a provision, believes that they will not have a material adverse effect on its consolidated financial statements based on information currently available. However, litigation is inherently unpredictable and, although the Group believes that its provisions are adequate and/or that it has valid defenses in these matters, unfavorable resolutions could occur, which could have a material adverse effect on the Group's consolidated financial statements in future reporting periods.

Note 36 • Leasing commitments

The SAS Group has entered into the following leasing commitments, with specification of the total annual rent for:

	2009	2010	2011	2012	2013	2014>
Aircraft	2,352	1,776	1,423	1,169	1,024	3,713
Properties	1,009	954	936	896	865	4,819
Machinery and equipment	66	50	43	39	29	7
Total	**3,427**	**2,780**	**2,402**	**2,104**	**1,918**	**8,539**

Leases with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs for continuing operations in 2008 amounted to MSEK 3,762 (3,770), of which MSEK 13 (11) pertains to contingent rents. Contingent rents vary according to different factors such as operating revenue, the consumer price index and short-term market interest rates. In 2008 payments received for assets subleased to a third party amounted to MSEK 84 (83). The value of future fixed payments for these assets subleased to a third party amounts to MSEK 67 (139).

The above table includes the following major items:

At the end of 2008 the SAS Group aircraft fleet totaled 255 aircraft, of which 176 are leased. In 2008 sale and leaseback transactions were effected for five aircraft, corresponding to an annual leasing cost of approximately MSEK 112. Terms of the leases vary between eight and 14 years. In December 1999 a sale and leaseback transaction for 30 MD-80s was concluded in collaboration with

GECAS, at an annual leasing cost of approximately MSEK 276. The agreement runs through December 2009.

SAS sold airport-related properties in December 2001. They were acquired by Nordisk Renting and GE Capital Real Estate for a purchase price of MSEK 3,020. At the same time, SAS leased back all the buildings for 20 years via operating leases and has an option, under certain terms, to buy back all or parts of the property portfolio after 10 years. The rent will amount to MSEK 210 in 2009.

In September and December 2003 properties in Copenhagen and Stockholm were sold. They were acquired by Keops and Nordisk Renting for a purchase price of MSEK 2,122. The properties are being leased back by SAS via operating leases for 10-20 years. The rent will amount to MSEK 184 in 2009.

Note 37 • Adjustments for items not included in cash flow, etc.

	2008	2007
Share of income in affiliated companies, continuing operations	147	–32
Share of income in affiliated companies, discontinued operations	–5	23
Dividends from affiliated companies	-	14
Capitalized interest on prepayments to aircraft manufacturers	–26	–17
Earnings impact from measuring financial derivatives according to IAS 39	–202	–22
Other	22	19
Total	**–64**	**–15**

Note 38 • Acquisition of subsidiaries

In 2008 the holding in Go Now was increased from 45% to 100%, making the company a wholly owned subsidiary in the SAS Group.

In 2007 the Group aquired the remaining minority interest in Spanair and Aerolineas de Baleares from Teinver.

According to acquisition analyses the value of acquired assets and liabilities was as follows:

	2008	2007
Non-current assets	7	-
Current assets	2	-
Cash and cash equivalents	7	-
Minority interests	–1	–38
Long-term liabilities	-	-
Current liabilities	–15	-
Total	**0**	**–38**
Goodwill	-	304
Purchase price paid	**0**	**266**
Redemption of Teinver's loan payable to SAS	-	–41
Cash and cash equivalents in acquired companies	–7	-
Impact on the Group's cash and cash equivalents	**–7**	**225**

Note 39 • Disposals of subsidiaries and affiliated companies

In 2008, the subsidiaries SAS Media, SAS Facility Management and Aerolineas de Baleares were divested, as was the remaining holding in ST Aerospace Solutions (formerly SAS Component). The affiliated companies Baltic Cargo Center and Travel AS were also sold. airBaltic was reclassified during the year from subsidiary to affiliated company and subsequently divested.

In 2007 SAS Flight Academy and Newco Airport Services were sold. An adjustment was also made in the purchase price regarding the 2005 divestment of 67% of the shares in SAS Component Group.

The value of the sold assets and liabilities was the following:

	2008	2007
Intangible assets	103	124
Tangible fixed assets	268	551
Financial fixed assets	551	40
Current assets	31	3
Short-term receivables	441	726
Cash and cash equivalents	198	141
Minority interests	38	–38
Long-term liabilities	–29	–241
Current liabilities	–887	–742
Total	**714**	**564**
Capital gain excl. selling costs	–201	321
Purchase price paid	**513**	**885**
Unpaid purchase price	–216	-
Selling costs	–6	–214
Unpaid selling costs	10	19
Cash and cash equivalents in divested companies	–198	–141
Impact on the Group's cash and cash equivalents	**103**	**549**

Note 40 • Cash and cash equivalents

	2008	2007
Short-term investments	3,872	7,308
Cash and bank balances	1,917	1,685
Cash and bank balances reclassified to assets held for sale	–6	–102
Cash and cash equivalents at year-end	**5,783**	**8,891**

Disclosure of interest paid:

During the year, interest received in continuing operations amounted to MSEK 508 (542), of which MSEK 92 (167) pertains to forward premiums for currency derivatives. During the year, interest paid in continuing operations amounted to MSEK 797 (1,202), of which MSEK 128 (193) pertains to forward premiums for currency derivatives. In discontinued operations the interest received came to MSEK 9 (7) and paid interest to MSEK 23 (29).

Note 41 • Auditors' fees

An audit engagement refers to the examination of annual financial statements and accounting records and the administration of the Board of Directors and the President. Such services also include other duties incumbent on the company's auditors as well as advice or other assistance prompted by observations made while performing the audit or carrying out such duties. All other work is classified as other services.

The following remuneration was paid by continuing operations to audit firms for auditing and other services:

	2008	2007
Deloitte		
Audit services	18	21
Other services	23	15
Total Deloitte	**41**	**36**
Other audit firms		
Audit services	0	0
Total	**41**	**36**

Note 42 – Transactions with affiliated companies

Revenue from sales to affiliated companies amounted to MSEK 206 (302). Cost of purchases from affiliated companies was MSEK 712 (1,579).

Income by business area

STATEMENT OF INCOME	SAS Scandinavian Airlines 2008	SAS Scandinavian Airlines 2007	SAS Individually Branded Airlines 2008	SAS Individually Branded Airlines 2007	SAS Aviation Services 2008	SAS Aviation Services 2007	Group-wide and eliminations 2008	Group-wide and eliminations 2007	SAS Group 2008	SAS Group 2007
External sales	40,692	38,827	5,369	5,006	5,175	5,189	1,959	1,576	53,195	50,598
Sales between business segments	1,531	1,328	157	87	9,857	9,003	–11,545	–10,418	0	0
Revenue	42,223	40,155	5,526	5,093	15,032	14,192	–9,586	–8,842	53,195	50,598
Payroll expenses	–8,943	–8,510	–1,653	–1,436	–6,731	–6,380	–826	–571	–18,153	–16,897
Other operating expenses	–30,361	–26,541	–3,470	–2,965	–8,422	–8,136	10,462	8,960	–31,791	–28,682
Operating income before depreciation and leasing costs	**2,919**	**5,104**	**403**	**692**	**–121**	**–324**	**50**	**–453**	**3,251**	**5,019**
Leasing costs for aircraft	–2,132	–2,156	–230	–234	0	0	80	48	–2,282	–2,342
Operating income before depreciation	**787**	**2,948**	**173**	**458**	**–121**	**–324**	**130**	**–405**	**969**	**2,677**
Depreciation and impairment	–1,089	–984	–166	–160	–296	–257	–40	–56	–1,591	–1,457
Share of income in affiliated companies	–7	–31	–145	57	5	6	0	0	–147	32
Income from the sale of aircraft and buildings	–10	41	14	12	0	0	0	–12	4	41
Operating income	**–319**	**1,974**	**–124**	**367**	**–412**	**–575**	**90**	**–473**	**–765**	**1,293**
Unallocated income items:										
Income from other holdings of securities									0	5
Net financial items									–279	–254
Tax									28	–273
Net income for the year for continuing operations									**–1,016**	**771**

OTHER DISCLOSURES	SAS Scandinavian Airlines 2008	SAS Scandinavian Airlines 2007	SAS Individually Branded Airlines 2008	SAS Individually Branded Airlines 2007	SAS Aviation Services 2008	SAS Aviation Services 2007	Group-wide and eliminations 2008	Group-wide and eliminations 2007	Total continuing operations 2008	Total continuing operations 2007	Discontinued operations 2008	Discontinued operations 2007	Total 2008	Total 2007
Assets	26,620	27,071	3,302	3,215	7,335	7,429	1,564	3,795	38,821	41,510	3,921	6,197	42,742	47,707
Equity shares	112	76	492	558	15	425	3	3	622	1,062	0	1	622	1,063
Total assets	**26,732**	**27,147**	**3,794**	**3,773**	**7,350**	**7,854**	**1,567**	**3,798**	**39,443**	**42,572**	**3,921**	**6,198**	**43,364**	**48,770**
Total liabilities	17,174	17,875	1,864	1,757	6,131	6,954	7,048	–288	32,217	26,298	2,465	5,323	34,682	31,621
Investment for the year	3,512	1,604	365	199	265	368	30	293	4,172	2,464	283	485	4,455	2,949

Geographic breakdown

	Domestic 2008	Domestic 2007	Intrascandinavian 2008	Intrascandinavian 2007	Europe 2008	Europe 2007	Intercontinental 2008	Intercontinental 2007	Total 2008	Total 2007
Passenger revenue	12,546	12,471	4,211	4,002	15,077	14,427	6,269	5,914	38,103	36,814
Freight and mail revenue	140	163	62	77	233	264	1,074	1,196	1,509	1,700
Charter revenue	20	45	0	0	1,643	1,882	0	0	1,663	1,927
Other traffic revenue	753	639	116	72	1,006	327	284	257	2,159	1,295
Total traffic revenue	**13,459**	**13,318**	**4,389**	**4,151**	**17,959**	**16,900**	**7,627**	**7,367**	**43,434**	**43,823**

	Denmark 2008	Denmark 2007	Norway 2008	Norway 2007	Sweden 2008	Sweden 2007	Europe 2008	Europe 2007	Other 2008	Other 2007	Total 2008	Total 2007
Other operating revenue, continuing operations	1,366	1,377	2,292	2,030	1,982	2,198	3,122	2,708	999	549	9,761	8,862
Other operating revenue, discontinued operations	16	32	8	29	26	76	449	622	0	1	499	760
	1,382	**1,409**	**2,300**	**2,059**	**2,008**	**2,274**	**3,571**	**3,330**	**999**	**550**	**10,260**	**9,622**

OTHER DISCLOSURES	Denmark 2008	Denmark 2007	Norway 2008	Norway 2007	Sweden 2008	Sweden 2007	Europe 2008	Europe 2007	Other 2008	Other 2007	Not broken down 2008	Not broken down 2007	Total 2008	Total 2007
Assets [1]	3,375	2,977	3,940	3,933	11,319	11,623	3,755	4,383	296	142	2,523	4,111	25,208	27,169
Investment for the year in continuing operations	220	71	101	78	1,135	1,040	49	326	3	5	2,664	946	4,172	2,464

[1] *Aircraft and spare parts are not broken down, see Note 1, Significant accounting policies - Segment reporting, page 71.*

Note 44 • Subsidiaries in the SAS Group

	Domicile	Corporate identity number	Total owned shares	Holding	Book value MSEK	Share of equity
Owned by SAS AB:						
SAS Sverige AB	Stockholm	556042-5414	70,500,000	100	737	4,108
SAS Norge AS	Bærum	811176702	47,000,000	100	628	3,798
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	571	2,931
Widerøes Flyveselskap AS	Bodø	917330557	364,196	100	1,440	479
Spanair Holding	Palma de Mallorca	B83180851	5,862,593	100	0	–3,768
Spanair S.A.	Palma de Mallorca	EA07225154	11,122,248	100	0	
SAS Ground Services AB	Stockholm	556063-8255	610,000	100	756	612
SAS Technical Services AB	Stockholm	556137-6764	940,000	100	1,150	655
Nordair A/S	Tårnby	24176711	10,000	100	526	365
Linjeflyg AB	Stockholm	556062-8454	2,000,000	100	237	210
OY Nordair AB	Vantaa	525.232	150	100	72	297
SAS Human Resources Sweden AB	Stockholm	556664-1485	30,000	100	30	22
SAS Accounting Services Sweden AB	Stockholm	556664-1493	16,000	100	21	5
SAS Revenue Information Services A/S	Tårnby	28098766	13,200	100	16	60
SAS Business Opportunities AB	Stockholm	556657-7358	8,000	100	8	14
SAS Trading AB	Stockholm	556406-9390	50,200	100	3	3
Other					0	8
					6,195	**9,799**
Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:						
SAS Consortium	Solna	902001-7720	–	100	13,637	13,637
Owned by SAS Consortium:						
SAS Airlines Norge AS	Bærum	962308449	150,000	100	3,851	1,569
SAS Scandinavian Airlines Danmark A/S	Tårnby	10156858	1,290,500	100	1,570	1,512
SAS Scandinavian Airlines Sverige AB	Stockholm	556235-5908	710,000	100	1,010	1,588
SAS Investments A/S	Copenhagen	25578104	300,000	100	488	507
Linjeflyg Leasing HB	Stockholm	916644-1080	–	79	299	342
Cherrydean Ltd	Dublin	310983	12,633,198	100	113	97
SAS Ejendom SOLA AS	Ullensaker	971125977	145	100	8	6
SAS Investments Denmark A/S	Tårnby	427110814	9,000	100	45	18
SAS Ejendom A/S	Tårnby	78752513	20,000	100	11	48
SAS Capital B.V.	Rotterdam	167071	501	100	8	77
Other					2	5
					7,405	**5,769**
Owned by Nordair A/S:						
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	441	42
Owned by SAS Investments Denmark A/S:						
RampSnake A/S	Copenhagen	24202941	10,500	100	0	–39
SAS Trading Denmark A/S	Tårnby	42710814	700	100	1	1
					1	**–38**

SAS AB, parent company

Statement of income

MSEK	Note	2008	2007
Revenue		353	244
Payroll expenses	1	–379	–326
Other operating expenses		–349	–306
Operating income before depreciation		**–375**	**–388**
Depreciation		0	0
Operating income		**–375**	**–388**
Income from participations in Group companies	2	–2,807	–816
Income from participations in affiliated companies	2	93	–30
Income from other participations	2	-	451
Impairment of short-term receivables		–4,131	-
Interest income and similar income items		324	209
Interest expenses and similar income items		–368	–176
Exchange rate differences		–28	–128
Income before tax		**–7,292**	**–878**
Tax	3	–21	126
Net income for the year		**–7,313**	**–752**

Balance sheet

ASSETS, MSEK	Note	2008	2007
Non-current assets			
Intangible assets	4	8	8
Tangible fixed assets			
Equipment	5	2	3
Financial fixed assets			
Shares in subsidiaries	6	6,195	7,533
Participations in affiliated companies	7	230	230
Other holdings of securities	8	2	2
Long-term receivables from Group companies		14	462
Deferred tax asset		329	365
Other long-term receivables		32	14
Total non-current assets		**6,812**	**8,617**
Current assets			
Current receivables			
Accounts receivable		0	2
Receivables from Group companies		4,187	7,632
Receivables from affiliated companies		0	13
Other receivables		225	18
Prepaid expenses and accrued income		5	3
		4,417	**7,668**
Cash and bank balances		90	258
Total current assets		**4,507**	**7,926**
TOTAL ASSETS		**11,319**	**16,543**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	2008	2007
Shareholders' equity			
Restricted equity			
Share capital		1,645	1,645
Statutory reserve		306	306
Unrestricted equity			
Retained earnings		9,627	10,341
Net income for the period		–7,313	–752
Total shareholders' equity		**4,265**	**11,540**
Long-term liabilities			
Long-term liabilities to Group companies		6,334	4,669
Pensions and similar commitments		7	5
Other liabilities		58	27
Total long-term liabilities		**6,399**	**4,701**
Current liabilities			
Liabilities to Group companies		335	65
Accounts payable		37	59
Other liabilities		181	75
Accrued expenses and prepaid income		102	103
Total current liabilities		**655**	**302**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**11,319**	**16,543**
Pledged assets and contingent liabilities			
Pledged assets		-	-
Contingent liabilities	9	738	312

Cash flow statement

MSEK	2008	2007
Operating activities		
Income before tax	–7,292	–878
Depreciation	0	0
Income from the sale of shares, etc.	216	408
Impairment of shares	2,067	-
Impairment of receivables	4,593	-
Adjustment for items not included in the cash flow	-	–15
Cash flow from operating activities before changes in working capital	**–416**	**–485**
Change in:		
Operating receivables	107	38
Operating liabilities	26	–23
Cash flow from changes in working capital	**133**	**15**
Cash flow from operating activities	**–283**	**–470**
Investing activities		
Purchase of equipment	0	–2
Investment in subsidiaries	–2,439	–896
Disposal of subsidiaries/affiliated companies	28	1 463
Cash flow from investing activities	**–2,411**	**565**
Financing activities		
Change in long-term receivables	–17	–3
Change in current receivables	679	–2,187
Change in long-term liabilities	1,665	1,819
Change in current liabilities	189	35
Group contribution received, net	10	198
Cash flow from financing activities	**2,526**	**–138**
Cash flow for the year	**–168**	**–43**
Cash and cash equivalents at beginning of the year	258	301
Cash and cash equivalents at year-end	**90**	**258**

Changes in shareholders' equity

MSEK	Share capital	Restricted reserves	Unrestricted capital	Total equity
Opening balance at Jan. 1, 2007	**1,645**	**306**	**10,322**	**12,273**
Group contribution received			25	25
Tax effect of group contribution			–6	–6
Net income for the period			–752	–752
Shareholders' equity at Dec. 31, 2007	**1,645**	**306**	**9,589**	**11,540**
Group contribution received			53	53
Tax effect of group contribution			–15	–15
Net income for the period			–7,313	–7,313
Shareholders' equity at Dec. 31, 2008	**1,645**	**306**	**2,314**	**4,265**

No. of shares: 164,500,000. Quota value 10 (10). Each share is entitled to one vote and all shares own equal rights to shares in the company's assets and profits.
There were no dilutions during the year.

Note 1 • No. of empl., salaries, other remuneration and soc. security exp.

The average number of employees was 259 (164). A breakdown of the average number of employees by country is provided in the table below.

	2008		2007	
	Men	Women	Men	Women
Denmark	47	34	9	5
Norway	3	1	8	7
Sweden	106	68	78	57
Total	**156**	**103**	**95**	**69**
Total men and women	**259**		**164**	

For salaries, remuneration, social security expenses and sick leave, see SAS Group Note 3 – Payroll expenses, page 71.

Note 2 • Income from financial items

	Income from participations in Group companies		Income from participations in affiliated companies		Income from other participations	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Dividend	30	-	-	7	-	6
Capital gain from disposal of participations	–310	43	93	-	-	445
Impairments	–2,527	–859	-	–37	-	-
	–2,807	**–816**	**93**	**–30**	**-**	**451**

Note 3 • Tax

	2008	2007
Current tax	-	-
Deferred tax	–21	126
Deferred tax	**–21**	**126**

Note 4 • Intangible assets

Other assets	**2008**	**2007**
Opening balance, cost	8	6
Cost for the period	0	2
Closing accumulated cost	**8**	**8**
Opening amortization	-	-
Amortization for the period	-	-
Closing accumulated amortization	**-**	**-**
Book value	**8**	**8**

Note 5 • Tangible fixed assets

Equipment	**2008**	**2007**
Opening balance, cost	9	9
Disposals/sales	–1	0
Cost for the period	0	0
Closing accumulated cost	**8**	**9**
Opening depreciation	–6	–6
Disposals/sales	0	0
Depreciation for the period	0	0
Closing accumulated depreciation	**–6**	**–6**
Book value	**2**	**3**

Note 6 • Shares in subsidiaries

See SAS Group Note 44 – Subsidiaries in the SAS Group, page 88.

Note 7 • Participations in affiliated companies

	Domicile	Corporate ID no.	No. of shares owned	Holding	Book value
AS Estonian Air	Tallinn	10076042	44,100 + 266 pref	49%	189
Skyways Holding AB	Stockholm	556021-5872	1,548,000	25%	41
					230

Note 8 • Other holdings of securities

	2008	**2007**
Incorporate Cell Company	2	2
Total	**2**	**2**

Note 9 • Contingent liabilities

Other contingent liabilities benefiting:	**2008**	**2007**
Blue1	151	131
Widerøes Flyveselskap	54	60
Spanair	379	114
Aerolineas de Baleares	142	-
Go Now	12	7
Total	**738**	**312**

Effective December 31, 2003, SAS AB has pledged to guarantee as its own liability the SAS Consortium's current and future interest-bearing obligations, leasing commitments and other financial obligations (irrevocable undertaking).

Note 10 • Fees to audit firms

Fees paid to Deloitte amounted to MSEK 10 (11) for audit services and MSEK 16 (6) for other services.

The Board of Directors and President hereby assure that the annual financial statements have been prepared according to the Annual Accounts Act and RFR 2.1 Accounting for Legal Entities and provide a true and fair view of the company's financial position and earnings and that the Report of Board of Directors provides a true and fair overview of the performance of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby assure that the consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, March 12, 2009

Fritz H. Schur
Chairman of the Board

Jacob Wallenberg
Vice Chairman

Jens Erik Christensen
Board Member

Timo Peltola
Board Member

Anitra Steen
Board Member

Carsten Nielsen
Board Member

Berit Kjøll
Board Member

Dag Mejdell
Board Member

Ulla Gröntvedt
Board Member

Asbjørn Wikestad
Board Member

Mats Jansson
President and CEO

As stated above, the annual financial statements and consolidated financial statements were approved for issuance by the Board of Directors on March 12, 2009. The Group's statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on March 31, 2009.

Our auditors' report was submitted on March 12, 2009

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Auditor's report

To the Annual General Shareholder's Meeting of SAS AB
Corporate identity number 556606-8499

We have audited the annual financial statements, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the President of SAS AB for the fiscal year 2008. The company's annual report is included in the printed version of this document on pages 56-91. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual financial statements and the application of International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act when preparing the consolidated financial statements. Our responsibility is to express an opinion on the annual financial statements, the consolidated financial statements and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual financial statements and the consolidated financial statements as well as evaluating the overall presentation of information in the annual financial statements and the consolidated financial statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the President . We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual financial statements have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual financial statements and the consolidated financial statements.

We recommend to the Annual General Shareholder's Meeting that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

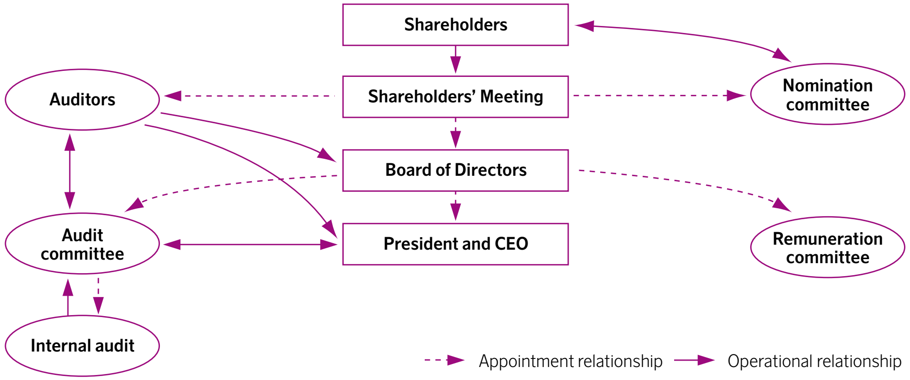
Stockholm, March 12, 2009

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Corporate Governance Report

Well-functioning corporate governance principles are essential for helping assure shareholders and other stakeholders that the activities of the SAS Group are characterized by reliability, effective management and control, openness, clarity and good business ethics. Transparency and sustainability are key words in the Group. The SAS Group follows the Swedish Code of Corporate Governance.



Corporate Governance, accountability and decision process
The SAS Group had 35,694 shareholders on December 31, 2008. The biggest shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, Unionen, Danmarks Nationalbank, Andra AP-fonden, Första AP-fonden and various bank mutual funds.

Meetings in 2008
The Board had 13 recorded meetings as well as one per capsulam meeting. The audit committee had four recorded meetings and the remuneration committee had three recorded meetings. The nomination committee had three recorded meetings since the 2008 Annual General Shareholders' Meeting.

SAS AB is a Swedish public limited company headquartered in Stockholm, Sweden. The company is the parent company in the SAS Group. Corporate governance in the SAS Group is based on Swedish legislation, primarily the Swedish Companies Act, the Articles of Association, the Swedish Code of Corporate Governance, and the NASDAQ OMX Stockholm rules for issuers, as well as other applicable rules and recommendations issued by relevant Swedish and foreign organizations. The SAS Group follows developments in the area of corporate governance, adapting its corporate governance policies to create value for owners and other stakeholders through providing adequate information to shareholders, real shareholder influence, and effective management and Board work.

To ensure sound and fair provision of information to the capital market, the SAS Group has an information/IR policy set by the Board. In 2008 the Swedish Code of Corporate Governance was updated. The revised code went into effect on July 1, 2008. For the SAS Group's part, the update did not require any significant changes to be made.

Application of the Code

SAS AB applies the Swedish Code of Corporate Governance, "the Code," which has been a part of the regulations of the Nordic Exchange in Stockholm since July 1, 2005. This report, which has been prepared in accordance with the provisions of the Code, constitutes the SAS Group's corporate governance report for the 2008 financial year. The report has not been examined by the company's auditors.

Departures from the Code

The SAS Group followed the Code apart from the following instance: Clause 1.5 states that the Shareholders' Meeting is to be conducted in Swedish and that the material presented is to be available in Swedish.

Reason for the departure: Pursuant to provisions of the Articles of Association for SAS AB, the language of the meeting shall be Swedish, Danish or Norwegian, and, if the Board so decides, other languages as well. The reason for this provision of the Articles of Association is the SAS Group's strong Scandinavian character with the largest number of shareholders in Denmark, a management and Board comprising persons from all three Scandinavian countries, and a system for remote attendance of the Shareholders' Meeting from Copenhagen and Oslo. Meeting deliberations in SAS AB are held primarily in Swedish, but contributions and speeches are regularly made at the meeting in Norwegian and Danish. Also, certain material presented at the Shareholders' Meeting of SAS AB is in Danish or Norwegian. In view of this the Board believes that any one of the Scandinavian languages may be freely used at Shareholders' Meetings in the company. It is also the Board's view that the three Scandinavian languages' similarity means there is no reason for simultaneous interpreting.

Shareholders' Meeting

Pursuant to the Companies Act, the Shareholders' Meeting is the company's supreme decision-making body. At the Shareholders' Meeting shareholders exercise their voting rights. At the Shareholders' Meeting of SAS AB, one share is equal to one vote. All shareholders who are recorded in the share register as of the meeting date and have given notice of their attendance in due time have a right to attend the meeting and vote their total holding of shares. Decisions at the meeting are generally made by a simple majority. However, in certain matters the Companies Act or SAS AB's Articles of Association require a motion have the support of a higher percentage of the shares represented and votes cast at the meeting. Decisions made at the Shareholders' Meeting are made public after the meeting in a press release, and the minutes of the meeting are published on the company's website. www.sasgroup.net

- The Annual General Shareholders' Meeting shall be held within six months from the end of the financial year. Among other things, the meeting decides on the adoption of the company's annual financial statements, the application of the company's profit or coverage of its loss, and discharging the Board and President from liability. The Annual General Shareholders' Meeting also elects Board members, auditors, members of the company's nomination committee and decides on directors' and audit fees as well as guidelines for pay and other compensation for the President and Group Management.
- The Annual General Shareholders' Meeting is held in Stockholm or in Solna. According to a provision in the company's Articles of Association,

Nomination committee

The nomination committee is to reflect the shareholder composition in the company and has the aim of helping to elect a Board of Directors that is suitable to and representative of the shareholders and lay the groundwork for the Annual General Shareholders' Meeting's decisions on various issues.

Nomination committee, three recorded meetings

Björn Mikkelsen • *Ministry of Industry, Employment and Communications, for the Swedish government, chairman*
Peter Brixén • *Danish Ministry of Finance*
Knut J. Utvik • *Norwegian Ministry of Trade and Industry*
Peter Wallenberg Jr • *Knut and Alice Wallenberg Foundation*
Anders Rydin • *SEB Funds*

Motions to be decided by the 2009 Annual General Shareholders' Meeting:

- → Chairman of the Meeting
- → Number of Board members
- → Election of Board members and Chairman
- → Directors' fees, divided among the Chairman and other Board members, and any remuneration for work on Board committees
- → Audit fee
- → Election of auditor
- → Nomination committee for 2010 Annual General Shareholders' Meeting

The nomination committee evaluated the Board's work, qualifications and composition. The Chairman attended some of the nomination committee's meetings and at them reported the results of the Board's own evaluation of its work. The nomination committee's recommendations will be published in the notice of the Annual General Shareholders' Meeting, on the company website, and at the 2009 Annual General Shareholders' Meeting. Members did not receive any fees or other remuneration for their work on the nomination committee. The nomination committee engages external advisers and consultants as needed.

Attendance at Board meetings in 2008

	5/2	3/3	9/4	28/4	18/6-19/6	24/7*	13/8	10/9	18/9*	24/10	4/11	3/12	18/12
Fritz H. Schur: *Chairman*				Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
member	Present	Present	Present										
Egil Myklebust, *Chairman*	Present	Present	Present	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office
Jacob Wallenberg, *Vice Chairman*	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Jens Erik Christensen, *member*	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Berit Kjøll, *member*	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Dag Mejdell, *member*	Not yet in office	Not yet in office	Not yet in office	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Timo Peltola, *member*	Present	Present	Present	Absent	Present	Present	Present	Present	Present	Present	Present	Present	Present
Anitra Steen, *member*	Present	Absent	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Ulla Gröntvedt, *employee rep.*	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Carsten Nielsen, *employee rep.*	Not yet in office	Not yet in office	Not yet in office	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Asbjørn Wikestad, *employee rep.*	Not yet in office	Not yet in office	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Olav H. Lie, *employee rep.*	Present	Present	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office
Verner Lundtoft Jensen, *employee rep.*	Present	Replaced by deputy	Present	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office	Left office

● Present ○ Absent ● Not yet in office ○ Left office ● Replaced by deputy

** Recorded telephone meetings*

shareholders can also attend the meeting from locations in Copenhagen and Oslo via remote audio-video hookup. Shareholders attending the meeting from Copenhagen and Oslo have the same rights, including voting rights, as the shareholders attending in Stockholm.

- → Notice of a Shareholders' Meeting is published in daily newspapers in its entirety in Sweden and in abbreviated format in Denmark and Norway and is announced in a press release and published on the company's website. The company sends notices to those shareholders whose addresses are known to it.

2008 Annual General Shareholders' Meeting

In 2008 the Annual General Shareholders' Meeting was held on April 9, 2008, in the company's head office in Solna. At the 2008 Annual General Shareholders' Meeting, the members of the Board were reelected, except for Egil Myklebust, who declined reelection as Board member and Chairman. Dag Mejdell was elected as a new Board member. Furthermore, Fritz H. Schur was elected the new Chairman. The meeting also decided on directors' and audit fees, remuneration for work on Board committees, remuneration policies and other employment terms for company management and elected members to the nomination committee to serve until the end of the 2009 Annual General Shareholders' Meeting. The meeting approved the Board's recommendation not to pay a dividend for 2007.

Board of Directors

The Board consists of seven members elected by the Shareholders' Meeting without deputies and three employee members, each with two personal deputies, who are elected by the SAS Group's employee groups in Denmark, Norway, and Sweden, according to law and a special agreement. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. The members and the composition of the Board appear on p. 98.

The average age of members is 57 years and two of the seven members elected by the Shareholders' Meeting are women. All Shareholders' Meeting-elected members of the Board are deemed by the nomination committee to be independent of the company and company management. At the 2008 Annual General Shareholder's Meeting the nomination committee deemed all Shareholders' meeting-elected members, except for Anitra Steen and Dag Mejdell, to be independent of the company's major shareholders. Thus, SAS AB meets NASDAQ OMX Stockholm rules for issuers and the requirements of the Code regarding board independence vis-à-vis the company, company management, and the company's major shareholders.

The Board's responsibility and work

Pursuant to the Companies Act, the Board is responsible for the company's organization and management and proper control of its accounting, funds management and financial situation in other respects. The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year, which regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. The work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis and instructions for the President and the company's Board committees. Accordingly:

- → The Chairman, in close collaboration with the President, is to monitor the company's performance and plan and chair Board meetings.
- → The Chairman shall also be responsible for the Board evaluating its work each year, scrutinize his own work routines, and see to it that the Board always receives the information necessary to do its work effectively. The Chairman represents the company in owner matters.
- → The Board's tasks are setting the overarching objectives and strategies of the SAS Group, adopting a budget and business plan, discussing and approving the year-end and interim reports, and setting important policies and regulations.
- → The Board shall also follow economic developments and ensure the quality of financial reporting and internal control and evaluate operations on the basis of the objectives and guidelines set by the Board.
- → Finally, the Board shall decide on major investments and changes in the organization and activities of the SAS Group.

Board work in 2008

In 2008 the Board held 13 meetings, of which eight were ordinary and five extraordinary. In addition, one meeting was held per capsulam. The work of the Board during the year followed the agenda set by the Board each year with permanent items for information and deciding on as well as special topics. Each ordinary meeting followed an approved agenda, and proposed agendas and support documentation are sent to Board prior to each Board meeting. The President and certain other senior executives also attended Board meetings to make presentations, and the General Counsel of the SAS Group served as the Board's secretary. At its meetings the Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow up, the company's financial position, and investment. Essential matters and business considered during the year included:

- Alternatives for SAS Group's future strategic and structural approach were considered and discussed in detail in the fall of 2008.
- Implementation and follow-up of the Strategic Plan for 2007-2011 (S11) as well as the short-term cost-cutting measures, P08.
- Monitoring and dealing with the antitrust investigations of SAS Cargo's participation in illegal price fixing in the air freight business.
- The tragic accident in Madrid with one of Spanair's aircraft.
- Negotiations and discussions with union representatives on a new negotiating process and changes in the collective agreements.
- Settlement of the sale of SAS Component.
- The process of selling Spanair and airBaltic
- Investment in aircraft, including a new order for 27 Bombardier CRJ900s and Next Gen Q400s as well as option rights.
- SGS's future and cost-cutting measures.

The Board also discussed sustainability-related information of material importance and quarterly changes in sick leave. The Board examined the annual Sustainability Report. Additionally, at various meetings the Board discussed matters and topics involving internal control and follow-up of compliance activities and work of the internal audit, evaluating the work of the Board, the Year-end Report, interim reports, strategy, the business plan, and the budget.

Main issues considered at ordinary Board meetings

5/2	SAS Group Year-end Report for 2007.
3/3	SAS Annual Report and notice of Annual General Shareholders' Meeting.
9/4	Assessment of S11
28/4	Approval of the first quarter report.
18-19/6	Strategy discussion, S11 and P08.
13/8	Approval of the second quarter report.
10/9	The SAS Group's future structural alternatives
4/11	Approval of the third quarter report and the auditor's review of the "hard close" and internal control.
3/12	Strategy and structure discussions and evaluation of Board work.
18/12	Review of financial plans for 2009 and the SAS Group's future structural alternatives ("Core SAS").

The Chairman and other members are remunerated for their work on the Board in accordance with a decision made by the Annual General Shareholders' Meeting. see Note 3 page 72

Fees decided at the 2008 Annual General Shareholders' Meeting

TSEK	Board	Aud.-com.	Rem.-com	Total
Fritz H. Schur	625		75	700
Jacob Wallenberg	415		25	440
Jens Erik Christensen	315	50		365
Berit Kjøll	315	50		365
Dag Mejdell	315		25	340
Timo Peltola	315	100		415
Anitra Steen	315	50		365
Carsten Bardrup Nielsen	315			315
Ulla Gröntvedt	315			315
Asbjørn Wikestad	315			315
Total	**3,245**	**250**	**125**	**3,935**

Board committees and committee work

To streamline and enhance the work of the Board on certain issues there are two committees. The Board appoints a remuneration committee and an audit committee from among its own members. The main duty of the committees is to prepare issues for the Board's decision. These committees, whose work is preparatory in nature, imply no delegation of the legal liability of the Board or its members. Reports to the Board on issues discussed at committee meetings are either in writing or given orally at the following Board meeting.

The work on each committee follows written instructions and a work plan stipulated by the Board. The General Counsel of the SAS Group serves as the secretary to the committees. Minutes of committee meetings are provided to all Board members. Remuneration was paid for work on Board committees in 2008 in accordance with the decision of the Annual General Shareholders' Meeting.

Auditors

Auditors in Swedish limited companies are elected by the Annual General Shareholders' Meeting and tasked with scrutinizing the company's financial reporting and management of the company by the Board and the President. Pursuant to the Swedish Companies Act, the term for auditors in Swedish limited companies is four years. The most recent election of an auditor was at the 2005 Shareholders' Meeting, when Deloitte AB, with Peter Gustafsson as principal auditor, was reelected for the period until the end of the 2009 Annual General Shareholders' Meeting. Peter Gustafsson (born in 1956) has headed audit services for Deloitte since 2003. Besides SAS AB he has audit engagements for SAAB Automobile, Ledstiernan, Nexus, Teleca, Rezidor Hotel Group, Semcon, Akademiska Hus, Göteborgs Hamn and Göteborgs kommunala Förvaltning AB.

Peter Gustafsson was previously an auditor at Elanders, Connex Transport, Ports of Stockholm and Song Networks, among others. On two occasions during 2008, the principal auditor met with the Board, presenting the program for auditing work, reporting observations from the audit of the Year-end Report, the examination of the interim accounts as of September 30 and an evaluation of internal control. The auditor attended all meetings of the audit committee during the year. On one occasion the Board met with the company's auditor without the President or anyone else from company management present. Deloitte submits an audit report regarding SAS AB, the Group, and an overwhelming majority of subsidiaries. In the past four years, in addition to its auditing work, Deloitte performed advising services for SAS Group companies in auditing-related areas, such as tax consulting, and the transition to IFRS, for a total invoiced amount of MSEK 61, of which MSEK 23 pertains to 2008. The auditor receives a fee for his work in accordance with a decision of the Annual General Shareholders' Meeting. For more information about the auditor's fee in 2008, see Note 41 page 86

President and Group Management

The Board appoints the President of SAS AB, who is also Group CEO. Pursuant to the Companies Act, the Board's work plan and instructions to the President, he is responsible for the day-to-day management of the company and Group operations. The members of Group Management as well as the heads of two corporate functions report to the President.

In its instructions to the President the Board has laid down detailed rules for the President's authority and obligations. Within the framework of the current work plan and instructions to the President, which regulate inter alia the relationship between the President and the Board, Group Management is responsible for business control, financial reporting, acquisitions and disposals of companies, collaborations, financing, capital structure, risk management, communication with financial markets, and other matters of a Group-wide nature.

The President and CEO is Mats Jansson. Presentation of the President's background, experience, positions, and shareholdings, see p. 99. The President works closely and exchanges information with the Chairman and also meets regularly with the Chairman to plan Board meetings. The President keeps the Chairman and the rest of the Board continually apprised of the company's and the Group's operations, performance and financial status. To enable the Board to monitor the Group's financial position on an ongoing basis, the President makes monthly reports to the Board. In addition to the President, Group Management comprises five members named by the President in consultation with the Board. The composition of Group Management, see p. 99.

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Group Management normally has recorded meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management. The General Counsel of the Group serves as the secretary to Group Management. Group Management's management and control of the Group's subsidiaries and major business units are primarily tied to active work on the boards of the respective subsidiaries and business units. For the Group's busi-

Remuneration committee

The committee's main task is to make recommendations for Board approval regarding the terms of the President's salary, employment, and pension, and deal with issues related to the SAS Group's overall remuneration policies for senior executives.

Salary and other remuneration matters regarding supervisors reporting directly to the President are regularly cleared with the committee.

Remuneration committee, three recorded meetings

	Number of meetings attended
Fritz H. Schur (chairman)	3
Egil Myklebust (departing chairman)	2
Jacob Wallenberg	3
Dag Mejdell (joined after the second meeting)	1

All members are independent in relation to the company, company management, and major shareholders.

➔ The committee discussed terms of departure for the former CFO, terms of employment for the new CFO as well as issues concerning salary reductions in 2009 and Group Management's forgoing their variable salaries for 2008.

➔ The committee also discussed and drafted a Board resolution on the President's target contract for 2008, the fulfillment of the target contract for 2007 and discussed general matters involving guidelines and policies for compensation to SAS senior executives.

➔ Prior to the 2009 Annual General Shareholders' Meeting, the committee will prepare the recommendation for remuneration policies and other terms of employment for company management that pursuant to the Companies Act and the Code the Board shall present to the Meeting for approval.

Audit committee

Chief task: to support the Board in monitoring and assessing the internal and external auditing process, be responsible for preparing the Board's work on quality assuring the company's financial reporting, meet regularly with the company's auditor, and study and evaluate reports from the external auditors.

Audit committee, four recorded meetings

	Number of meetings attended
Timo Peltola	4
Anitra Steen	3
Berit Kjøll	4
Jens Erik Christensen	4

Besides the committee secretary, the SAS Group CEO and CFO, the company's external auditor, and, depending on the nature of the business, the head of internal auditing attend meetings of the committee. The committee shall also scrutinize the auditor's independence vis-à-vis the company, including the extent of the auditor's non-audit-related engagements for the company.

The requirements of the Code regarding the number of members of the audit committee who are to be independent of the company, company management, or major shareholders are met.

In 2008, in addition to the yearly recurring business regarding quality assurance of financial reporting, detailed review of the year-end report and interim report as of September 30, the committee discussed, among other matters, the write-down of goodwill and tax assets in Spanair, the work and function of internal auditing, special focus areas for auditing work, risk analyses, and internal control, as well as assessing the auditors' work and follow-up of the European Cooperation Agreement.

ness units that are not separate legal entities, internal boards have been established that function like the boards of directors of the Group's subsidiaries. The boards are often composed of representatives of Group Management and Corporate Functions, with the responsible member of Group Management as chairman. In certain larger subsidiaries and business units there are external board members and representatives of the employees. Group Management's management and control of operations are based on a number of important guidelines and policies regarding financial management and follow-up, communication issues, human resources, the Group's brands, business ethics, and environmental matters,

Remuneration policies and other terms of employment for company management

For 2008, with departures stated below, the following guidelines adopted by the Annual General Shareholders' Meeting for remuneration and other terms of employment for senior executives were applied. The company will endeavor to offer its senior executives market remuneration that is nationally and individually set and differentiated. Remuneration policies are to be characterized by predictability regarding the costs to the company as well as the benefits for the individual concerned and be based on factors such as qualifications, experience, responsibility, and performance. Company management means the President and CEO and the other members of Group Management. The remuneration comprising an individual's total compensation shall consist of the following components:

- ➔ fixed base salary, which is reviewed annually
- ➔ variable salary
- ➔ pension benefits
- ➔ other benefits and severance terms

The size of the variable salary is to vary depending on the position and contract and may be no more than 50% of the relevant base salary. The variable salary shall depend on the executive meeting quantitative and qualitative business and personal targets set in an annual target contract. For the President the maximum variable salary can amount to a maximum of 20% of his base salary and for other members of Group Management up to 40-50%. At least 20% and no more than 60% of the total variable salary is to be related to the Group's earnings. No earnings-based pay will be paid if the Group's earnings are negative.

The President and Group Management have decided to reduce their fixed base salaries by 6% for 2009, as well as forgo their variable salary for 2008.

Pension benefits are to be defined-contribution, with premiums not exceeding 35% of the base salary. For one member of Group Management there is an agreement entered into previously for a defined-benefit pension plan, with a retirement age of 60 and with variable salary as partially pensionable. Pension benefits for the President are defined-contribution (35% of the fixed base salary). One member of Group Management has a defined-benefit pension plan, where a fully earned pension is equal to 70% of pensionable salary up to 30 base amounts and 35% of pensionable salary above that. Other members of Group Management have defined-contribution pension plans, in which, during 2008, a fixed percentage, 15-35%, of the pensionable salary is paid into the pension.

For the President and the rest of Group Management, the period of notice is six months on their part and 12 months on the company's part. If a senior executive is dismissed by the company, severance pay may be paid equal to no more than 12 months' base salary. If the executive obtains a new position, the severance pay will be reduced by the amount of remuneration for this new position. Nevertheless, already concluded agreements with two members of Group Management on a right to severance pay equal to two years' fixed salary and a maximum of one year's settlement will be respected.

Other benefits, such as a company car and health insurance, are to be market-based. There is no share-based incentive program in the SAS Group. Remuneration policies for company management are to be presented by the remuneration committee to the Board, which presents the proposal to the Annual General Shareholders' Meeting for approval.

Remuneration of the President is to be decided within the framework of policies approved by the Board of SAS AB and on the recommendation of the remuneration committee established by the Board. Remuneration of other members of Group Management is to be decided by the President within the framework of approved remuneration policies and after consulting with the remuneration committee. For information about remuneration and benefits paid to the Board, President and senior executives in 2008 see Note 3 pages 71-73

Financial reporting

In the corporate governance report, the company shall disclose information about the manner in which the Board assures the quality of financial reporting and communicates with the company's auditor. The audit committee is responsible for preparing the Board's work in quality assuring financial reporting. This quality assurance takes place whereby the committee discusses critical auditing issues and the financial reports that company submits. Among the issues the committee discusses are those regarding internal control, compliance with rules, specifically identified focus areas, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected and verified irregularities, and other matters affecting the company's financial reporting. In view of the considerable turmoil in the financial markets, the weakening of the economy and overcapacity in the air travel market, a decision was made in 2008 to write down goodwill in relation to Spanair as well as a certain portion of the tax assets in the company in a total amount of MSEK 1,959.

The company's external auditor attends all meetings of the audit committee. The Board scrutinizes and approves the company's year-end report and interim reports. To quality assure the Board's work on financial reporting and ensure the Board's access to and oversight and follow-up of auditing work, the Board normally meets the company's principal auditor on at least three occasions a year. At the Board Meeting in February, the auditor reports his observations from auditing the year-end report. In May the auditor presents, and the Board discusses, the program for risk analysis work and the focus of examination for the year in question. After the "hard close" as of September 30 the auditor reports to the Board in November his observations from the examination and his analysis of critical processes and risks.

Internal control - financial reporting

The SAS Group applies COSO, the internationally most recognized and adopted framework for internal control to describe and evaluate the Group's control structure. Internal control over financial reporting is a process that involves the Board, company management and personnel and is designed to provide reasonable assurance of reliability in external reporting. The Group-wide control environment is described in detail elsewhere in the corporate governance report. Internal control over financial reporting is described below in five areas that jointly form the basis of a sound control structure.

Control environment

The control environment forms the basis of internal control and includes the culture that SAS communicates and operates from. The aim of the SAS Group is for its values such as reliability and openness as well as consideration and value creation to permeate the organization.

It is important for all actions, internal as well as external, to reflect these basic values. In 2005 a Code of Conduct was distributed to all employees, which describes well the desired attitudes in various situations, including a structure for reporting deviations from desired attitudes (whistleblowing). An updated version was issued in 2008, accompanied by an interactive training program on the Group intranet. In view of SAS Cargo's violation of U.S. antitrust legislation, the following changes have been made: During the past years, the SAS Group has altered its organizational and legal structure to better harmonize it with its business structure and to achieve greater clarification of accountability and authority.

The management of the Group has been described in a management document, which outlines management philosophy, management model, roles and responsibilities of subsidiary boards, shareholder requirements, overarching follow-up, intra-Group business relations and segregation of job tasks.

The management document has been communicated and distributed to all management teams in subsidiaries and other senior executives. For the SAS Group's Board as well as for each subsidiary there are instructions for its board and CEO that clearly set out responsibilities and authority. The SAS Group works continuously to ensure that key positions centrally as well as in subsidiaries are held by qualified persons. Beyond this, there are policies in all key areas, at both the Group and subsidiary level, that define responsibilities and authority as well as guidelines for procedures. The guidelines for financial reporting are updated continually in the event of changes in e.g. follow-up and accounting standards. All policies are available on the Group intranet.

Risk assessment

Every year, company management performs a risk assessment in the spring regarding financial reporting. The risk analysis has identified a number of critical processes, such as the revenue process, purchasing process, payroll handling process, financial statement process, and IT. The analysis of risks in various major balance sheet and income items is graded. Moreover, company management has identified a number of critical areas, common to all subsidiaries, where an analysis of internal control is to be done, see below. Beyond that, the internal audit performs an ongoing overarching risk analysis of the SAS Group's internal audit function, which results in an annual audit plan, which in turn is revised if the risk analysis is changed.

The audits performed by the internal audit are primarily aimed at operational auditing, but also focus on processes that impact financial reporting and risks of irregularities, improper favoritism of another party at company expense, and the risks of losses or embezzlement. The audit plan is reviewed with the audit committee and the SAS Group's Board.

Control activities

The aim of the SAS Group is to have adequate activities to manage the risks affecting internal control over financial reporting. This also includes control activities that prevent irregularities. Control activities cover inter alia internal control in each Group company. Beyond this, there are control activities to ensure updating in accordance with IFRS using specific forms for reporting in the Group's corporate reporting system.

All subsidiaries and units have their own financial officers, who are accountable for earnings and responsible for financial updates.

The corporate functions examine and analyze key balance sheet items of subsidiaries, such as pension funds, etc.

In 2006 a relatively extensive formula was prepared containing defined control targets in the management process, financial statement process, revenue process, purchasing process, and payroll process. There are also control targets for dealing with fixed assets and dealing with cash/bank balances and loans. The managements of all subsidiaries perform their own evaluations each year regarding internal control with regard to meeting control targets and documenting the processes of control activities. These are also examined by the external auditors, who do an independent analysis of the status and potential for improvement. When analyses are not approved, where the judgment of the external auditors prevails, plans of action shall be prepared and implemented, which is followed up by the Group's internal audit.

The evaluation done in 2008 showed an improvement compared with the previous year regarding most processes in all units. In addition to this, areas for in-depth study are focused on in the critical processes identified for most Group subsidiaries. All of these examinations result in a number of recommendations aimed at improving the quality of internal control. The audits conducted by the internal audit always result in recommendations that are graded on the basis of a risk perspective. During the year, the internal audit focused on the cost structure of the SAS Group from an internal control perspective and on the "Revenue Contract Management" processes for interlining, i.e. settlement between different airlines, and at SAS International, Blue1 and Widerøe.

In-depth reviews, conducted by the Group's central accounting unit, are done on an ongoing basis of accounting and applying the SAS Group's accounting policies in subsidiaries. In 2008 a review was done of Blue1. The choice of companies for review in 2009 will be on the basis of a risk assessment done by the Group CFO in collaboration with the internal audit.

Information and communication

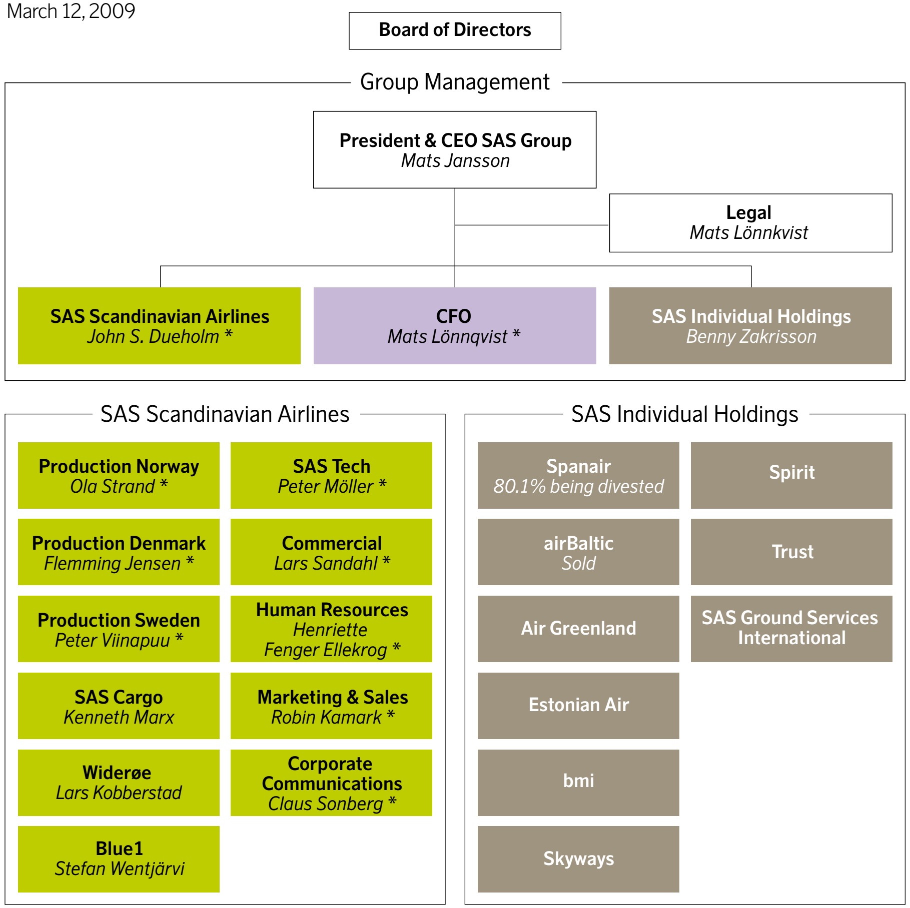
The SAS Group's ambition is for information and communication paths regarding internal control for financial reporting to be appropriate and known in the Group. Policies and guidelines regarding the financial process are communicated to all parties in the Group affected through direct distribution via electronic mail, but also via the intranet, where all policies and guidelines in the financial areas are collected in the "SAS Group Financial Guide."

The SAS Group's published external reports are based on reporting from all legal entities in accordance with a standardized reporting routine. The SAS Group's accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in all subsidiaries. Moreover, every month all subsidiaries submit a report on their activities, including their financial status and performance, to the Board and affected corporate functions. To ensure that the provision of external information is correct and complete, there is an information policy regarding disclosures to the stock exchange as well as an Investor Relations policy that have been laid down by the SAS Group's Board. This policy, which is available on the SAS Group website under Investor Relations, states what, in what manner, and how information is to be dealt with.

Monitoring
Follow-up and continuous assessment of compliance with policies and guidelines as well as the follow-up of reported deficiencies are done regularly. In connection with following up plans of action for noted deficiencies in the "self assessment," the new or modified controls are tested. Recommendations from the external and internal audits and the status of measures are compiled in a clear manner and presented to company management and the audit committee. Financial reporting is discussed at each Board meeting and at meetings of the audit committee.

SAS Group's areas of responsibility

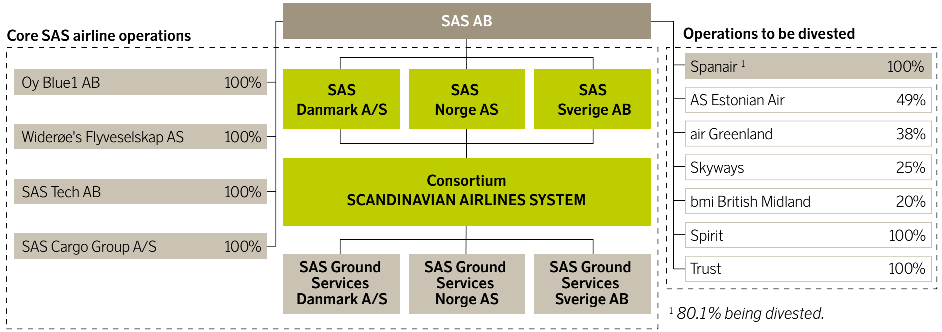
March 12, 2009



* Executive Team SAS Scandinavian Airlines

SAS Group legal structure

March 12, 2009



[1] *80.1% being divested.*

The SAS Consortium is the SAS Group unit through which financing and aircraft leasing is carried out.

SAS Danmark A/S, SAS Norge AS and SAS Sverige AB are taxable entities for the SAS Consortium's results.

The SAS Consortium also holds the traffic rights for SAS Scandinavian Airlines and the Air Operator Certificate (AOC) for the airlines in Scandinavian Airlines (excluding Scandinavian Airlines Norge).

The SAS Group's intercontinental airline operations (Scandinavian Airlines International) are a business unit in the SAS Consortium.

The SAS Group has harmonized the legal structure with the Group's business structure.
The most important changes in the legal structure were:

- February 2004: a number of subsidiaries were transferred from the SAS Consortium to SAS AB.
- July 2004: SAS Braathens was founded as a subsidiary of the SAS Consortium.
- October 2004: SAS Ground Services and SAS Technical Services were incorporated. SAS Scandinavian Airlines Sverige AB and SAS Scandinavian Airlines Danmark A/S were newly founded as subsidiaries.
- November 2006: Initial public offering of Rezidor Hotel Group.
- February 2007: SAS Flight Academy was sold.
- December 2008: airBaltic was sold.
- January 2009: 80.1% of the holding in Spanair was sold.

SAS Group's labor union structure within Scandinavia

Board of Directors

All Shareholders' Meeting-elected members of the Board are independent of the company and company management. At the 2008 Annual General Shareholders' Meeting the nomination committee deemed the members of the Board to be independent of major shareholders, with the exception of Anitra Steen and Dag Mejdell. Since Anitra Steen will step down as CEO of Systembolaget AB on April 30, 2009, the nomination committee deems all members of the Board to be Independent of major shareholders, with the exception of Dag Mejdell, owing to his position in the wholly Norwegian-government owned Posten Norge AS. The SAS Group has not issued any share convertibles or options.

Auditors: Deloitte AB

Principal auditor:
Peter Gustafsson, born 1956, Authorized Public Accountant. Elected in 2003.

Other major engagements: SAAB Automobile, Ledstiernan, Nexus, Teleca, Rezidor Hotel Group, Semcon, Akademiska Hus, Göteborgs Hamn and Göteborgs kommunala Förvaltning AB. Previously auditor at Elanders, Connex Transport, Ports of Stockholm and Song Networks, among others.

Corporate Secretary:
Mats Lönnkvist, General Counsel, SAS Group and Member of SAS Group Management.

Chairman

Fritz H. Schur

Born 1951
Chairman of the Board of SAS AB since April 2008
Member of the Board of SAS AB since 2001.
Chairman of the companies in the Fritz Schur Group.
Directorships: Chairman of Post Danmark A/S, DONG Energy A/S, F. Uhrenholt Holding A/S. and Relation-Lab ApS. Vice Chairman of Brd. Klee A/S.
Education: Handelshøjskolens Afgangseksamen (HA) business degree.
Shareholding: 20 000

Vice Chairman

Jacob Wallenberg

Born 1956
Vice Chairman of the Board of SAS AB since 2001.
Chairman of Investor AB.
Directorships: Vice Chairman of Atlas Copco and SEB. Member of the Board of ABB Ltd, The Coca-Cola Company, the Knut and Alice Wallenberg Foundation, the Stockholm School of Economics and the Nobel Foundation.
Education: B.Sc. Economics and MBA, Wharton School, University of Pennsylvania.
Shareholding: 5,000

Jens Erik Christensen

Born 1950
Member of the Board of SAS AB since 2006.
Directorships: Chairman of Scandinavian Private Equity A/S, Dansk Merchant Capital, Tower Group A/S, Alpha Holding A/S, Your Pension Management A/S, Nordisk Kontorforsikring AS, Copenhagen Multiarena A/S, Ecs-ACT A/S. Vice Chairman of P/F Føroya Banki. Member of the Board of Falck Holding A/S, Hugin Expert A/S, mBox A/S, Amrop Hever A/S, Andersen & Martini A/S, Nordic Corporate Investments A/S, member of the Danish Government's infrastructure commission.
Education: Cand. act., Univ. of Copenhagen.
Shareholding: 0

Berit Kjøll

Born 1955
Member of the Board of SAS AB since 2001.
Directorships: Member of the Board of the Student Association at BI in Oslo, Claus Helbergs Stiftelse, Aker Holding A/S, InterOil Exploration & Production ASA and Hurtigruten ASA.
Education: B.A. in Travel and Tourism, Markedsøkonom degree, AMP from Harvard Business School and INSEAD.
Shareholding: 1,600

Dag Mejdell

Born 1957
Member of the Board of SAS AB since 2008.
President and CEO of Posten Norge AS.
Directorships: Arbeidsgiverforeningen Spekter, IK Investment Partners, Orkla ASA (Corporate Assembly).
Education: MBA, Norwegian School of Economics and Business Administration.
Shareholding: 0

Timo Peltola

Born 1946
Member of the Board of SAS AB since 2005.
Directorships: Chairman of AW Energy Oy, Neste Oil. Vice Chairman of Nordea, Member of the Board of TeliaSonera and CVC Capital Partners Advisory Board.
Education: MBA, Turku School of Economics and Business Adm. Studied at IMI, Geneva. Honorary doctorate in economics, Swedish School of Economics and Business Adm. in Helsinki and Turku School of Economics and Business Administration.
Shareholding: 0

Anitra Steen

Born 1949
Member of the Board of SAS AB since 2001.
President of Systembolaget AB until April 30, 2009.
Directorships: Member of the Board of Södersjukhuset AB, Kungsträdgården Park & Evenemang AB, the Swedish Trade Federation and Lagena Distribution AB.
Education: Cand.phil. degree with a concentration in the behavioral and social sciences, Uppsala University.
Shareholding: 0

Employee representative

Ulla Gröntvedt

Born 1948
Employed at Scandinavian Airlines Sverige.
Member of the Board of SAS AB since 2001.
Shareholding: 300

Deputies:
Pär-Anders Gustafsson, first deputy.
Shareholding: 0
Bo Nilsson, second deputy.
Shareholding: 0

Employee representative

Carsten Bardrup Nielsen

Born 1957
Employed at SAS Tech in Denmark.
Member of the Board of SAS AB since 2008.
Shareholding: 1,481

Deputies:
Nicolas E. Fischer, first deputy.
Shareholding: 30,100
Brian Daugaard, second deputy.
Shareholding: 0

Employee representative

Asbjørn Wikestad

Born 1948
Employed at SAS Ground Services in Norway
Member of the Board of SAS AB since 2008.
Labor union leader since 1976.
Shareholding: 0

Deputies:
Tore Hansen, first deputy.
Shareholding: 0
Trygve Skogseide, second deputy.
Shareholding: 0

Group Management

The President and CEO is in charge of the day-to-day management of the Group. In addition to the President, SAS Group Management comprises four members named by the President in consultation with the Board. Members of Group Management have divided among themselves the responsibilities for the Group's business management.

Share convertibles and options
The SAS Group has not issued any share convertibles or options.

Secretary for Group Management
Mats Lönnkvist, General Counsel, SAS Group.

Mats Jansson

Born 1951
President & CEO
Assumed office on January 1, 2007. Formerly President and CEO of Axfood and President and CEO of Axel Johnson AB.
External directorships: Danske Bank, Indutrade.
Education: Studies in cultural geography, economic history and sociology at Örebro University.
Shareholding: 46,000

John S. Dueholm

Born 1951
Deputy CEO & COO
Member of SAS Group Management since September 1, 2002. Head of the business area SAS Scandinavian Airlines. Previously head of the business areas Airline Support Businesses and Airline Related Businesses, CEO of SAS Data and Senior Vice President of SAS Technical Division 1996-1998. Senior Vice President of Group4Falck 1998-2002.
No external directorships.
Education: Cand.merc. degree in Business Administration.
Shareholding: 0

Mats Lönnkvist

Born 1955
Senior Vice President & General Counsel SAS Group
Member of SAS Group Management since 2009.
Head of Legal Affairs and Corporate Secretariat and serves as Corporate Secretary of SAS AB
Other engagements: Member of the Board of TeliaSonera Mobile Networks AB
Previous engagements/posts: Various legal posts in the SAS Group 1988-2005, Law firm of Mannheimer & Zetterlöf 1984-1988.
Education: Jur.kand. degree from Uppsala University.
Shareholding: 0

Mats Lönnqvist

Born 1954
Deputy President & CFO
Member of SAS Group Management since January 1, 2009. Head of corporate functions in the areas of accounting and finance, asset management, purchasing and Shared Service units for Accounting, Revenue Information and Facility Management. Formerly CFO of such listed companies as Eniro, Esselte and Biacore.
External directorships: Chairman of Intellecta AB. Member of the Board of Bordsjö Skogar AB, Camfil AB, Ledstiernan AB, Spendrups Bryggeri AB, Telge Kraft AB, Ovacon AB, A/S Det Østasiatiske Kompagni et al.
Education: M.Sc. Econ. and Business Administration from the Stockholm School of Economics and IT at Uppsala University.
Shareholding: 0

Benny Zakrisson

Born 1959
Executive Vice President, SAS Individual Holdings
Member of SAS Group Management since June 14, 2007. Responsible for structural and strategic issues as well as for SAS Ground Services and SAS Cargo.
Previously Senior Vice President Corporate Advisory SAS Group, 2003-2007, Vice President Corporate Advisory/Finance SAS Group, 1993-2003, Director Corporate Taxes, SAS Group 1990-1993.
External directorships: Rezidor Hotel Group AB (publ).
Education: Jur.kand. degree from Stockholm University.
Shareholding: 0

"Sustainable traffic growth is our goal"

Sustainability Report

For many years the SAS Group has been working systematically for sustainable development as part of its overarching strategy. The renewed strategic approach, Core SAS, and the structural changes it involves, will further improve the chances for successful environmental work, and for reaching the environmental goals that SAS has set for 2008–2011.

Financial crisis and sustainability

The financial crisis, combined with an incipient downturn, hit the airlines hard in the second half of 2008. The market is now characterized by lower demand and an ongoing adjustment of overall capacity throughout the industry.

The airlines are sensitive to external disruptions and have experienced sudden shifts before. I am convinced that aviation will continue to play a natural and vital role in our infrastructure, socially as well as economically.

With regard to society's environmental problems, all I can say is that, whether we are in a financial crisis or a flourishing economy, they have not gone away. At SAS, sustainability work is an obvious and integral part of our strategy for future growth. Our fundamental view and our aims regarding sustainability issues are not affected by transitory events in the outside world. They are given the same high priority as before, and the efforts will help to strengthen SAS both financially and in the market. Initiatives to save fuel, green approaches, weight reduction, etc, will have beneficial effects on both costs and the environment.

In the wider perspective, an ongoing replacement of older aircraft with new ones with improved technology and environmental characteristics is an effective way to reduce harmful impacts. The implementation of Core SAS will lay the groundwork for the continued modernization of the SAS fleet.

Mats Jansson
President and CEO

In 2008 demands were even louder for global efforts to reduce greenhouse gas emissions and for measures to mitigate impacts on the climate.

The airlines' role continues to be debated, and the industry is reporting ambitious programs to do its part. The ongoing adjustment of production to lower demand and the airlines' phasing out of older equipment in favor of more modern aircraft and engines will help to improve overall environmental performance.

In 2008 the EU issued a special directive bringing aviation into the existing emission trading scheme. The directive covers air transport within as well as to and from the EU. To achieve the full effect, airlines outside the EU will have to be incorporated into the system, which requires agreements with third countries. The airline industry is now beginning the practical work for the introduction in 2012.

Important events in 2008

- Carbon dioxide (CO_2) emissions fell to 0.129 (0.130) kg per unit produced, becoming the lowest ever.
- The SAS Group's climate index deteriorated by one point to 93, primarily owing to relatively higher emissions of nitrogen oxides (NO_X).
- In an accident outside Madrid with an aircraft belonging to Spanair, 154 persons perished and 18 were injured. SAS's crisis organization provided support.
- SAS's fuel saving program achieved 2-3% by the end of 2008. The target for the program is 6-7% savings by 2011.
- In Norway the nitrogen oxides tax was replaced by a tax for a fund earmarked for efforts to reduce nitrogen oxides in Norwegian industry.
- Environmental charges were introduced at Amsterdam, Munich and Frankfurt airports.
- SAS Cargo accepted MUSD 52 in fines for antitrust violations in the U.S. The European investigation continues.

Sustainability-related KPIs [1]	2008	2007	2006
Operating revenue, MSEK	**53,195**	50,598 [2]	50,152 [2,3]
EBT before nonrecurring items, MSEK	**–395**	1,234 [2]	177 [2,3]
EBT margin before nonrecurring items, %	**0.7**	2.4	15.3 [2,3]
Average number of employees	**24,635**	23,538 [3]	25,323 [3]
on which men/women, %	**58/42**	59/41 [3]	60/40
Sick leave, %	**6.5**	6.4 [3,4]	6.1
Carbon dioxide (CO_2) emissions, 1,000 tonnes	**5,840**	6,295	6,213
Nitrogen oxides (NO_X), emissions, 1,000 tonnes	**24.2**	25.6	25.3
Kg carbon dioxide (CO_2)/RPK	**0.129**	0.130	0.131
Total fuel consumption, 1,000 tonnes	**1,857**	1,999	1,969
Water consumption, 1,000 m^3	**176**	208 [3]	4,269
Energy consumption, ground, GWh	**213**	209 [3]	832
Unsorted waste, 1,000 ton	**0.9**	1.0 [3]	13.5
External environment-related charges, MSEK	**453**	414	477
Number of passengers, 1,000 [5]	**41,741**	44,772	43,511

[1] All financial key data follow the financial portion of the Annual Report. All environmental KPIs include operations owned during the reporting year wherever possible. [2] Apart for average number of employees, all key data for 2008 exclude airBaltic.
[3] Data have not been examined by an external party. [4] Only employees in Sweden in corporate and shared functions.
[5] Including paying, bonus and charter passengers.

External review
The Group's auditors have reviewed all material sustainability information in the annual and sustainability reports for 2008. The Assurance Report is on page 124.

Sustainability information
For further information and views on the SAS Group's sustainability work, contact Niels Eirik Nertun, Director for Environment & Sustainability:
niels-eirik.nertun@sas.no

SAS Group Annual Report & Sustainability Report was published in March 2008.

The SAS Sustainability Report 2008

The SAS Group Sustainability Report 2008 describes the most essential environmental and societal aspects of its operations impact. It reports what is felt, after an ongoing dialog, to be of interest to its main target groups: financial analysts, customers, suppliers, employees, authorities, policy-makers and shareholders.

It is the opinion of SAS that the SAS Group Annual Report & Sustainability Report 2008 meets the requirements for sustainability reporting an A+ level in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, version 3.0.

Reporting principles

The SAS Group Sustainability Report is prepared on the basis of the SAS Group's accounting principles for sustainability reporting. They are based in part on Deloitte's "Checklist for preparing and evaluating information about the environment, ethics, corporate social responsibility and corporate governance," 2008 edition. In preparing the Sustainability Report the SAS Group has followed the GRI Sustainability Reporting Guidelines, version 3.0 and all key principles of the UN Global Compact.

→ The sustainability reporting includes all sustainability information in the SAS Group Annual Report & Sustainability Report 2008 as well as accounting principles, GRI cross reference list and stakeholder dialog, found on SAS website (www.sasgroup.net under "Sustainability").

→ The main principle for sustainability reporting is that all units and companies owned by the SAS Group are to be accounted for. This means that sustainability-related data for divested companies owned by the Group during 2008 will be reported wherever possible.

→ Material departures from GRI Sustainability Reporting Guidelines, version 3.0, are commented on in the SAS Group's accounting principles for sustainability reporting or in GRI cross-references on SAS's website. Cross-references also include the tables "GRI Application Levels".

→ For financially related information in the Sustainability Report, we are aiming for the same accounting policies as in the financial portion of the Annual Report. In cases where other principles are applied, this is commented on in the SAS Group's accounting principles for sustainability reporting.

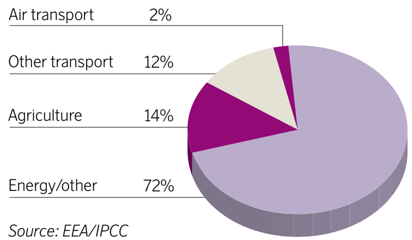
→ Uniform environmental and social indicators are aimed for Group-wide. Aside from primarily national discrepancies regarding social data without material importance for the information reported, all operations in the Group were able to report in accordance with these definitions for 2008.

→ The Sustainability Report was approved by SAS Group Management in February 2009. The SAS Group Board of Directors submitted the annual report in March 2009, and was informed of the sustainability report at the same time. SAS Group Management is responsible for organizing and integrating sustainability work with the operations of the Group.

Our world – our stakeholders

Besides creating growth in shareholder value, the SAS's sustainable development efforts are driven by expectations and demands of key stakeholders and others. SAS tries to meet these expectations and demands through systematic efforts, stakeholder dialog, and business intelligence. Sustainability work is thus a precondition for creating value.

Air transport's share of global carbon emissions



Source: EEA/IPCC

In the airline business, profitability and sustainability work are affected by government policies, the cost of infrastructure and expenses for jet fuel, payroll, energy and waste management, among others.

Vision of zero emissions

One of the biggest challenges facing the world's industries and thus also the airlines, is limiting the environmental impacts of their operations. For the airlines this primarily means emissions of carbon dioxide (CO_2), nitrogen oxides (NO_X) and noise. The growing debate on and criticism of aviation and its environmental impact has led the International Air Transport Association (IATA) to formulate a vision of zero emissions for air transport. This vision is to be realized by no later than 2050 through a combination of new technology, more efficient air traffic management, new fuels and coordinated action to improve the conditions under which air transport operates and its infrastructure.

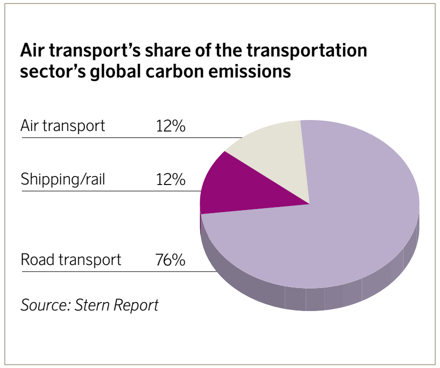
ACARE (the Advisory Council for Aeronautics Research in Europe) has set targets for air transport to reduce its CO_2 emissions by 50% per unit produced and NO_X emissions by 80% by no later than 2020. In addition, noise levels are to be cut in half compared with today's.

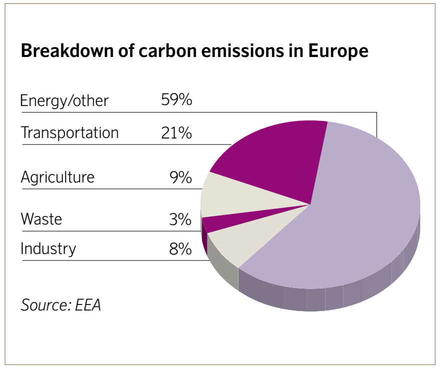
Realization of zero emissions requires the total replacement of existing aircraft fleets with a new generation of aircraft and engines not yet on the market. The lead time for such a changeover is at least 20-30 years, which is why the vision of zero emissions should be interpreted to mean that the necessary technology is to be commercially available and adopted by the airlines at a financially reasonable and proper pace.

Impact of air transport

Today, air transport accounts for around 2-3% of global CO_2 emissions, which corresponds to 12% of transportation sector emissions.

The average growth of the airline industry in a longer perspective is estimated at around 3-4% per year. Industry and IPCC estimates indicate a possible relative reduction in emissions of an average of 2% per year, due to better technology and efficien-





cy gains. This means that if no further actions are taken, air transport's growth may increase greenhouse emissions by around 1-2% per year.

Asia, China in particular, will account for most of the expected growth. In Northern Europe growth will be subdued somewhat, reducing emissions as a result. Economic developments in the West in the latter portion of 2008 had an immediate impact on the airline industry. The financial crisis, combined with an incipient downturn, hit demand hard in both the business and leisure segments. The airlines have announced extensive production cuts, and considerable capacity is being mothballed. The shutdowns will likely involve older aircraft with below-average environmental performance. In combination with lower supply, this will lead to a short-term reduction in air transport's environmental impact. Historical data show that the airlines are cyclical bellwethers; they are affected early, but recover quickly once the economic trend turns upward.

SAS's main market is the Nordic region, with emphasis on travel to, from and between the Nordic countries. The Group share of total traffic in its main market is around 40%. Norwegian domestic traffic accounts for 1.7% of national CO_2 emissions. The corresponding figures for Danish and Swedish domestic traffic are 0.4% and just under 1%, respectively. In relative terms, Group airlines account for hundredths of a percent of total global CO_2 emissions.

Viewed in a global historical perspective, air transport has traditionally belonged to the industrialized world. Today the major growth is taking place in Asia and the Middle East, where both private persons and industry can utilize the infrastructure previously reserved for the rich countries. Thus, global restrictions on aviation on account of its climate impact would primarily affect those who previously neither had the means nor the opportunity to fly. Air transport is a key part of the infrastructure of a globalized world, necessary for economic and social progress.

Environmental policies

Airline operations are subject to the environmental policies set by each airport. These usually involve noise, rules for using deicing fluids and limits on discharges into soil and water. There are also ceilings for CO_2 and NO_X emissions. One of Stockholm-Arlanda Airport's environmental rules is a ceiling for how much CO_2 and NO_X airport activities may emit. This includes airport operation, takeoffs and landings as well as all ground transportation to and from the airport. The Swedish airport operator LFV has long worked to amend these rules, since they cover activities that it has no direct control over and they can send false signals and result in faulty management from a global environmental perspective.

In fall 2008 the Environmental Court ordered a postponement from 2011 to 2016 of the date when Arlanda's emission ceiling is supposed to go into effect. The decision will better enable SAS to adapt its ground transportation and aircraft to the new ceiling. However, this requires that the airport submit an application for a new environmental examination of its operations by no later than December 31, 2010.

Even before the ruling the airport had begun work to apply for a new permit, and the goal is to submit a new application by June 30, 2010, at the latest. SAS has extensive activities at Arlanda and is very much dependent on the airport's environmental permit. For that reason, limitations can have consequences for SAS in the longer term. SAS is engaged in an ongoing dialog with Arlanda on the new application.

The environmental permit for Copenhagen Airport includes a noise limit of 80dB(A) for night traffic. SAS is evaluating technical fixes for lowering the noise level of its MD-80 aircraft. So far, this attempt has not had satisfactory results.

Due to stricter noise standards, a growing number of airports have tougher restrictions requiring aircraft to stay in designated approach and takeoff corridors. Weather and aircraft navigation equipment may occasionally complicate use of these paths. Deviations generally result in fines on the airline.

SAS and LFV have appealed a ruling concerning noise restrictions at Landvetter Airport outside Gothenburg. The ruling, which is based on

measurements of noise from an older cargo plane (not SAS) with poor environmental performance and used sporadically, requires unnecessary extensions of approach and takeoff corridors, with higher emissions as a consequence for all flights. SAS and LFV believe that an assessment of the restrictions should include all environmental impact factors.

In general, the trend is toward increased use of environment-related charge systems and operational limits. The twofold purpose is to reduce local environmental impacts and create incentives for airlines to use aircraft with the best available "green" technology.

The climate issue

CO_2 emissions account for about two thirds of air transport's total impact on climate, while nitrogen oxides (NO_X), water vapor and particulates are assumed to account for most of the balance.

Under the Kyoto Protocol to the UN Framework Convention on Climate Change, all industrialized countries must reduce their emissions by 5%, compared with 1990-levels, by 2012. The EU has gone a bit further, pledging to reduce the community's total CO_2 emissions 20% by 2020.

To attain this there are various proposals and directives, one of which requires all EU countries to increase the proportion of energy from renewables from 6% to 12% by no later than 2010 and to 20% by no later than 2020. There are also rules to reduce buildings' energy use by 22% by 2020. These rules affect property management at SAS, which even today can document achievement of energy reduction targets in the Group's buildings and installations in Scandinavia.

So far, the climate impact of air transport has concentrated on CO_2 emissions. Since the EU decided to include the airline industry in emissions trading, the focus is likely to be on other environmental impacts, primarily NO_X.

Industry and scientists generally agree on the magnitude and impact of CO_2 emissions. There is less agreement, however, regarding NO_X, particulates and water vapor. In connection with the discussion in the EU on carbon emissions trading, a panel was appointed to study the impacts of and possible measures against other emissions, primarily NO_X.

SAS fully endorses the "polluter pays principle" and is prepared to account for its share. This assumes that any taxes imposed on it are based on scientific findings and that the total climate impact of competing modes of transportation is taken into consideration. It is also important that EU environmental standards do not create a situation that puts European operators at a disadvantage to non-European operators. There are currently discussions between the EU and representatives of governments of countries with extensive air traffic to and from Europe, primarily the U.S., on how the economic impact of the EU positions on emissions trading and air transport will affect competition. The best solution would probably be for all airlines serving Europe to be included in the scheme. This was met with resistance, however. At the same time the ICAO is promoting the issue of global emissions trading for aviation, which SAS endorses. SAS also supports the AEA proposal for a global system to regulate the environmental impact of air transport.

ICAO appointed a group of 15 influential representatives of leading countries, GIACC (Group on International Aviation and Climate Change), with the aim of drafting proposals for reducing the CO_2 emissions of international aviation ahead of the UN Conference on Climate Change COP15 in December2009 in Copenhagen.

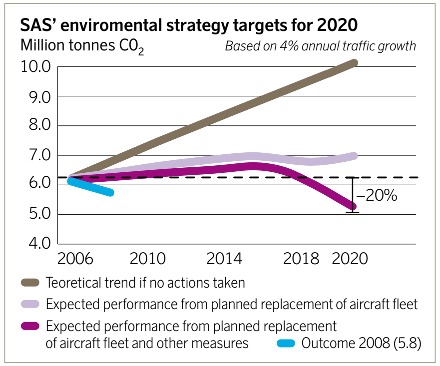
AEA has prepared a draft global system called GAP (Global Approach for International Aviations Emissions) aimed at achieving global competition-neutrality in air transport. The proposal divides the world into three blocs, with more onerous obligations on the industrialized portion than on developing countries.

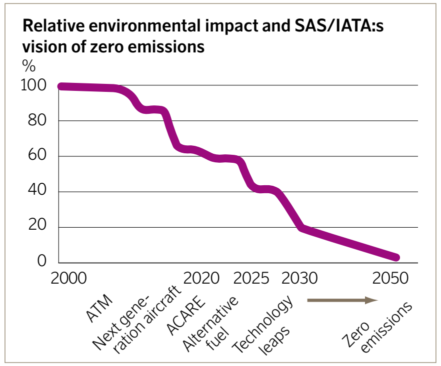
IATA is also working on a document outlining ideas for economic instruments for reducing aviation's CO_2 emissions.

At the World Business Summit on Climate Change on May 24–26, 2009, in Copenhagen, at which SAS is a major player, the hope is to move the process toward a global scheme forward.

Goals and strategies

The overall objective of SAS's sustainability work is to create long-term growth in shareholder value and help the Group reach its goals. Each investment in and action toward ensuring sustainable development should be measurable and pay off in economic terms. Set goals and strategies for sustainability work are a key part of Core SAS.





SAS endorses IATA's vision for air transport to eliminate all greenhouse emissions by 2050. This vision is to be realized through a number of measures.

Environmental goals for 2008–2011*

Goals for 2008–2011

SAS aims to

- → be seen as the most environment-conscious airline in Europe
- → have certified environmental management systems in accordance with ISO 14001
- → have the industry's most effective fuel saving program
- → be among the first airlines to use blends containing alternative fuel once they are approved and commercially available
- → have a long-term plan for its aircraft fleet that leads to a significant reduction of greenhouse emissions
- → have reached the target for SAS's eco-efficiency index.

* Goal attainment – see the following pages.

Eco-political vision

All modes of transportation, i.e., road, rail, sea and air, must bear their own costs for both investment and infrastructure and for society's other environment-related efforts according to the polluter pays principle. This implies total competition-neutrality regarding environmental and sustainability issues.

Environmental platform

The point of departure for SAS's environmental and sustainability work is its environmental platform, intended to guide attitudes and action and lay down routines for internal environmental efforts. The platform contains the following positions in which SAS:

- → admits that aviation has an environmental impact
- → accepts the conclusions of IPCC assessment reports on aviation's climate impact
- → endorses the polluter pays principle
- → seeks the economically best available technology (EBAT)
- → will assume its responsibility for CO_2 emissions like every other sector, since the Group believes that open emissions trading is a tool for reaching its environmental goals
- → will assume its responsibility for aviation's other greenhouse emissions in a cost-effective system based on scientific facts
- → intends to engage in an open dialog on environmental issues with all affected stakeholder groups.

Environmental action plan

SAS's environmental action plan for 2008-2011 is based on the principles of the environmental policy. This detailed and comprehensive plan contains measures aimed at customers and employees and at production and communication.

Environmental communication

The strategy for environmental communication involves having a credible basis for all communication on environmental issues to be able in turn to support vital commercial decisions. Among these are laying the foundation for a constructive debate on the environmental impact of air transport.

Environmental vision

- → SAS intends to be a leader in work toward sustainable development in air transport, thus contributing to sustainable social progress,
- → SAS intends to have the most ambitious long-term environmental program in the airline industry.

Principal strategic targets

In line with IATA's vision, the overarching long-term goal for SAS's environmental work is to have zero emissions. Zero emissions for air transport is to be realized by no later than 2050.

Principal strategic targets

- → 20% lower emissions by 2020 with traffic growth included
- → 50% lower emissions per unit produced by 2020.

Strategies for sustainable development

SAS aims to

- → create a culture among its employees based on interest in and commitment to environmental work
- → actively influence political decision-making to counteract distortion of competition within as well as between various sectors
- → have documented sustainability appraisals as a basis for all decisions
- → engaging in strategic environmental communication
- → promote tomorrow's solutions, building alliances and support relevant R&D projects.

Goal attainment

In 2008 SAS's sustainability work intensified in that all Group units were called upon to prepare action plans for reaching the goals for 2008-2011. Despite the recession the goals remain firm. This section reports the current status at the end of 2008 and measures planned for 2009.

The inedible oil plant Jatropha curcas is being tested as a source for alternative jet fuel.

→ SAS will be seen as the most environment-conscious airline in Europe

Goal attainment in 2008: SAS offers all customers carbon offsets. Individual travelers can figure out their emissions using an Internet calculator. All major customers are offered data for carbon offsetting as part of their agreements. Carbon offsets are purchased for all business travel at SAS.

All employees are offered environmental training as part of the "SAS and the Environment" program. This program is also part of the upcoming ISO certification. Extensive internal environmental campaigns are being carried out in SAS's Danish, Norwegian and Swedish operations. In international bodies such as the IATA and AEA, SAS is regarded as a leader in environmental issues affecting air transport. The SAS Annual Report & Sustainability Report 2007 ranked fourth among 500 companies evaluated in Annual Report on Annual Reports. Environmental issues are increasingly on the Board's and management's agenda for the Group's future development. Sustainability work is also having a greater impact in marketing and branding. Moreover, SAS sets clear environmental standards for its purchasing process and ensures they are complied with.

Measures in 2009: SAS intends to adopt a company car policy based on the current definition of green vehicles in the countries where SAS operates. In 2009 SAS will be integrating environmental work into projects aimed at customers and the public. This means, for example, that SAS will do more to communicate environmental issues as part of its marketing and external information. In a partnership with the Copenhagen Climate Council, SAS intends to promote its environmental work at the World Business Summit on Climate Change ahead of the UN climate conference in Copenhagen 2009 (COP15) and during the Swedish EU presidency. SAS's goal in the runup to COP15 is for the air transport sector to agree on a joint recommendation on a future global policy framework for aviation and climate change.

→ SAS will have ISO 14001-certified environmental management systems

Goal attainment in 2008: All Group companies have already integrated environmental and climate issues into their management systems. Now the goal for SAS is ISO 14001 certification by no later than 2011. This means that SAS will be among the first airlines in the world with its entire operations certified. SAS Cargo has been 14001-certified since 2006. During the year timetables and action plans for all companies were drawn up for all companies based on gap analyses. A central project manager with documented experience in certification was hired to support and coordinate the effort.

Measures in 2009: In 2009 all Group companies will be involved in the certification process and the first will be ready to be certified by Bureau Veritas. The certification process is anchored in the new organization and follows set timetables.

→ SAS will have the industry's most effective fuel saving program

Goal attainment in 2008: In 2005 SAS began a fuel saving program aimed at cutting consumption by 6–7% by 2011. The program follows set plans, and by the end of 2008, savings of 2-3% compared with the base year were realized. These measures are motivated both by climate considerations and by wildly fluctuating oil prices. In 2008 the price of crude oil varied between USD 40 and USD 140 a barrel. At the 2008 average price of jet fuel, a 1% cut in consumption meant savings of MSEK 100 for the whole Group. The fuel saving program includes a number of measures in areas such as technology, aircraft handling and route planning, as well as information and sharing experience with other players. SAS has amassed an extensive database (MRV) of fuel-related KPIs for each aircraft, route and airline, which is constantly being evaluated and followed up with recommendations for improvements. The database provides data for the calculations needed to administer the future emission trading scheme. Consumption depends on the aircraft's weight, speed and handling. Among measures carried out are:

- → *A new policy for optimizing speed.* Speed is adjusted to various external factors, which often results in lower fuel consumption. For instance, descent speed is reduced whenever possible. These measures are coordinated with several other players.
- → *Lighter aircraft.* Weight can be reduced by lower volumes of water, lighter seats, new materials in oxygen tubes, etc., as well as lower fuel reserves for flights to alternative landing sites without jeopardizing safety.
- → *Lowered landing flaps* reduces air resistance and thus fuel consumption.
- → *Winglets* reduce air resistance, giving the wing added lift. The flight can be carried out with less throttle while climbing and at cruising altitude.
- → *More frequent cleaning* of the engines, since particles accumulating in the engines raise the temperature and increase fuel consumption.
- → *Green approaches* mean that the pilot does not begin the flight until the flight path and landing clearance have been given. Using the shortest possible flight path and without holding in the air, an even descent is made in sufficient time from the cruising altitude to the runway with the engines idle. Green approaches reduce fuel consumption and the noise near airports and are more comfortable for passengers. SAS is the European Commission's partner in trials of green approaches in intercontinental traffic.
- → *Improved punctuality.* On-time arrivals and departures make many small contributions to cutting fuel and electricity use.

→ *Efficient route planning* To save fuel and thus reduce environmental impacts requires powerful automated system support to plan each flight with regard to altitude, weight, fuel consumption, traffic, weather conditions, etc. SAS's current system does not fully meet the requirements of today and tomorrow.

Measures in 2009: New system support that makes goal attainment possible will be introduced. The implementation is expected to take just over a year. In 2009, the work on the fuel saving program will go on so that relative savings of 6-7 % are reached by 2011.

> → **SAS will be among the first airlines to use blends containing alternative fuel once they are approved and commercially available**

Goal attainment in 2008: The future of air transport highly dependent on the industry's ability to find alternative aviation fuels. This means not only biofuels that can be blended with fossil fuels to boost eco-efficiency and thus reduce greenhouse CO_2 emissions, but also completely new concepts. In that regard, the whipsawing oil prices combined with greater environmental awareness are pressing incentives.

SAS is part of the Sustainable Aviation Fuel User Group, which is tasked with speeding up the development of new long-term sustainable aviation fuels from renewable sources, including by initiating research efforts. Participants include Boeing, the fuel developer Honeywell UOP and a number of airlines. Participating airlines together account around 15% of commercial aviation's fuel consumption. The group is closely following the efforts currently ongoing in the market aimed at certifying alternative fuels (such as SPK) in 2010 and 2011.

Measures in 2009: Any renewable aviation fuels that are developed need to perform as well as today's fossil fuels, emit substantially lower volumes of greenhouse gases and have a minimal impact on ecosystems. Moreover, production must not compete with food production and must use as little drinking water, acreage and energy as possible.

Both algae and the plant Jatropha curcas, which produces vegetable oils, are deemed to be important alternative sources that can be used in existing manufacturing processes. In 2009 SAS will step up its collaboration with aircraft and engine manufacturers and Swedish Biofuels, which includes testing of alternative aviation fuel (SPK). SAS will search the market for other suppliers of alternative fuels after 2011.

> → **SAS will have a long-term plan for its aircraft fleet that leads to a significant reduction of greenhouse emissions**

Goal attainment in 2008: The most important element of SAS's sustainable development efforts is a cost-effective and economical aircraft fleet tailored to market needs, based on the strategy of replacing aircraft with the best available technology.

On medium-haul flights SAS mainly employs MD-80s and Boeing 737s. The most recently delivered Boeing 737s meet today's requirements for best available technology regarding fuel consumption, emissions and noise. Airbus A319/A320s also meet fuel efficiency standards, and SAS uses them on short- and medium-haul flights, and they replace MD-80s to destinations with noise restrictions.

SAS's long-haul fleet consists of Airbus A330s and A340s, which represent today's best available technology. The fleet has an average age of 6.6 years.

Currently an additional number of new aircraft are being phased in. In the period 2008-2010 four Boeing 737s will go into service. Twelve new CRJ aircraft have been ordered from Bombardier, ten to replace the Q400s, which SAS chose to phase out in 2007 after a number of incidents. The first was delivered in December 2008. There is an optin on a further twelve. The CRJ is a regional jet with the market's best performance in its class. Five Q400NGs will be delivered to Widerøe in 2008.

At the same time, eleven older MD-80s and Boeing 737s will be taken out of service. This means an improvement in the climate performance and age structure of the fleet. The equipment temporarily taken out of service is primarily older aircraft, to be used as a buffer during high season and in the event of other changes in demand.

External analyses of SAS often stress that the Group's fleet is relatively old. Compared with other established European network carriers with similar products and offerings, SAS's fleet has the same average age, around 12 years.

An aircraft has a useful life of about 25-30 years, and age does not necessarily have anything to do with its environmental performance.

Measures in 2009: SAS plans to take 20 aircraft out of service in 2009.

After 2010, SAS has no plans to acquire any new medium-range capacity, though SAS will continually assess various alternatives for replacement. Both major manufacturers, Boeing and Airbus, have announced plans for the next generation of aircraft, as have the leading engine manufacturers. The new generation is estimated to be commercially available around 2015 at the earliest.

An intriguing new aircraft concept has already been presented by Bombardier. It is narrow-body (120-140-seat) aircraft with newly developed engines from Pratt & Whitney, estimated to cut fuel consumption by 15% compared with other available alternatives. Delivery of the aircraft will begin in 2013.

For a number of reasons, SAS has decided to wait to phase out the MD-80 fleet and the oldest Boeing 737s until the new generation of aircraft is available. The stagnation in the market means that SAS will be using the older aircraft less. Furthermore, the new generation of aircraft is expected to use 30-35% less fuel that current best technology. Thus, SAS will forgo short-term environmental improvements for more extensive improvements in the longer term.

Assuming that the manufactures keep to the timetable known so far, this means a postponement of at least five and at most eight years.

> → **SAS will have reached the target for SAS's eco-efficiency index.**

Goal attainment in 2008: The most important components of SAS's environmental index are passenger load factor and fuel consumption. In 2008 the index was affected by the wild fluctuations in demand that were difficult to match with production adjustments. This led in turn to an average deterioration of the passenger load factor compared with 2007. The goal is constant improvements in the index. All reporting units set individual targets for the short and long terms in consultation with Group Management. Each unit also prepares an action plant that is followed up and corrected in step with changes in operations and the outside world. p. 120–124

Measures in 2009: In 2009 SAS will both tailor production to lower demand and temporarily take a number of aircraft out of service. This is expected to help raise the passenger load factor and thus improve the environmental index. Phasing in the new Q400NGs at Widerøe and CRJs in Denmark will impact the index in a positive direction. Some indices will be reformulated and adjusted to the new Core SAS structure.

Responsibility for sustainable development

For the SAS Group economically sustainable profitability is closely connected with environmental improvements and the ability to take social responsibility and behave ethically in all business relations.

Sustainability policies for the SAS Group

Environmental responsibility • CSR • Financial responsibility

Core values
Consideration • Reliability • Value creation • Openness

SAS's four core values cover all operations in the Group and form the basis for all work on sustainability issues. On the basis of these core values, SAS has set overarching policies that along with a number of strategies govern its sustainability work. An account of the most important of SAS's policies can be found on the website. ***www.sasgroup.net***

Sustainability policy

- To contribute to sustainable development, SAS employees must, in their day-to-day work, take the Group's financial performance into account as well as its environmental and social impacts on the community.
- For SAS, sustainable development means a simultaneous focus on financial growth, environmental improvements and social responsibility. The Group's task, based on its core values, is to create long-term growth in shareholder value. This requires integrating environmental and social responsibility into business activities. Maintaining and developing human resources is vital for the Group to reach its goals.

Environmental policy

- SAS will contribute to sustainable development by optimizing resource use and minimizing its environmental impact in all its operations.
- SAS's environmental goals are based on constant improvement and on each subsidiary setting specific targets and working to reach them.
- SAS will seek to use renewable energy.
- SAS will have an environmental program as good as or better than leading industry competitors' that attracts customers and capital.
- SAS's environmental goals and activities are to be coordinated and harmonized with other production, quality and financial targets.

In many ways, work on sustainability issues serves to increase shareholder value and competitiveness, such as through more effective control of risks. SAS is convinced that to have economically sustainable operations it must also be socially and environmentally responsible.

SAS benefits society by being a major employer and contractor and by maintaining crucial societal infrastructure. One goal of the business is to generate returns for its owners. At the same time SAS, through its airlines, engages in activities that currently contribute to an adverse environmental impact, including by emitting carbon dioxide (CO_2) and nitrogen oxides (NO_X) and noise, primarily close to airports.

Dialog with stakeholders

SAS sees that from a social, environmental, and economic perspective, responsibility is also largely governed by stakeholders' views on its activities and their performance. Stakeholder dialog serves to identify, define and develop the Group's highest priority sustainability issues. Thus, an ongoing dialog with affected stakeholders is essential for work on sustainable development. SAS takes the initiative on dialogs, and all stakeholders seeking contact with SAS will be given a chance to air their views.

For SAS, as for other companies operating globally, it is becoming increasingly important to retain the acceptance and trust of the world around us. To succeed requires candor about operations and willingness to understand how stakeholders view the company and its activities.

In the fight against a growing environmental impact, the role of air transport is increasingly being called into question. Unfavorable opinions can help to create a policy framework less conducive to the industry's future growth. On the other hand, a fair and balanced debate on the benefits of aviation over other forms of transportation should create acceptance for competition-neutrality regarding laws, regulations, and taxes as well as other operating conditions. It is therefore essential that the entire industry take every opportunity in a candid dialog with the public to discuss and point out the airlines' positive and negative impacts on society, travel and the environment. The aim of SAS is to play a leading role in this dialog. The airline industry has taken the initiative on a large-scale information campaign that will run until 2011. During the year SAS took part in the ICAO assessment of the airlines' environmental management systems.

SAS's most significant stakeholder relationships with regard to its sustainability work are reported on the following page. SAS conducts regular interviews and engages in dialogs that help the Group to maintain and improve relations with key stakeholders through targeted measures.

Examples of measures prompted by stakeholder dialogs are:

- → the opportunity for customers to purchase carbon offsets to neutralize the emissions generated by travel and air freight
- → further emphasizing the description of employment conditions and relations with labor organizations in financial reporting
- → reporting the financial consequences of the Group's sustainability work
- → the strategy whereby SAS employees are to meet the customer on the correct terms
- → efforts to make SAS a more attractive employer.
- → greater emphasis on environmental communication via brochures and magazines for customers.

Our progress in 2008 shows that SAS's relationship with the outside world is improving steadily, but that the Group's relationships with key stakeholder groups need to be shored up. Although SAS's brand and image in the market are strengthening, much remains to be done. The increasing political and media focus on the adverse environmental impact of air travel is leading some to question its role in society, though in this regard SAS is not specifically affected. Nor are there any clear signs that the environmental impact of aviation has substantially affected demand for air travel. The decline now besetting the market has other causes.

It is management's aim for all supervisors to translate stakeholder relations and intelligence analyses into commercial targets and for relations with key groups to be managed in a wise and prudent way. This work is to help the Group attain and boost profitability in all parts of its operations.

Business relations

For the airline industry, with a tradition of close collaboration with competitors, antitrust issues are in focus. The SAS Group has therefore developed a special section on competition law in its Group policies and adopted a program to ensure compliance, the "SAS Competition Law Compliance Program." This program is under constant development, and the Group is engaging in extensive training activities aimed at all supervisors and other affected staff. Group policies also contain strict prohibitions against paying or accepting bribes or improper perquisites.

Code of Conduct

To summarize and clarify the Group's stated values, policies, and other regulations, the SAS Board of Directors has issued a Code of Conduct. It exists in four languages and has been issued to all Group employees. To underscore the Code's importance, there are clear rules and structures for reporting and dealing with suspected violations. In the reporting that all units do each year on their sustainability work there is a separate section for information and training concerning the Code.

Supervisors and other managers play a key role in implementing and following up the Code.

In 2008 the Code was revised and reissued. An Internet-based training program is a key element in disseminating the Code and its message. The goal is for at least 90% of employees to have gone through the training program by no later than the end of 2009. By February 1, 2009, 30% of employees had gone through the program. Every employee is expressly required to take part. The Code is a key instrument for creating understanding and acceptance of SAS's fundamental values. That is why it is also every supervisor's duty to initiate and encourage dialog and discussion on its contents so that all employees feel a sense of responsibility and participation and are prepared to make their own decisions based on the Code.

The follow-up of work on the Code in 2008 shows that all units have introduced it. The Code's whistleblower function was used in ten cases, two of which were dismissed without further action. Three were investigated and dismissed without action taken. One report led to a change in procedures. Four cases are pending.

Global Compact and the GRI

The SAS Group joined the Global Compact in 2003 and participates in the Global Compact's Nordic Network. One criterion for publishing company information on the Global Compact website is an annual update of the material, the Communication On Progress (COP). The basis for this publishing is SAS's work on sustainability issues, its annual report and the company's commitment to social issues. The most recent update of SAS's information was done in October 2008.

SAS's sustainability reporting follows the guidelines of the Global Reporting Initiative (GRI) and is reviewed by the Group's auditors.

In Denmark a new law entered into force on January 1, 2009, that reflects the debate on corporate social responsibility (CSR). The law requires that the approximately 1,100 largest companies in Denmark include in their annual reports what actions were taken with regard to CSR. Government procurement contracts must take account of social responsibility, and major state enterprises are to join the Global Compact.

In Norway the Storting has announced its intention to introduce a law similar to the one in Denmark. In Sweden, all state-owned companies must report in accordance with the GRI starting with the 2008 financial year.

SAS welcomes these initiatives and sees no problem with complying. Both its sustainability work and reporting already meet high standards, and new legislation is not expected to result in extra work or higher costs.

Stakeholders	Examples of dialogs*
Employees	Employee index PULS. Development interviews. *Whistleblower* function. Staff meetings – for flight staff, called Base Days
Customers	Customer surveys. Interviews. Customer Satisfaction Index (CSI). Image index
Contract customers	CO_2 Reduction Network. Direct dialog in meetings and ongoing contact with several thousand contract customers
The traveling public	Qualitative and quantitative surveys, e.g. the CSI
Owners, investors and financial analysts	Surveys. Teleconferences. Regular meetings
Governments	International working groups. Ongoing contact with national governments and policymakers
Suppliers	The SAS Group's purchasing policy. Compliance with Global Compact principles
Aircraft, engine and chemical manufacturers	Dialog on greener products
Partnerships and networks	Star Alliance. Global Compact Nordic. CSR Sweden, Copenhagen Climate Council
NGOs	Bellona. Friends of the Earth, WWF, Save the Children
Organizations	ICAO Committee on Aviation Environmental Protection. Association of European Airlines. IATA's environmental committee Confederation of Swedish Enterprise. Confederation of Danish Industries. Confederation of Norwegian Enterprise, etc.
Mass media	Interviews. Articles and opinion pieces

* * *A more detailed description of the SAS Group's dialogs with stakeholders with in-depth information may be found at* ***www.sasgroup.net***

Reducing environmental impact

For SAS, as for the entire airline industry, set and implicit targets pose a big challenge moving forward. At the same time, the airlines need to take full responsibility for coming developments not being obstructed by political and media posturing.

Environmental responsibility
Airline operations account for 95% of the SAS Group's environmental impact, most of which is caused by the consumption of nonrenewable energy, primarily fossil fuels. Combustion emits CO_2 to the atmosphere, contributing to global climate change. Aircraft noise is a local environmental nuisance.

In various national and international contexts SAS works actively to reduce its environmental impact and acts to influence environmental policy affecting aviation and to develop and disseminate green technology.

SAS is part of Combat Climate Change (3C), a group of 55 leading international companies committed to initiatives from the business sector to deal with global environmental problems. Corporate Environment & Sustainability also participates in similar national and international bodies. SAS also works intensively together with engine and aircraft manufacturers, airlines, airports and air traffic control bodies for sustainable development in air transport.

Corporate social responsibility
SAS's social and societal responsibilities include the Group's employees and its impact on the surroundings and communities where it operates.

At SAS individual units give priority to issues based in their own operations (see pages 120-124). For that reason what their social responsibility entails may vary depending on time, place and the nature of the operations.

Corporate Environment & Sustainability also participates in a number of relevant forums for developing SAS's social commitment.

As an employer, SAS can help provide its employees with a long-term high standard of living and quality of life. The best possible physical and psychological working environment is essential, as are opportunities for employees to develop, both in their professional roles and as people.

One requirement for reaching customer and profitability targets is taking care of and fostering employee skills and commitment. The Group also affects a number of subcontractors, thereby contributing to economic and social welfare in the countries and societies where its businesses operate.

By being committed to social issues and by joining the UN Global Compact, the Group has pledged in all its activities to defend and promote human rights and to combat corruption, discrimination and all forms of forced labor.

Financial responsibility
SAS's primary duty is to create long-term value growth for its shareholders through having satisfied customers and motivated employees. Sustainability work is also to help boost SAS's competitiveness through more efficient resource utilization. It is from this perspective that work on sustainability issues must be viewed.

SAS has a profound impact on the economy. Its direct impact comprises salaries to employees, purchases of services and materials from outside suppliers, and direct and indirect taxes to the community. Every employee of Group airlines generates one additional job in other industries and companies.

With regard to costs, sustainability work primarily contributes lower fuel consumption, better economizing on resources, and a lower risk of sustainability-related disputes and complaints. Sustainability work thus helps to boost competitiveness and increase shareholder value.

SAS also helps to create added value for individuals as well as companies and society at large by facilitating people's travel and by furnishing the transportation of goods.

The airline industry' commitment involves long-term investment in environment-related measures that take time to carry out and are capital-intensive. The industry's environmental work follows four main lines in close collaboration among airlines, aircraft and engine manufacturers, developers of alternative fuels, universities, colleges and other research institutions and governments and other affected parties. These four lines or pillars are Technology development, Infrastructure, Operational measures and Economic instruments.

Despite the industry's relative youth, there is considerable conservatism in the way individual airlines and the industry as a whole performs and operates. This means that the potential for environmental improvements are substantial, provided that they are economically justifiable and technically feasible. Previously there was often a lack of financial incentives for trying new ideas. Today, the picture is different. Volatile oil prices, airline deregulation and increasing competition and especially environmental considerations have utterly transformed industry attitudes towards sweeping changes.

Technology development
Via the AEA SAS participates in the Advisory Council for Aeronautical Research in Europe (ACARE), whose targets are 50% lower CO_2 emissions, 80% lower NO_X emissions and a 50% lower noise level for new aircraft by no later than 2020. In ACARE there are representatives of the EU counties, researchers, the aviation industry, airport owners and aviation industry bodies.

Technology development primarily concerns lighter and more aerodynamic aircraft, more efficient engines and alternative fuels.

The major aircraft manufacturers Boeing and Airbus have announced a new generation of aircraft, expected to be commercially available by 2015 at the earliest. At the same time a new generation of engines will be launched by the leading manufacturers. The combination of new aircraft and new engines is estimated to result in a 30-35% reduction in fuel consumption compared

New technology

ACARE
New technology
Alternative fuels
Improved aerodynamics

Infrastructure

Single sky
NUAC+FAB
Coordinated air traffic control

Operational measures

Fuel saving program
Green approaches

Economic instruments

Emissions trading
Taxes, charges, regulations

with current best technology, with attendant reductions in greenhouse emissions, primarily CO_2 and NO_X. The development of new engines will also be important for solving the noise problem.

One possibility for reducing greenhouse CO_2 emissions in existing fleets is to use raw materials from renewable sources instead of fossil fuels. Several research projects and tests are ongoing around the world. Initial tests of a 50% blend of alternative fuels in aviation kerosene were carried out by Air New Zealand and Continental Airlines and others. Alternative fuel is expected to be commercially available in 2011.

Infrastructure

Within the framework of Eurocontrol there is an ongoing effort to create a coordinated European air traffic control system. This would lead to shorter flight paths, shorter holding time in the air and on the ground and less congestion in the air and at airports. Fully-implemented, it would result in an estimated 10-15% lower environmental impact.

As an initial specific example, with the support of SAS, the Danish and Swedish civil aviation authorities are working together to put some of the intentions into practice. The next step is to create a Nordic Single Sky, where Norway and Finland as well as the Baltic countries participate.

Operational measures

All major airlines have action programs for economizing on resource use in order to improve environmental performance. These include fuel saving, route planning, optimizing speed and altitude, weight reduction and improvements in communication, training and information to create awareness of the need for small- and large-scale measures at all parts of operations.

Economic instruments

Taxes and charges are often used by opinion makers as examples of effective economic instruments for reducing aviation's environmental impact. The debate largely takes two approaches. One is for the airlines to pay for their environmental impact and bear all the costs of their infrastructure. The other is not only to limit the growth of air transport, but also its current scope.

The EU's own estimates show that taxes and charges do little to reduce demand. However, they raise the costs to the airlines, which affects fares, with undesirable economic and social consequences. At the same time the airline industry has the tide of opinion against it, which makes it easy for some governments to impose environment-related taxes and charges.

Air transport included in emissions trading

In 2008 the EU adopted the revised general ETS directive and a special directive to incorporate air transport into the EU/ETS from 2012. There will be a chance to overhaul the aviation directive in 2014. The directive is intended to facilitate negotiations with third countries, primarily those with heavy traffic to and from the EU, which is necessary for the system to have any substantial environmental effects.

The decision is in keeping with the view that SAS and most other airlines championed while the issue was being considered by the EU. The scheme has considerable advantages over national taxes and charges – measures that have so far proved virtually ineffective at limiting aviation's environmental impact. Moreover, it is vital that the ground rules are clarified so that the airlines can prepare for the coming change. Once air transport is included in emissions trading in 2012, SAS's current offering to customers of carbon offsets will be dropped.

SAS estimates that when the scheme is fully implemented in 2013 the costs to the airline may reach MSEK 300-400 per year, which will then have an impact on fares. SAS is now starting preparations by setting up an MRV (Monitoring-Reporting-Verifying) system, to be certified by an independent party. How certification will proceed has not yet been clarified, since there are no accredited specialists in the area of air transport. SAS believes that existing scheme units can be easily adapted to a future MRV system.

Ground-based environmental measures

With regard to energy saving in buildings, the SAS Group has achieved good results. All buildings have been inventoried regarding environmental data. A large portion of Energy consumption is based on renewables. All sources of energy consumption in offices, hangars, storage areas, in connection with passengers and freight, etc., are to be constantly be reviewed and optimized in line with SAS's targets and local actions taken.

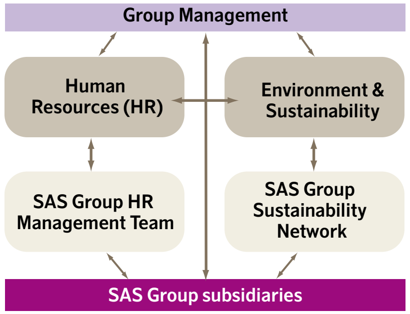
SAS is working for all company cars to be green vehicles. Because green vehicles are defined differently in each country, it is not possible to issue identical recommendations.

Deicing aircraft before takeoff uses glycols, which are harmful for the environment. Along with civil aviation authorities in Sweden and Norway and equipment suppliers, SAS tested infrared deicing. The evaluation showed that the method was unsatisfactory for the Nordic climate. SAS is moving the development of technology in this area forward and continues its search for alternative technologies. Various methods for reducing glycol use and handling waste are currently being evaluated. For instance, a system is being tested where electronic control of glycol content led to a substantial reduction.

Organization and management

The SAS Group's operational sustainability work is based on its sustainability policy, as well as the Group's commitment to comply with the principles of the UN Global Compact. This section reports the organization and management of sustainability work that pertained to the Group in 2008. The strategy for sustainability work, sustainability and environmental policies, as well as targets and KPIs connected with them, are a part of the new Core SAS structure.

Organization and management of the SAS Group's sustainability work in 2008



Group Management: *Sets framework in the form of the Code of Conduct, overarching objectives, policies, and other guidelines. Initiates support activities. Provides support functions for sustainability work via Corporate Human Resources and Corporate Public Affairs & Environment.*

Human Resources: *HR coordinates, negotiates, administers, and develops personnel issues. HR has several support functions, including the HSE departments in each country, which provide health and working environment services.*

Environment & Sustainability: *Department of Corporate Public Affairs & Environment that coordinates and advises on issues concerning the environment and sustainability/CSR for Group Management and subsidiaries.*

SAS Group HR Management Team: *Helps improve sustainability work through the coordination of employee issues by personnel directors in Group companies and units.*

SAS Group Sustainability Network: *Coordinator of the sustainability work that includes representatives of all companies.*

SAS Group subsidiaries: *On the basis of their activities, set specific objectives for sustainability work, environmental targets, social objectives, etc. Carry out activities and follow up results.*

In February 2008 the Board of SAS adopted new targets and strategies for its sustainability work. A key element is an enhanced communication plan, a clear signal that SAS will actively help to shape opinion on the operating framework and future development of air transport in an environmental perspective. The management philosophy is based on SAS's policies and strategies. This also applies to sustainability issues. The final responsibility for these issues rests with Group Management, while the heads of units and companies have operational responsibility. Evaluations of supervisors include the performance of their units' environmental index. The targets for 2011 have been set by Group Management.

Management by objectives

Group units set targets for their respective activities and prepare action plans to reach these targets. The companies report yearly and in writing to Group Management on achievement of quantitative and qualitative targets, how work is progressing and what specific targets have been achieved.

SAS has a central, coordinating, and advisory department for Environment & Sustainability. This department comes under the Corporate Function Public Affairs, where the Group Director for Environment & Sustainability is part of management. The head of Public Affairs monitors sustainability and environment issues for Group Management.

Sustainability work is coordinated and developed through the SAS Group Sustainability Network, comprising sustainability coordinators from all companies and corporate functions. They report to the management of their respective company or unit. Many of the coordinators have sustainability work as their primary duty. In 2009 the network will be modified to match the new structure.

Issues directly related to employees' working conditions are dealt with by the SAS Group HR Management Team, which consists of twelve heads of human resources in Group companies and units. Employee issues are coordinated by Human Resources (HR), with functions for management development, company health services, salary and remuneration issues, and sick leave.

HR plays an advisory role in the Group's working environment efforts, which represent an important portion of its sustainability work. This includes a system of recurring working environment audits. It is each company's responsibility to ensure a well-functioning working environment. This work takes place in collaboration with safety representatives, supervisors and labor-management joint safety committees in each country.

Company health services

For a number of years SAS has had in place its own company health services in Scandinavia. In this way the company is better informed about the conditions of SAS's various employee groups.

Besides medical staff, the company health services or health, safety and environment (HSE) department employs therapists, stress and rehabilitation experts, and ergonomic engineers. The department has also developed and offers special services, including aviation medicine, stress management, sick leave follow-up, health profiles, ergonomics and advising in handling chemicals.

Handling sustainability data

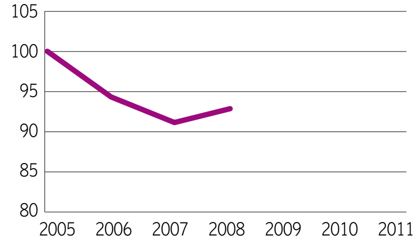
Environmental data are reported twice a year, while data concerning employee sick leave and injuries are followed up at a local level on an ongoing basis. In addition, units and companies are to report at least once a year on measures to improve the Group's sustainability work. Reporting concerns such areas as community involvement, supplier contacts, cooperation with internal and external stakeholders, working environment, training, conflicts, key environmental aspects, environmental targets, nonconformances, licenses, work on the Code of Conduct and the UN Global Compact, etc.

Responsibility for reporting rests with the heads of each company and unit, but reporting is coordinated by the SAS Group Sustainability Network. Data are compiled by the Group coordinating and advisory department for Environment & Sustainability and is then reported to Group Management.

Results for the year

SAS's climate and environmental index showed steady improvement up to and including 2007. Performance in the first half of 2008 was still positive. Autumn was characterized by plummeting demand that could not be compensated for by cutting production at the same rate. This affected SAS's environmental performance, and the overall picture for 2008 is mixed.

SAS Climate index



The climate index measures climate impact relative to production measured in RPK and consists of 2/3 carbon dioxide and 1/3 nitrogen oxides (as a non CO_2 indicator).

Important events in 2008

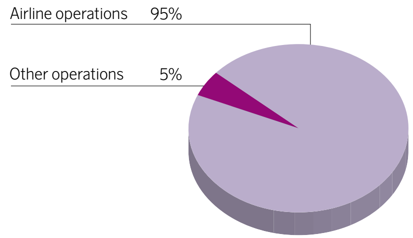
- An extensive e-learning program on the environment was introduce and will become obligatory.
- SAS relaunched a revised Code of Conduct with appurtenant e-learning program. The goal is for 90% of employees to have completed the program during 2009.
- CSR legislation in Denmark. In Norway the Storting is expected to follow suit.
- SAS won first prize in the Danish Børsen and Institute of State Authorized Public Accountants in Denmark (FSR) competition for the best sustainability reporting and topped Deloitte's ranking in Sweden.
- The SAS Annual Report & Sustainability Report 2007 ranked fourth among 500 companies in the Annual Report of Annual Reports, and was first among airlines.

Definitions

The section Results for the year reports production data including paying, bonus and charter passengers, which produces figures that diverge from the financial part, but provides a truer picture of SAS's total and relative environmental impact.

In 2008 SAS's CO_2 emissions per unit produced fell to 0.129 kg/RPK (0.130). This means the lowest emissions ever. The company's climate index also includes other emissions, where the trend was slightly negative. This led to a slight deterioration in the climate index, which is only measured at Group level. The primary reason was that the aircraft leased to replace the Q400s early in the year varied in environmental performance. As they are replaced with the new CRJs and Q400NGs, eco-efficiency will improve.
With regard to the individual company and unit environmental index, the picture was also mixed. In the index, passenger load factor is a heavily weighted parameter. Scandinavian Airlines' national airlines were hit hard by the drop in demand, and were unable to match production to the declining market. The result was that the passenger load factor fell and the index deteriorated. The capacity reductions now in progress will mean that the passenger load factor is likely to rise and also that equipment with poorer environmental performance than the SAS fleet average will be taken out of service. Thus, there is a good chance for the airlines to catch up with regard to their environmental index.
In the plus column Scandinavian Airlines International is posting a higher passenger load factor and lower fuel consumption, the latter a result of successful work on the fuel saving program. Widerøe and Spanair are also reporting a clearly improved index, due in part to the phasing in of the new Q400NGs at Widerøe and good utilization of the aircraft fleet at Spanair. In February 2009 the renewed strategic approach, Core SAS, was adopted, which involves substantial production, organization and workforce changes.

The SAS Group's total environmental impact



IN	OUT
Airline operations	
Flight	
Jet fuel	Carbon dioxide (CO_2)
Engine oil	Nitrogen oxides (NO_x)
Halons	Hydrocarbons (HC)
	Volatile organic compounds (VOCs)
	Oil aerosols
	Jettisoned fuel
	Noise
	Water vapor
	Sulfur dioxide (SO_2)
	Carbon monoxide (CO)
Cabin	Halons
Food and beverages	
Packaging	
Disposable/semi-disposable items	Organic waste
Articles for sale	Packaging
Newspapers	Unopened beverages
Chlorinated water	Articles for sale
Germicides	Waste
	Lavatory waste

IN	OUT
Ground operations	
Glycols	Waste
Water	Hazardous waste
Maintenance materials	Wastewater
Energy	Sulfur dioxide (SO_2)
Vehicle fuel	Carbon dioxide (CO_2)
Office supplies	Nitrogen oxides (NO_x)
Chemicals	Hydrocarbons (HC)
Supplies	Soot and particulates
	Volatile organic compounds (VOCs)

Environmental responsibility

In 2008, the SAS Group's flight operations accounted for approximately 95% of its overall environmental impact. The remainder came from ground and cabin operations.

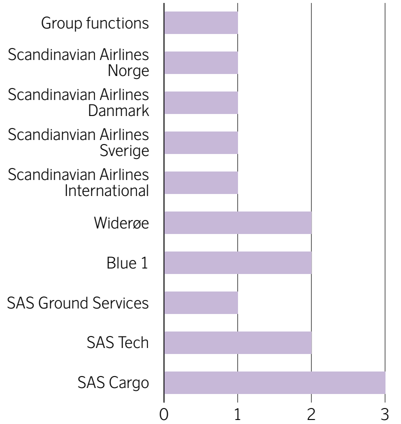
Customer perceptions of SAS as an environmentally responsible company are measured in the annual customer survey on which the Customer Satisfaction Index is based. In 2008, no measurements were taken. A new survey was conducted in February 2009.

Climate index

Starting in 2007 SAS has reported a climate index, which refers to weighted climate impact excluding noise, i.e., emissions of carbon dioxide (CO_2) and nitrogen oxides (NO_X).

The index measures the Group's overall climate impact relative to traffic measured in RPK and was worked out in the period 2005-08. The trend was positive in 2005-07. In 2008 the climate index deteriorated by one point to 93. The chief cause was a change in the utilization of the aircraft fleet and a relative increase in NO_X emissions. CO_2 emissions, however, fell in both absolute and relative terms.

The SAS Group's work on environmental certifications



0 = Not started 1 = Started 2 = Well on the way 3 = Certified

All companies have started the process to put in place a formalized environmental management system, ISO 14001 that is also certified according to EMAS. The diagram shows the status of each company's progress at year-end 2008.

Environmental index

Since 1996 SAS has been measuring eco-efficiency using an environmental index in which environmental impact is measured relative to production. An environmental index is measured for each company, but not for the Group as a whole. These indices are a tool for managing and following up the Group's environmental performance. The companies' environmental index improved up to and including 2007. In 2008 some companies continued to post gains, while others broke the trend, primarily owing to slow capacity adjustments to flagging demand.

Environmental management system

Following the SAS Group's overarching objectives and strategies, each company or unit sets environmental targets based on the requirement for constant improvements in environmental performance. As part of the formulation of SAS's S11 strategic plan, the requirements were tightened and all companies and units have environmental targets for 2011. Moreover, there is a common goal for all companies and units to be certified according to ISO 14001 by no later than 2011. This effort began in 2008 and follows individual plans. So far only SAS Cargo has this certification. Other units have their own environmental management systems that are integrated into management and quality process and follow the principles of ISO 14001.

Environmental permits

Airline operations have no separate licenses or environmental permits for operation, but depend on permits that airport owners hold, such as for glycol handling, runway deicing, and noise and emission thresholds. However, environmental approval is part of the process to certify aircraft followed in the three Scandinavian countries as well as in the terms for technical aircraft maintenance.

Airline operations have a dispensation for halon use and submit annual reports to the authorities on use and storage. The reason for the dispensation is that there is no certified alternative to halons for extinguishing fires in aircraft engines, cabins and aircraft toilets. In the SAS aircraft fleet in 2008 there was 7,920 kg of halons, and a total of 7.7 was emitted during the year.

SAS Oil is a jet fuel purchasing company for the SAS fleet at Copenhagen, Oslo and Stockholm airports. Through SAS Oil, SAS is a minority owner of a number of smaller companies that handle jet fuel. The Group is satisfied that these companies have the necessary permits, contingency plans and insurance.

A detailed description of SAS's licenses and environment-related permits is found in the Report by the Board of Directors. p. 59

Carbon offsets

Offering carbon offsets for air travel is an important part of SAS's environmental efforts. All business travel is offset and corresponds to emissions of 4-5,000 tonnes per year. For organizers of conferences, seminars, trips, meetings, etc. SAS offers customized offsets, often when SAS is the Official Airline, such as at the climate conferences in Copenhagen in 2008 and 2009.

Major customers are encouraged to sign up for carbon offsets, which are based on estimates of travel volume on an annual or semiannual basis.

It has been relatively complicated for individual customers to buy carbon offsets. The main reason is that SAS's electronic ticketing system does not permit the necessary modifications. Starting in February 2009 SAS will offer a simplified payment solution for carbon offsets. Carbon offsets will be integrated into the emissions trading scheme as of 2012.

Carbon offset revenues go entirely to SAS's partner, the CarbonNeutral Company, which is responsible for funding energy projects based on renewables and verified/certified projects.

Purchasing

The SAS Group has numerous subcontractors, manufacturers of everything from disposable articles for onboard service to aircraft and engines. Negotiations are increasingly coordinated from the Group's central purchasing function, through which it is ensured that suppliers follow the guidelines in the Code of Conduct. Suppliers with documented environmental and sustainability work are given priority.

Approvals and certifications

One of six environmental objectives is for the SAS Group to have an environmental management system in accordance with ISO 14001 by 2011 at the latest. Already today SAS Group has an environmental management system based on ISO 14001.

SAS Cargo already has ISO 14001 certification, and parts of SAS Cargo are also ISO 9001-certified.

All consolidated airlines in the Group are IOSA-certified through the IATA. SAS Technical Services Maintenance Organization and SAS Maintenance Training were approved during the year as EASA Part 145 and 147 organizations, respectively. These units were previously JAA-approved.

CSR

The SAS Group's primary social responsibility is to its own employees and the communities dependent on and affected by SAS's operations in a number of countries, primarily Denmark, Norway and Sweden.

Competition in the airline business in Europe is fierce. The struggle for passengers to intercontinental destinations is even fiercer.

Today it is a buyer's market. In this situation employees play a key role in adding value to the product. For that reason, SAS's strategy efforts are aimed at raising the motivation and commitment of its own employees, so that they have a positive impact on relations with customers and thus boost SAS's competitiveness. In that respect the new tone in the dialog between employee organizations and management has substantially improved the chances for a rewarding future.

Service And Simplicity

The idea of the new commercial platform for Core SAS is to strengthen what we offer customers and make the airline the obvious choice for air travel. "Service And Simplicity" are the watchwords for SAS employees. The attitude towards customers should be characterized by knowledge of what customers have the right to expect of SAS. Duties are to be performed simply and efficiently with short decision-making paths and with staff taking significant responsibility themselves. Customers and coworkers alike are to be treated with friendliness, courtesy and helpfulness. Communication and dialog lay the groundwork for a culture of listening and willingness to change.

Simplicity means that the customer's total travel time is to be the shortest one imaginable. It means simpler booking and check-in, shorter lines, quick baggage handling, etc. Ultimately it means fewer SAS personnel in connection with the journey, without deterioration in service to customers.

Cultural development

The development of corporate social responsibility is based on the focus areas on which SAS's cultural turnaround rests, see page 7.

Incentive with customer focus

A project began in 2007 aimed at introducing a profit-sharing and employee stock ownership plan for all employees at a suitable point. In 2008 the project was shelved, since the first priority was on cost savings and the impact the falling market and financial crisis was having on SAS.

Management development

With regard to developing the company's social responsibility, management has a key role as examples and in interpreting and implementing SAS's strategies. SAS endeavors to have clear leadership, characterized by openness, participation and sincerity. Managers must be consistent, honest and reliable, be self-aware and mature, and know how personal qualities are to be used to achieve a trustful working relationship with personnel.

In 2008 SAS began to develop a "role model" for all managers in the organization. The program contains an assessment module that once a year will show whether managers live up to the model and a leadership program intended to deliver the requisite know-how.

Organizational development

For SAS there is still room to boost productivity and efficiency in existing operations. The focus in developing the organization will therefore increasingly be on measures to ensure efficient, customer-guided processes.

Adjustment and redundancy

The economy downturn in late 2008, combined with the global financial crisis showed yet again the airline industry's sensitivity to external shocks. The demand for air travel plummeted in both the tourist and business segments. The industry is responding with capacity reductions, timetable changes, fewer departures and savings programs. For SAS these developments mean that cost and workforce cuts are needed.

Redundancy is primarily dealt with in the individual unit or company. Negotiations follow national laws and agreements.

Working environment

In the SAS Group there are a large number of occupations represented, working in different environments and exposed to different sorts of occupational injuries, etc. Thus, average sick leave is not an unambiguous concept, nor does it provide general guidance for actions that can be taken to reduce absences and related problems for the individual and costs to the company.

By comparing similar operations, in some cases SAS has high sick leave and in others, low. To obtain data for analyses and better target systematic preventive efforts, reporting of sick leave has been stepped up. A new tool was introduced in 2007 for monthly reporting and follow-up of absences. Each unit is tasked with recommending programs for targeting its preventive efforts and actions to be taken to reduce absences.

In 2008 total sick leave in the Group totaled 6.5 (6.4) percent. The variation between various occupational groups is still high. This area has high priority, and in 2009 efforts are being redoubled to reduce sick leave. Besides sick leave, each unit and company is working actively on such issues as parental leave, telecommuting, flextime, health insurance, etc. In most companies, the number of occupational injuries fell, at SGS to 224 (238), STS 28 (34) and Scandinavian Airlines Danmark 39 (53), while at SAS Cargo they rose from 27 to 32. p. 50

Diversity and equality

The SAS Group's diversity policy is based on equal treatment of all employees and job applicants. Work on equal treatment includes promotion of diversity and equality in all its forms.

Union membership is high in SAS's parent countries, and labor organizations enjoy a strong position. Collective agreements govern working hours, pay and other terms of employment in great detail. Full gender equality prevails in these issues: the same terms for the same job.

On the other hand, in certain occupations SAS is traditionally a male-dominated company. Of the company's pilots, 95 percent are men. Among captains, the figure is 97 percent men. At the same time, the recruitment base for female pilots is small, since few opt for such training. The ratio for cabin crew is 79 percent women.

Top management in Group is dominated by men. At the highest level there were two women and four men in 2008. After February 4, 2009, SAS Group Management will consist exclusively of men.

Women are found in such jobs as administrator, assistant, check-in, etc., whereas men predominate in technical, maintenance, loading and unloading, ramp, etc. Women also work more part-time than men.

Each year, an equal treatment plan is drawn up based on analysis and surveys of a number of factors, ranging from sick leave to bullying and harassment. A reference group representing the parties provides support.

Employee surveys

PULS, SAS's employee survey, was conducted at the end of the year. The response rate was 77 (72)%, which is the highest figure in the survey's history. This means that 16,830 of the 21,763 50-item questionnaires sent out were returned. New this year is an external comparison with a European Employee Index for the transportation business. This showed that motivation among SAS employees is higher than the average (69 for SAS versus 67 for the industry). Job satisfaction was at 69, the same level as the industry. Compared with the outcome for 2007, motivation increased by two points, and the leadership index, which measures perceptions of immediate supervisors, also rose by two points to 65.

The survey shows that SAS is on the right path in terms of strengthening the relationship between the enterprise and employees. The PULS results are now being used to prepare further action plans and measures in each company and unit.

Human resource development

The SAS Group has around 1,500 managers, of whom just under 1,000 have direct customer contact.

Manager development goes hand in hand with the development of human resources based on and evaluated using SAS's "role model." A systematic survey is done of the whole Group, of existing managers as well as to identify persons who may meet the need for managers in the short and longer terms. The aim is for all manager material to have an individualized development program. The entire manager process is based on the aforementioned "role model," which reflects general personal attributes as well as SAS's business objectives. Evaluation focuses on the individual's performance, ability to change, leadership, potential and ambition. Around 30 persons with the potential to be future managers were also chosen via a talent program. They underwent a series of skills modules and worked on various projects in a "Business-Driven Action Learning" program.

Beyond this, there is the SAS Management Trainee Program, an 18-month program with internships in various positions in the Group.

Human resources development is an important, ongoing activity in the entire SAS Group. Flight staff and operational ground staff are covered by a number of requirements from EUP-OPS1 and the IATA through the IOSA (IATA Operational Safety Audit). The mandatory training programs were carried out for relevant personnel groups for hazardous goods, passengers' rights, IT security, food safety, etc.

Courses of varying length were held in areas such as manager development, Company Business Understanding, working environment and the Code of Conduct. A growing share of total human resource development in the Group takes place through e-learning. During the year SAS employees had access to more than 70 e-learning courses, and the number of users doubled since 2007. At SAS Scandinavian Airlines virtually all employees are involved in e-learning.

Cooperation with labor unions

Cooperation with labor organization takes place primarily in each company, including the parent company SAS AB, where information goes to the associations with a collective agreement with SAS AB. Cooperation takes place within the framework of national laws and agreements affecting the company concerned.

Employee representatives from the Scandinavian countries sit on the SAS Group Board of Directors. The employees can elect representatives from companies in the Group's Scandinavian operations. Above all, Group Management is engaged in an ongoing discussion with union representatives on issues concerning the cultural turnaround and the need for a customer-oriented culture.

Contract negotiations and disputes

2008 was characterized by discussions and employee organizations to find ways to continue to work together on the basis of a shared interest in ensuring positive performance for the SAS Group, given the worrisome market situation.

In January 2009 an agreement was reached that is expected to lead to SEK 1.3 billion in savings, when fully implemented on an annual basis. In brief, the settlement is as follows:

- → Pilots, the CEO and other members of Group Management will forgo salary increases in 2009 and will receive a 6% pay reduction. Moreover, Group Management will forgo the variable portion of their salary for 2008. The members of the SAS Board of Directors have agreed to 6% lower fees starting in January 2009.
- → The new agreements involve cost reductions in the collective agreement area in the SAS Group of around 12%, of which about a third is related to pay and two-thirds to working hours and costs for expense allowance, pensions and insurance. The total savings of SEK 1.5 billion in 2009 includes a nonrecurring item of MSEK 156, which is the result of a reversal of pensions in SAS's Norwegian operations.

Humanitarian assistance and sponsorships/ partnerships

In 2008 SAS employees participated in missions on behalf of the Swedish government in Myanmar on three occasions, and in Haiti on one. In connection with the terrorist attacks in Mumbai, six injured persons were evacuated by Swedish National Air Medevac (SNAM) on an SAS Boeing 737-800 specially equipped as an air ambulance.

Otherwise, SAS engages in sponsorships and aid activities of various sizes with a focus on local communities. Sponsorships and partnership agreements in the area of sustainability will grow in importance and scope, as a natural element of the SAS Group's commitment to society. In 2008 SAS renegotiated and renewed its main sponsorship agreement with Save the Children.

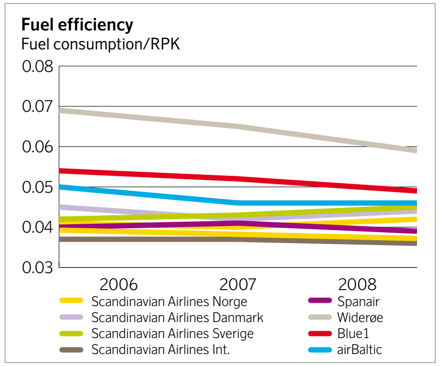
Financial responsibility

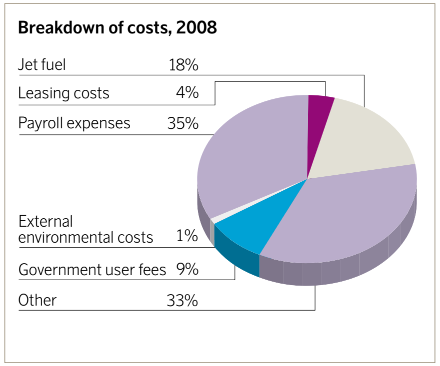
SAS is convinced that it is impossible to have economically sustainable operations in the long term without also being socially and environmentally responsible. To boost SAS's competitiveness, Core SAS was launched at the beginning of 2009. A more efficient and profitable SAS will come from targeting the Nordic market, focusing more on business travelers, improving the cost base, streamlining the organization and strengthening the capital structure.

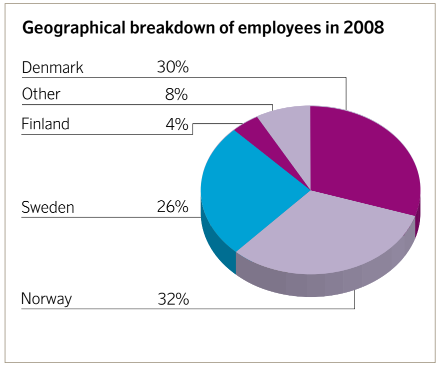
The linkage between sustainable development and the bottom line is obvious to SAS. An analysis of SAS's statement of income reveals that major portions of revenue and expenses, and relevant industry-specific earnings measurements are items relevant from an environmental and/or social perspective. In short, the highest possible financial return is generated by the best possible resource utilization and management of the company's assets. Optimal resource utilization means flying fuel-efficiently and making the most of capacity for carrying passengers and freight. Optimal management of the company's assets includes having positive and improving relations with employees and responsibly ensuring maintenance of aircraft and other plant and equipment.

Conversely, long-term sustainable profitability and growth are a sine qua non for being able to meet and preferably surpass the environmental standards and demands for social responsibility and for ethical conduct placed on SAS today. If the financial resources are lacking for long-term investment and maintaining extensive sustainability work, progress in these areas will not be made.

SAS aims to show clearly how its strategic sustainability work helps to create long-term value. In the current debate the airline industry in







general and SAS in particular have been depicted as climate villains. This means that the ability to work to improve SAS's environmental performance, as well as to communicate this work, has a direct positive impact on earnings. The ability of SAS to increase its revenues relies on the ability to retain current customers as well as attract new ones. The customer's choice to use SAS's services depends a great deal on sustainability issues, since environmental matters have received more attention and since social issues, primarily related to labor conflicts, are something many customers are increasingly aware of.

For SAS it is relatively easy to specify the cost reductions that focused sustainability work can result in, not only in terms of resource use in the form of lower fuel and energy costs but also in terms of the taxes and charges the company pays.

One of the aims of systematic and proactive sustainability work is to prevent or at least reduce the risk of being surprised by new and tougher government and market demands. This is crucial, in view of the fact that bad press and direct costs in the form of fines and civil damages can also result in indirect costs owing to a tarnished brand and poor market image. The ultimate consequence may then be that customers abandon SAS for other operators.

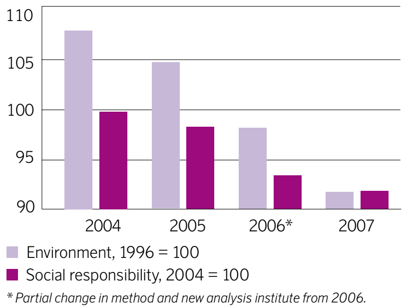
Financial aspects of environmental responsibility

SAS's environmental work has several overriding purposes: Besides making resource use more efficient and improving environmental performance, it includes ensuring that operations comply with environmental laws and regulations. In SAS's operations greater cost-efficiency is closely correlated with lower environmental impact. In recent years economic instruments from the authorities and other stakeholders have grown in importance. This means that SAS's endeavor to make its resource use more efficient, positive from an environmental standpoint, has an additional beneficial effect on earnings. A clear example is the relationship between CO_2 emissions and the aircraft's fuel consumption. Lower fuel consumption leads to lower fuel costs, while also reducing the charges SAS pays for CO_2 emissions. The same applies to all other activities that, in addition to environmental considerations, have strong financial incentives to reduce consumption of energy and other resources. Below is an account of some of the most important financial aspects of environmental work.

Program for saving fuel

The diagram above shows fuel costs' share of the Group's total costs in 2008. The cost of fuel is affected not only by total consumption but also by factors beyond the SAS Group's control. These factors primarily include changes in the USD exchange rate and the price of fuel. For 2008 the cost of jet fuel accounted for 18% of total costs of SEK 52 billion. During the year both the price of fuel and USD exchange rate fluctuated wildly.

The goal of the fuel saving program, launched in 2005, is a 6-7% relative saving by 2011. At year-end savings of 2-3% since the program began were achieved. In view of the year's fuel



Work on sustainable development has a positive impact on the SAS Group's image since 1998. Results from the 2007 survey show that the image indices for environment and CSR fell compared with the previous year, while eco-efficiency and the climate index moved in a positive direction. A new survey will be done in February 2009.

costs, a 2-3% reduction corresponds to a cost savings of MSEK 200-300. The measures being carried out in connection with the fuel saving program are described on pages 106–107.

Infrastructure charges and security costs
Air transport pays its all own costs for the infrastructure it needs and uses to complete flights, i.e., airports and air traffic control. For 2008 these costs for SAS Group airlines totaled MSEK 7,680 (7,694), of which MSEK 4,120 (4,085) pertained to the Group's own costs. The remainder were taxes and charges that the airlines administer but that are paid directly by the customer. In addition there are Spanair's infrastructure charges of MSEK 2,015 (2,075), of which its own costs were MSEK 1,417 (1,498) for 2008.

The SAS Group's security costs for 2008 are estimated to be MSEK 1,372 (1,490) for continuing operations and MSEK 134 (118) for Spanair. Comparable security measures and costs connected with them for rail and ferry traffic are generally paid for by governments through taxes.

External environment-related costs
SAS believes that taxes and environmental charges are inefficient instruments for regulating civil aviation. One reason is that investment in aircraft and engines is costly and long-term. Furthermore, there is a long lead time from inquiries into purchasing new equipment to putting it into service. The equipment is used for such long periods that it is impossible to make short-term changes when governments or airports levy environmental charges and taxes. A number of studies by the ICAO and the EU confirm this assessment.

The SAS Group's external environment-related costs comprise environmental charges and environment-related charges and taxes. These totaled MSEK 453 (414) for 2008. Environmental charges are meant to cover the costs of special environmental measures such as noise measurement and noise insulation of properties near airports. These charges are linked to the aircraft's environmental performance and are included in the landing fee. The Group's environmental charges totaled MSEK 58.6 (43.6) for 2008.

Environment-related charges, too, are often based on the aircraft's environmental characteristics and are included in the landing fee. The intention is to create an incentive to use aircraft with better environmental performance. Environmental characteristics would then be a competitive factor since operators with such fleets would have lower costs. The SAS Group's environment-related charges for 2008 were MSEK 30.0 (29.0).

Environment-related taxes amounted to MSEK 364 (341) in 2008. The increase compared with the previous year primarily was the result of an increase in the Norwegian carbon tax to NOK 0.65/liter of fuel.

Other environment-related costs
The SAS Group's other environment-related costs concern e.g., expenses for waste management, purification plants and costs for the environmental organization. For 2008 these costs came to MSEK 76.4 (81.5).

The SAS Group has no known material environment-related debts or contingent liabilities, for example in the form of contaminated soil.

Environment-related investment
The investment made by SAS in accordance with company policies shall be both environmentally and economically sound, thus contributing to value growth and helping to ensure that future environmental standards can be met. It should be noted that investment not emphasized in this section may also have a positive impact on the environment. Investment that can clearly be linked to structured environmental work is disclosed here.

The most effective measure to improve the fleet's environmental performance is to renew the equipment, investing in aircraft with fuel-efficient engines with low noise and emissions. This renewal is going on continuously at SAS, and investment plans and their rationale are found on pages 28–29 and 107.

Investment in 2008 in SAS Group airlines amounted to MSEK 4,455 (2,683), of which MSEK 17.6 (39.0) represented environment-related investment. Scandinavian Airlines Norge invested MSEK 167 in 2008 on retrofitting winglets on five Boeing 737 aircraft in the existing fleet and adding them to three new 737-800s. Winglets result in an estimated 2-5% reduction of fuel consumption depending on flight distance.

Research and development (R&D)
SAS contributes in many ways to the emergence of a more sustainable society. Among them are the company's commitment to and support of the development and dissemination of green technologies such as bio-based jet fuel and green approaches. In 2008 the SAS Group was involved in the Sustainable Aviation Fuel User Group whose goal is to hasten the development, certification and commercial use of environmentally and socially sustainable aviation fuel. SAS also collaborates with Airbus on the CRISTAL ITP project to reduce fuel consumption on intercontinental flights.

The SAS Group engages in – and to a certain degree pays for – technology development benefiting the entire industry. SAS also plays a leading role internationally in drafting environment-related norms and standards for air transport. The company is represented on a large number of committees, projects and working groups related to the environment and corporate social responsibility in such bodies as IATA, ICAO, AEA, and N-ALM. SAS participates in environmental R&D though a directorship in the Øresund Environment Academy, an organization for environmental research and cooperation among companies, researchers, and the education sector.

Employees of SAS Corporate Environment & Sustainability serve on the steering group of the Bodø Graduate School of Business, whose orientation is environmental economics and are also often in demand as lecturers on environmental and sustainability topics at universities, colleges, and independent institutes.

Financial aspects of CSR

SAS's first social responsibility is to its own employees and the communities dependent and affected by SAS's operations. For employees this includes issues concerning human resources development, pay and working environment efforts. In addition, SAS is to contribute to social progress wherever it operates and be a respected corporate citizen.

Air transport helps improve labor market conditions in rural areas in the Nordic countries and makes business travel easier in Europe and to other continents. Given increasing globalization, airlines facilitate business and other contact opportunities where efficient transportation to, from and within the countries is more or less a prerequisite for economic development and progress. The airlines also contribute expertise and transfers of technology and make necessary investment in infrastructure.

SAS's contribution to the economy

Airline operations are powerful engines of job creation. This is made clear in the report, Luftfarten i Skandinavien – værdi og betydning. Calculations in the report 2004 show that each employee of SAS's airline operations generates approximately one additional job in other companies and industries, indirectly creating employment for many in the Scandinavian countries.

In 2008 the SAS Group paid wages and salaries totaling MSEK 17,286 (16,407) in continuing operations, of which social security expenses were MSEK 3,047 (1,877) and pensions MSEK 2,594 (2,105).

Payroll expenses

SAS endeavors to offer market pay to all employee groups. In negotiations with all 39 unions, SAS has signed new agreements for pilots, cabin crew and ground staff. Total cost savings amount to SEK 1.5 billion in 2009, of which MSEK 156 is a nonrecurring item relating to pensions. This total corresponds to a decrease of about 12% of the total costs attributable to collective agreements. Approximately MSEK 300 comprises salary freezes and about SEK 1 billion is attributable to productivity improvements, changes to insurance and pensions and salary reductions.

All categories of SAS employee are contributing savings. Group Management's portion amounts to MSEK 13 and includes, for example, salary reductions corresponding to 6% of basic salary, and no payments of variable salaries relating to 2008 will be made in 2009.

Human resource development

To retain and develop employee skills, extensive training programs are carried out each year. A growing share of the SAS Group's training takes place through web-based courses, or e-learning. E-learning cannot replace classroom instruction, but thanks to its greater flexibility and availability, more courses can be offered at a lower cost. In 2007 total training costs were MSEK 370. On the basis of data from selected companies, the costs for 2008 are estimated to be at the same level.

Costs of sick leave and accidents

Sick leave is affected by a number of factors such as illness and accidents as well as physically and mentally stressful working environments. SAS employs various methods to prevent short-term and long-term sick leave.

Besides lower costs, a low sick leave rate may improve SAS's attractiveness as an employer among current and potential staff. To better monitor and follow up sick leave and provide data for measures to deal with it, quarterly reporting and evaluations of the costs of sick leave have begun. Given SAS's total payroll expenses of MSEK 18,153, it is possible to estimate the total cost of sick live at around SEK 1.2 billion. According to these calculations, a one-point reduction in sick leave would have a positive impact on earnings of just over MSEK 180.

Sustainability-related business opportunities and business risks

The intention of SAS's sustainable development work is to identify new business opportunities and minimize the environmental and social business risks that operations are subject to. For that reason, for SAS, the climate change issue is not only a matter of minimizing risks in the form of regulations and adverse public opinion, but also a reason to offer customers added value through the opportunity to buy carbon offsets and aim for externally examined sustainability information, greater transparency and reliable corporate governance.

In the same way, SAS's work on safety issues is a matter both of minimizing the risk of near accidents and of developing security routines and systems that are highly reliable, but pose little inconvenience, such as biomteric security control. Working to minimize safety and security risks not only protects customers and employees, but also bolsters public confidence in SAS.

Thanks to the growing interest in social and environmental issues among investors, customers and other stakeholders, SAS is convinced that structured sustainability work and transparent reporting of both progress and setbacks is an advantage in the stiff competition prevailing in the markets where it operates.

Environment-related investment (MSEK)	**2008**	2007	2006	2005	2004
Flight operations	**16.7**	38.9	63.3	22.2	0.0
Ground operations	**0.9**	0.1	2.4	0.2	14.3
Total	**17.6**	39.0	65.7	22.4	814.3
Share of the SAS Group's total investment in %	**0.4**	1.5	2.9	1.2	0.4

The investment for 2008 primarily related to winglets for portions of the aircraft fleet.

Business areas

In 2008 the business area comprised Scandinavian Airlines Norge, Scandinavian Airlines Danmark, Scandinavian Airlines Sverige and Scandinavian Airlines International.

During the year the business area's fuel efficiency deteriorated marginally, and relative CO_2 emissions rose somewhat, primarily owing to a lower passenger load factor in some of the airlines.

Scandinavian Airlines Norge

Scandinavian Airlines Norge had 2,422 (2,465) employees at the end of 2008 and accounted for 27 (24)% of the Group's passengers. This makes the company the largest in the Group. During the year the passenger load factor fell to 69.5 (72.9)%. Fuel consumption was 0.042 (0.040) kg/RPK. Production measured in RPK was up nearly 3%, while CO_2 emissions fell by 7% to 1,133 tonnes. The environmental index reached 94 (91). The target for 2011 is 87.

In 2008 Scandinavian Airlines Norge started a project to reduce sick leave by quickly making personal contact in the event of absences.

Scandinavian Airlines Norge invested in three new Boeing 737-800s and could therefore phase out two old 737 Classics with poorer environmental performance. The company also retrofitted winglets on five Boeing 737 aircraft in the existing fleet.

Scandinavian Airlines Norge has made good progress in its ISO 14001 certification effort.

During the year, spills of Jet A1 fuel were noted in connection with aircraft fueling as was a halon emission of 1 kg, which were reported to the inspection authorities. In mid-2009 a new law will go into effect banning the disposal in landfills of degradable waste. The company is studying the consequences and is establishing new waste management routines.

In 2007 all company managers took part in a development program that concluded with a comprehensive assessment of each participant's efforts and potential for future duties. In 2008 the recommended changes that emerged in the program were carried out. All managers took a seven-day leadership training course during the past two years.

The policy against bullying and harassment was revised in 2008 and a campaign against bullying was carried out.

The company has extensive cooperation with authorities and organizations on environmental issues. An environmental declaration was formulated, to be used in connection with agreements and invitations to tender. In 2008 a greater interest was noted from corporate customers in the company's environmental management system.

During 2008 SAS Norway signed a new three-year agreement with the Bellona Foundation aimed at speeding up the development of biofuels and improving the dialog on sustainable aviation.

There were a number of activities in 2008 in partnership with Save the Children and SOS Children's Villages. The company's occupational injury rate, its LTI (lost time to injury) rate, was 6 (8), and the number of occupational injuries was 27 (33).

Scandinavian Airlines Danmark

In 2008 Scandinavian Airlines Danmark accounted for 20 (20)% of the Group's passenger volume and had 2,162 (2,188) employees.

Production measured in available tonne kilometers, ATK, was up 9%, with fuel consumption up 2.3%. The passenger load factor fell to 72.5 (74.6)%. Fuel consumption was to 0.044 kg/RPK compared with 0.042 kg/RPK for 2007. The environmental index was 98, a deterioration of 4 points over 2007. The target for 2011 is 87.

Noise from the MD-80 aircraft affect the vicinity of Copenhagen Airport. The highest level permitted after 11 p.m. is 80dB. For that reason SAS introduced a takeoff routine, called a cutback, in which the throttle is reduced shortly after takeoff. Around 30 infringements were reported in early 2008, primarily because SAS was forced to use leased aircraft after it decided to phase out the Q400 fleet. Starting in April other aircraft were deployed on the late departures, thus eliminating the problem. The infringements did not result in any fines. The new

Environmental index and target scenario for airline operations

Starting in 2007 all environmental indices have been reformulated according to a new model with 2005 as the base year. Company targets have been set in consultation with Group Management. Targets for 2011 remain firm despite the downturn and the impact of the financial crisis on the industry.

Scandinavian Airlines International
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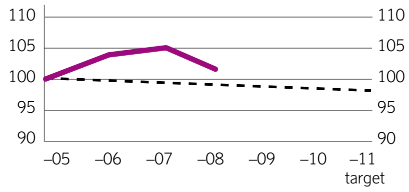

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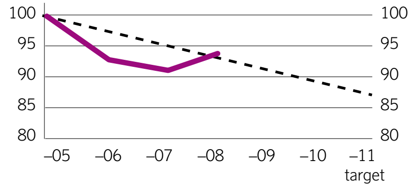

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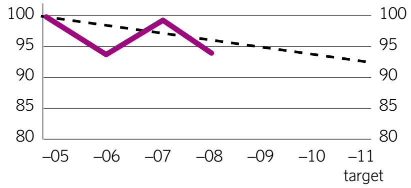

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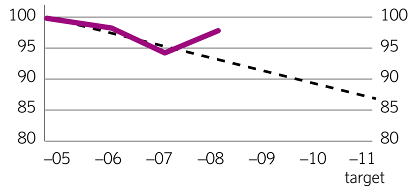

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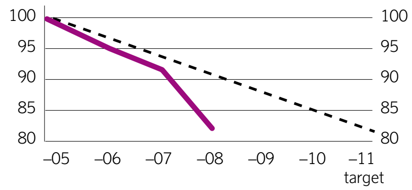

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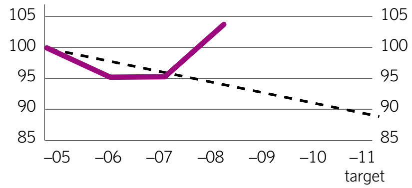

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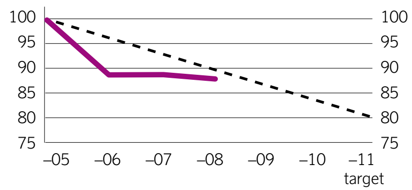


KPIs SAS Scandinavian Airlines

	Scandinavian Airlines Norge			Scandinavian Airlines Danmark			Scandinavian Airlines Sverige			Scandinavian Airlines Intern.		
	2008	2007	2006	**2008**	2007	2006	**2008**	2007	2006	**2008**	2007	2006
RPK, mill.[1]	**8,585**	8,366	8,222	**7,551**	7,666	7,105	**5,646**	5,836	5,909	**10,125**	9,953	10,541
ASK, mill.[1]	**12,360**	11,482	11,443	**10,417**	10,276	9,475	**8,056**	7,872	7,891	**11,700**	11,616	12,323
Passenger load factor, %[1]	**69.5**	72.9	71.9	**72.5**	74.6	75.0	**70.1**	74.1	74.9	**86.5**	85.7	85.5
Fuel consumption, kg/RPK	**0.042**	0.040	0.041	**0.044**	0.042	0.045	**0.045**	0.043	0.042	**0.036**	0.037	0.037
Carbon dioxide (CO_2) emissions, 1,000 tonnes	**1,133**	1,056	1,059	**1,046**	1,022	998	**798**	783	787	**1,147**	1,158	1,226
Nitrogen oxide (NO_X) emissions, 1,000 tonnes	**3.58**	3.41	3.49	**4.50**	4.46	4.35	**2.75**	2.60	2.70	**6.26**	6.40	6.74
Noise impact, km2/85dB(A) at takeoff[2]	**1.67**	1.66	1.66	**3.06**	2.70	2.40	**3.18**	2.50	2.53	**4.52**	4.50	4.50
Environmental index	**94**	91	93	**98**	94	98	**104**	95	95	**102**	105	104

[1] *Includes scheduled traffic, charter, ad-hoc flights and bonus trips, etc., which means that the figures may deviate from traffic figures from the airline concerned, where only scheduled traffic is reported.*
[2] *Weighted average noise contour by number of takeoffs by respective aircraft type in the traffic system.*

CRJ aircraft, used in regional service, have the best environmental performance in their class, in terms of both fuel consumption and noise.

A project team was appointed for ISO 14001-certification, and a gap analysis will be done in early 2009. Major customers are offered carbon offsets via the website and in corporate travel. The company also engaged in a dialog with affected authorities and Navair to introduce more eco-efficient takeoffs and landings at Copenhagen Airport. A changeover of the airline's cars to diesel-powered with particle filters and low CO_2 emissions is under way.

SAS in Denmark is involved in the preparations for the climate conference in Copenhagen in 2009 through a partnership in the World Business Summit on Climate Change in May 2009.

SAS is the Official Airline for attendees, and all travel will be carbon-offset. SAS will also participate in several other conferences.

SAS in Denmark participates in the Ministry of Climate and Energy's "One Tonne Less" campaign, aimed at getting all citizens to reduce their CO_2 emissions. The airline is a sponsor of Save the Children, Fonden for Socialt Ansvar and the Danish Association of Young Scientists and participates in the climate and energy minister's Business Panel on Climate Change.

SAS in Denmark is participating in a research project at the University of Copenhagen concerning the physical strains of working in the cabin and a project concerning physical activity in office work together with the Ministry of Health and Prevention. The company's occupational injury rate, its LTI rate was 11 (14), and the number of occupational injuries was 39 (53).

Scandinavian Airlines Sverige

In 2008 Scandinavian Airlines Sverige accounted for 16 (15)% of the Group's passenger volume and had 1,665 (1,704) employees at year end. The passenger load factor fell to 70.1 (74.1)%, and fuel consumption rose to 0.045 (0.043) kg/RPK. The environmental index was 104 (95). The target for 2011 is 89. The deterioration is attributable to the fact that SAS was forced to use leased aircraft after deciding to phase out the Q400 fleet and to the evidently worsened market situation at the end of 2008.

During the year testing of green approaches that use the most advanced method concluded at Arlanda Airport outside Stockholm, after 2,300 approaches were made. In May 2008 a simpler version of green approaches was made permanent, and during the year, around 4,000 green approaches were made using the new, simpler version, with an estimated savings of 80 kg of fuel per approach.

The CASSIS consortium began testing time-based green approaches on behalf of Eurocontrol. This time the testing is aimed at making green approaches in all traffic densities, using the most advanced method around the clock.

Green approaches won the ECOLogistics Award for 2008 and Airline Business "Leadership in Technology Award 2008."

During the year, all company cars were replaced by green vehicles that run on ethanol and use non-studded winter tires. All company car drivers will take an ECOSafe course in 2009.

There was great interest in Scandinavian Airlines Sverige's sustainability work in 2008. A large number of presentations were held at seminars organized by corporate customers, stakeholders in the travel industry and at Swedish travel fairs.

A number of suggestions for SAS's sustainability work emerged from an in-house activity for employees within the framework of the "Market Council.". Among them were to speed up the development of simpler solutions for voluntary carbon offsetting and to offer organic products for onboard sale. SAS in Sweden also offers carbon-offset agreements to corporate customers. The company's occupational injury rate, its LTI rate, was 2 (3), and the number of occupational injuries was 5 (8).

Scandinavian Airlines International

In 2008 Scandinavian Airlines International accounted for 3 (3)% of the Group's passenger volume and had 753 (782) employees at year end. The passenger load factor improved to 86.5 (85.7)%. Fuel consumption measured in kg/RPK was 0,036 (0.037). The environmental index was 102 (105), primarily thanks to better fuel efficiency. The target for 2011 is 98.

The airline is well under way in its environmental certification work. Scandinavian Airlines International also has the highest proportion of employees trained in the Code of Conduct. The airline's environmental work focuses on improving punctuality, weight reduction and information for employees, above all for pilots. No fuel was jettisoned in 2008.

KPIs SAS Individually Branded Airlines[1]

	Spanair 2008	Spanair 2007	Spanair 2006	Widerøe 2008	Widerøe 2007	Widerøe 2006	Blue1 2008	Blue1 2007	Blue1 2006	airBaltic 2008[3]	airBaltic 2007	airBaltic 2006
RPK, mill. [1]	**11,420**	12,077	12,035	**647**	608	608	**1,399**	1,413	1,432	–	2,315	1,538
ASK, mill. [1]	**15,741**	16,981	16,727	**1,098**	1,028	1,076	**2,146**	2,169	2,157	–	3,674	2,548
Passenger load factor, % [1]	**72.6**	71.1	72.0	**58.9**	59.2	56.5	**65.2**	65.1	66.4	–	63.0	60.4
Fuel consumption, kg/RPK	**0.038**	0.041	0.040	**0.063**	0.065	0.069	**0.049**	0.052	0.054	–	0.046	0.050
Carbon dioxide (CO_2) emissions, 1,000 tonnes	**1,372**	1,574	1,500	**128**	125	132	**216**	230	249	–	338	242
Nitrogen oxide (NO_X) emissions, 1,000 tonnes	**6.03**	6.49	6.09	**0.34**	0.38	0.40	**0.80**	0.77	0.77	–	1.13	0.77
Noise impact, km^2/85dB(A) at takeoff [3]	**3.70**	3.86	4.14	**0.33**	0.34	0.34	**2.17**	2.22	1.98	–	1.22	1.08
Environmental index	**94**	98	94	**83**	92	95	**88**	89	89	–	83	89

[1] Includes scheduled traffic, charter, ad hoc flights and bonus trips, etc., which means that the figures may deviate from traffic figures from the airline concerned, where only scheduled traffic is reported.
[2] Weighted average noise contour by number of takeoffs by respective aircraft type in the traffic system. [3] KPIs for airBaltic are not available.

SAS Individually Branded Airlines

Spanair

Spanair had 25 (25)% of the Group's passenger volume in 2008 and 3,334 (3,415) employees at year end. At the beginning of 2009 an agreement was reached with a Spanish consortium to divest 80.1% of the shares in the airline.

The passenger load factor was 72.6 (71.1)% and fuel consumption was 0.039 (0.041) kg/RPK. The environmental index reached 94 (98).

On August 20, 2008, an MD-80 154 belonging to Spanair crashed outside Madrid. 154 persons perished, while 18 survived the accident. The SAS Group immediate placed its crisis organization at Spanair's disposal, and cooperation with affected authorities got under way quickly in order to assist family members and employees and determine the causes.

Widerøe

Widerøe had 5 (4)% of the Group's passenger volume in 2008 and 1,329 (1,358) employees at the end of 2008. The passenger load factor was 58.9 (59.2)% and fuel consumption was 0.063 (0.065) kg/RPK. The environmental index was 83 (92). The target for 2011 is 82.

Widerøe has ordered six Q400NGs. In 2008 Widerøe operated five Q400s, four of which were leased pending delivery of the new aircraft. This goes far to explain the improvement in the environmental index. The aircraft have the best environmental performance in their class.

Widerøe is well under way in its ISO 14001-certification effort, and is likely to be certified in 2009/2010. The airline collaborates with Avinor on SCART 1 to be able to make green approaches in Norway that also improve safety.

Since May, Widerøe has had a simple "one-click" Internet solution for carbon offsets. Nearly 5% of customers make use of this offer, which is a higher percentage than for other SAS airlines. Widerøe has actively participated in a Norwegian program aimed at training apprentices and admit about 10 each year. Among sponsored projects is the Dyrepark airplane for children with cancer. The company's occupational injury rate, LTI rate, was 6, and the number of occupational injuries was 13.

Blue1

In 2008 Blue1 accounted for 4 (4)% of the Group's passenger volume and had 460 (506) employees at year end. The passenger load factor was 65.2 (65.1)% and fuel consumption was 0.049 (0.052) kg/RPK. The environmental index was 88 (89). The target for 2011 is 80.

The airline's environmental certification work is well under way. The fuel saving program yielded good results during the year. Growing interest in Blue1's environmental performance was noted from customers and the authorities.

Twice in 2007 the airline exceeded the night restrictions at Charles de Gaulle Airport outside Paris. The fines may total MSEK 0.2. The company's occupational injury rate, its LTI rate, was 0 (14), and the number of occupational injuries was 0 (11).

airBaltic

In 2008 a decision was made to sell the SAS Group's 47% stake in airBaltic, and as of 2009 the airline no longer belongs to the Group. Environmental data for 2008 are not available.

Estonian Air

Based in Tallinn, Estonia, Estonian Air is 49% owned by the SAS Group. The passenger load factor was 68.1 (67.7)% and fuel consumption was 0.042 (0.041) kg/RPK. The environmental index was 84 (83). Environmental data is not consolidated.

SAS Aviation Services

SAS Ground Services (SGS)

Europe's third largest provider of passenger and ramp services on the ground, SAS Ground Services (SGS) is the SAS Group's biggest unit in terms of staff, with 7,040 (6,873) employees at the end of 2008.

SGS operates at 160 airports in 40 countries and is the biggest company in its business in the Scandinavian countries.

The most important environmental aspects are the use of energy, water, gasoline and diesel and exhaust emissions from motor vehicles. Deicing fluids pose a risk of being released into surface water. In addition, operations generate considerable quantities of waste.

Water consumption declined substantially in 2008.

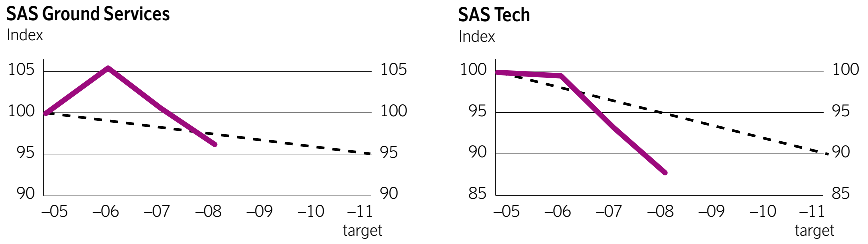
SGS's environmental target is a one point per year improvement in the environmental index. There are environmental targets for each local unit. The environmental index was 96 (101), and the target for 2011 is 95).

KPIs SAS Aviation Services

	2008	2007	2006
Energy consumption, [1]	**196**	191	200
Water consumption, 1,000 m^3 [1]	**149**	184	180
Unsorted waste, ton[1]	**682**	754	545
Hazardous waste [1]	**480**	494	460
Fuel consumption, vehicles, 1,000 liters	**3,706**	3,993	4,144
Glycol consumption, m^3	**2,842**	2,947	3,667
Total number of employees		10,651	10,565

[1] *Data from SAS Group FM/Coor Service Management and Air Maintenance Estonia..*

Environmental index and target scenario for SAS Aviation Services



SGS and SAS Tech measure their environmental performance using an environmental index with 2005 as the base year. The companies' environmental indices include the six most important production parameters per weighted landing for SGS and hours worked for SAS Tech.

SGS has extensive local environmental programs with continuous monitoring and follow-up. These include water consumption and waste management and contacts with governments, airline customers and suppliers.

In Swedish operations, work is being prioritized to reduce sick leave, improve job satisfaction and the working environment and cut the number of job accidents. Efforts are being made to streamline safety and working environment inspections.

SGS utilizes preventive deicing to reduce glycol use. SGS has the strictest environmental policy in the Nordic countries for purchasing deicing fluid. Vacuuming up fluid at the ramp is provided by LFV or another contractor.

In 2008 testing of Petro-Aid began on diesel vehicles at Arlanda Airport. The additive cleans the engine, reduces the amount of soot and boosts combustion, producing cleaner exhaust and cutting fuel consumption. The Rampsnake loading system continues to be modified to improve functionality and the working environment.

In the fall of 2008 the Environmental Court set requirements for LFV concerning exhaust emissions at Gothenburg airport. The operator was ordered to ensure that only vehicles with the highest environmental classification are used at the ramp. This will have serious consequences for SGS's vehicles and machinery fleet.

In Norway a glycol discharge in connection with an accident in Tromsø, when a truck overturned, was reported, as were discharges of oil and glycol outside a workshop at Oslo Airport.

In Denmark the Danish Working Environment Authority cited the poor air quality at Copenhagen Airport and ordered that action be taken. SAS appealed, since it lacked the technical ability to reduce the nuisance, and its appeal was granted.

In contracts with subcontractors, environmental performance is becoming increasingly important. The share of suppliers with ISO 9001- and/or ISO 14001-certification is now just over 15%.

SGS has a close partnership with the educational system and participates in an apprentice program in Denmark.

The company's occupational injury rate, its LTI rate, was 19 (20), and the number of occupational injuries was 224 (238). One cancer case was classified as an occupational injury.

SAS Tech

SAS Tech, which provides technical maintenance of aircraft, operates primarily in Scandinavia. At the end of 2008 the number of employees was 2,344 (2,422). The biggest customers are Group airlines.

SAS Tech accounts for most of the operations in the Group requiring environment-related permits. SAS Tech is also the biggest user of chemicals and generates the biggest share of hazardous waste. This is handled by approved waste management companies.

SAS Tech is developing its environmental management system, and at the end of 2008 work began on ISO 14001 certification.

In 2008 the operations at SAS Facility Management were turned over to Coor Service Management. The contract pertains to management of all of the Group's owned and leased properties. SAS Tech thus becomes a participant in Coor's environment and energy program for property management.

SAS Tech has long-standing cooperation with suppliers and researchers to find materials containing less heavy metals and other chemicals than those used till now. SAS Tech intends to switch chemical suppliers in order to reduce the quantity of hazardous waste, cut storage time and have better cost control. This will also facilitate the transition to the European REACH rules. SAS Tech also has a department primarily tasked with systematizing and checking all products suspected of being hazardous to human health.

The environmental index for 2008 was 88 (93). The target for 2011 is 90. The company's occupational injury rate, its LTI rate, was 7 (8), and the number of occupational injuries was 28 (34).

SAS Cargo

SAS Cargo had 1,247 (1,356) employees at the end of 2008. The company provides air freight within the framework of the operations of Scandinavian Airlines, Blue1 and other partners. The bulk of SAS Cargo's freight capacity is found in SAS's own airlines.

SAS Cargo is ISO 14001-certified, and parts of the company are also ISO 9001-certified. This means that the company has a management system that addresses quality, environmental and sustainability issues. Sustainability work includes environmental performance and working environment, as well as ethics and CSR. The aim of environmental work is to minimize the harmful impacts of operations by making the most of capacity participating in the development of materials and systems. Most recently SAS Cargo developed a temperature-regulating "Temptainer," which with its improved cooling system and lighter weight will have a lower environmental impact.

Since 2006 SAS Cargo has been the target of collusion investigations in the EU and U.S. During the year the company acknowledged violating U.S.

antitrust rules and accepted MUSD 52 in fines to be paid over four years. It is not possible at this time for SAS to predict the outcomes of the European Commission investigation or of the U.S. civil lawsuits.

During the year SAS Cargo set an environmental target for 2011 for its vehicle transportation of a reduction in CO_2 emissions from 0.153 to 0.148 kg/tonne km.

The company's occupational injury rate, its LTI rate, was 16 (12), and the number of occupational injuries was 32 (27).

Coor Service Management

As part of SAS's Strategy 2011, SAS Facility Management Sweden AB with subsidiaries in Denmark and Norway were sold to Coor Service Management on June 1, 2008. Since most of the employees continued under the new owner, expertise and experience were ensured.

With around 3,500 employees and operating revenue of SEK 4.5 billion, Coor Service Management is Scandinavia's largest facility management company.

Coor has taken over day-to-day operation and maintenance of all of SAS's buildings and premises in Scandinavia, including follow-up of energy, waste management, cleaning facilities, environmental regulations and reporting to the authorities. This is governed in agreements between SAS Group FM and Coor. Coor is contractually obligated to initiate improvement measures and, along with SAS Group FM, follow up on a continuing basis when potentials for improvements and any unforeseen incidents are evaluated.

SAS Group FM has primary responsibility for all facility-related requirements being met, which also includes environmental responsibility. Coor is ISO 14001-certified in Denmark and Sweden and is well on the way to certification in Norway and Finland.

Limited assurance report

To the readers of SAS Group Sustainability Report 2008:

We have performed a review of SAS Group Sustainability Report 2008. The sustainability reporting includes the SAS Annual Report and Sustainability Report 2008, pages 101-124, as well as accounting principles, GRI cross reference list and stakeholder dialogue, found on SAS website (www.sasgroup.net under "Sustainability"). It is the executive team that are responsible for the continuous activities regarding environment, health & safety, quality, social responsibility and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the sustainability report based on our review.

The scope of the limited review

Our review has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) draft recommendation "RevR 6 *Assurance of sustainability reports*". A limited review consists of making inquiries, primarily of persons responsible for sustainability matters and for preparing the sustainability report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing standards The procedures performed in a limited review do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria used in the course of performing review procedures are based on SAS Group's Principles for Sustainability Reporting (www.sasgroup.net) as well as applicable parts of "Sustainability Reporting Guidelines, G3", published by The Global Reporting Initiative (GRI), suitable for the sustainability report. We consider those criteria to be suitable for our engagement.

Our limited review has been based on an assessment of materiality and risk, among other things included the following review procedures:

a. An update of our knowledge and understanding for SAS Group's organization and activities
b. Assessment of suitability and application of criteria in respect to stakeholders need of information
c. Assessment of the result of the company's stakeholder dialogue
d. Interviews with responsible management, at group level, subsidiary level and at selected business units with the aim to assess if the qualitative and quantitative information stated in the Sustainability Report is complete, correct and sufficient
e. Share internal and external documents to assess if the information stated in the Sustainability Report is complete, correct and sufficient
f. Evaluation of the design of systems and processes used to obtain, manage and validate sustainability information
g. Evaluation of the model used to calculate emissions of carbon dioxide, nitrogen oxides and noise
h. Analytical review of reported information
i. Reconciliation of financial information against company's Annual Report 2008
j. Assessment of the company's stated application level according to GRI's guidelines
k. Overall impression of the Sustainability Report, and its format, considering the information's mutual correctness with applicable criteria
l. Reconciliation of the reviewed information against the sustainability information in company's Annual Report 2008

Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that SAS Group Sustainability Report 2008 has not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, March 12, 2009

Deloitte AB

Elisabeth Werneman
Authorized Public Accountant

Torbjörn Westman
Expert member FAR SRS


"EuroBonus for
our entire family"

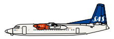
Aircraft fleet (as of December 31, 2008)

Scandinavian Airlines Norge

Destinations	
Domestic	18
Europe	29
Daily departures	354
Passengers, (000)	10,001
Average number of cabin crew *	1,045
Average number of pilots	558
Revenue pass.km (RPK), mill.	5,842
Available seat km (ASK), mill.	8,659

54 737-400/-500/-600/-700/-800s
11 owned, 43 leased

6 Fokker F50s
6 leased



** Of which approx. 123 are hired out to Scandinavian Airlines International/Intercont.*

Scandinavian Airlines Danmark

Destinations	
Domestic	3
Europe	51
Daily departures	270
Passengers, (000)	7,770
Average number of cabin crew *	1,210
Average number of pilots	488
Revenue pass.km (RPK), mill.	7,190
Available seat km (ASK), mill.	10,886

12 A321-200/319-100s
4 owned, 8 leased

26 MD-81/-82/-87s
6 owned, 20 leased

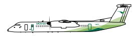
1 CRJ900
1 owned

** Of which approx. 486 are hired out to Scandinavian Airlines International/Intercont.*

Widerøe

Destinations	44
Daily departures	273
Passengers, (000)	2,034

30 Q100/300/400s
16 owned, 14 leased

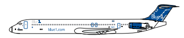


Blue1

Destinations	24
Daily departures	66
Passengers, (000)	1,618

6 RJ85/100s
6 leased

5 MD-90s
5 owned



Scandinavian Airlines Sverige

Destinations	
Domestic	12
Europe	48
Daily departures	189
Passengers, (000)	6,218
Average number of cabin crew *	794
Average number of pilots	349
Revenue pass.km (RPK), mill.	5,091
Available seat km (ASK), mill.	7,531

23 737-600/-800s
11 owned, 12 leased

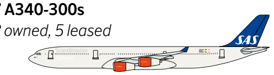
16 MD-82s
16 leased

** Of which approx. 215 are hired out to Scandinavian Airlines International/Intercont.*

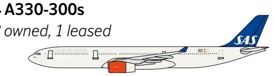
Scandinavian Airlines International

Destinations	11
Daily departures	18
Passengers, (000)	1,366
Average number of cabin crew *	
Average number of pilots	291
Revenue pass.km (RPK), mill.	9,767
Available seat km (ASK), mill.	11,700

7 A340-300s
2 owned, 5 leased



4 A330-300s
3 owned, 1 leased



** Hired in from other carriers in SAS Scandinavian Airlines.*

Estonian Air

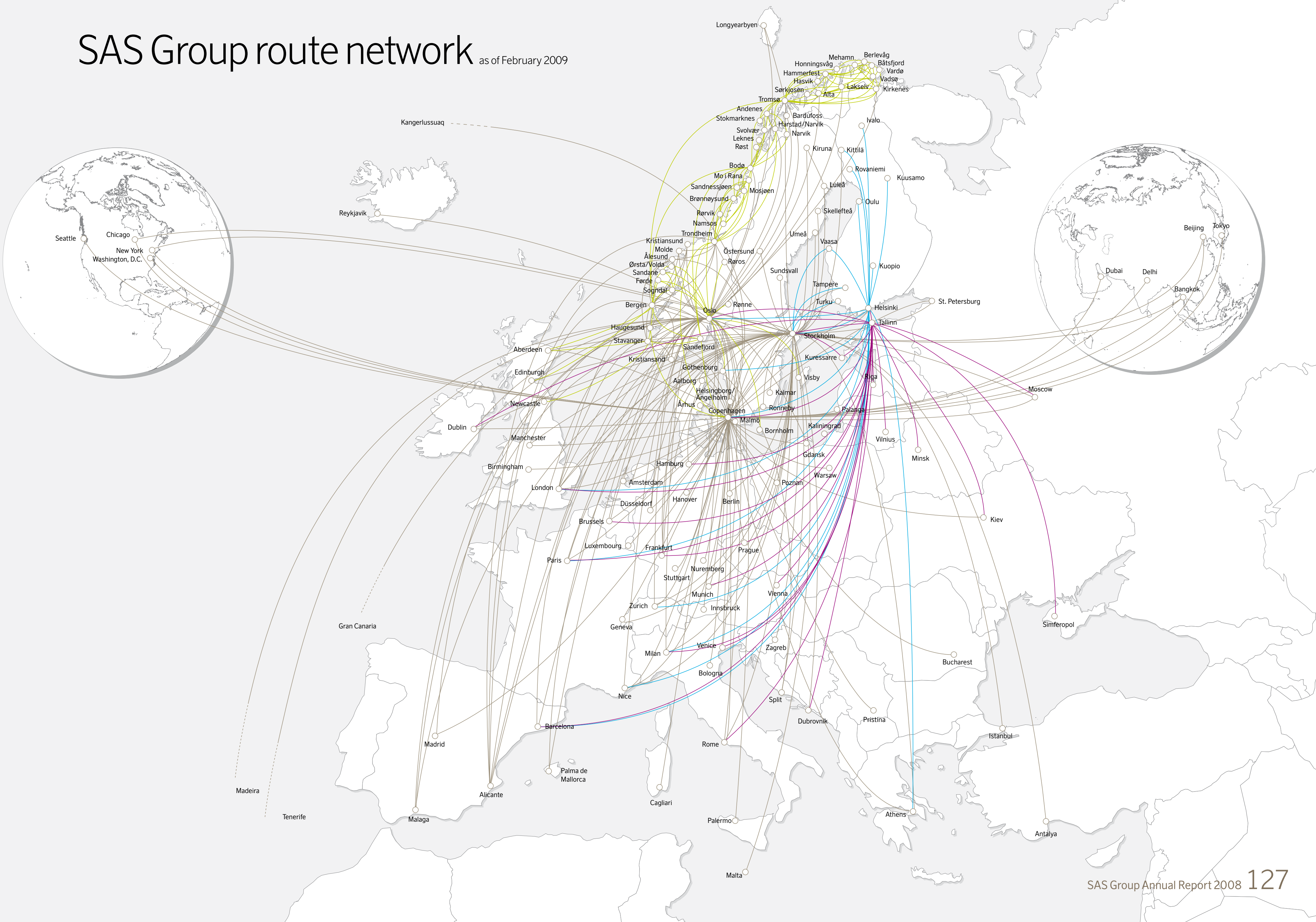
Destinations	23
Daily departures	31
Passengers, (000)	757

6 737-500/300s
6 leased

The SAS Group also has deHavilland Q400 aircraft that have been taken out of service.
Scandinavian Airlines has 6 CRJ200s, 2Avro RJ-70s, 2 Avro RJ-85s and 2 BAe 146s on wet lease. Blue1 has 2 SAAB 2000s and Estonian Air has 2 SAAB 340s on wet lease.

	Scandinavian Airlines														Widerøe			Blue1		Estonian Air
	Airbus A340-300	Airbus A330-300	Airbus A321-200	Airbus A319-100	Boeing 737-400	Boeing 737-500	Boeing 737-600	Boeing 737-700	Boeing 737-800	Boeing MD-81	Boeing MD-82	Boeing MD-87	Bombardier CRJ900	Fokker F50	Bombardier Q400	Bombardier Q300	Bombardier Q100	Avro RJ100/85	Boeing MD-90	Boeing 737-500/300
No. of aircraft Group total	7	4	8	4	4	13	27	17	16	2	34	6	1	6	5	7	18	1/5	5	4/2
No. of seats, max.	245	264	198	141	150	120	123	141	186	150	150	125	88	50	76	50	39	99/84	166	113/142
Max. takeoff wgt., t	275.0	233.0	89.0	75.5	68.0	60.6	59.9	69.6	79.0	63.5	67.8	63.5	38.0	20.8	29.3	19.5	15.6	46.0/42.2	75.3	52.4/62.8
Max. load, tonnes	44.0	44.0	21.5	16.7	13.5	13.5	13.0	15.0	19.0	14.6	17.1	14.8	9.6	4.9	8.7	5.9	3.6	9.5/8.1	18.1	49.9/52.9
Length, m	63.7	63.7	44.5	33.8	36.4	31.0	31.2	33.6	39.5	45.1	45.1	39.8	36.2	25.3	32.8	25.7	22.3	31.0/28.6	46.5	31.0/33.4
Wingspan, m	60.3	60.3	34.1	34.1	28.9	28.9	34.3	34.3	34.3	32.9	32.9	32.9	23.4	29.0	28.4	27.4	25.9	26.3	32.9	28.9
Cruising speed, km/h	875	875	850	850	825	825	825	825	825	825	825	825	840	520	667	528	496	750	825	825
Range, km	12,800	10,100	3,800	5,100	3,150	4,100	2,400	4,400	4,200	1,400	2,400	3,000	2,100	1,400	850	1,500	750	2,200/2,300	3,200	3,150/3,900
Fuel consumption, l/seat kilometer	0.039	0.033	0.029	0.033	0.034	0.039	0.038	0.032	0.029	0.041	0.041	0.046	0.040	0.033	0.037	0.034	0.038	0.044/0.048	0.033	0.039/0.035
Engine	CFMI CFM56-5C4	RR Trent 772B	IAE V2530-A5	IAE V2524-A5	CFM 56-3C	CFMI CFM56-3	CFMI CFM56-7B	CFMI CFM56-7B	CFMI CFM56-7B	P&W JT8D 217C/219	P&W JT8D 217C/219	P&W JT8D 217C	GE CF34-8C1	P&W PW125B	P&W PW150A	P&W PW123	P&W PW121	Honeywell LF507-1F	IAE V2525-D5	CFMI CFM56-3

SAS Group route network as of February 2009



Definitions & concepts

A

AEA ▸ The Association of European Airlines.

Affiliated company ▸ Companies where the SAS Group's holding amounts to at least 20% and at the most 50% or where the SAS Group has a controlling interest.

AOC ▸ Air Operator Certificate.

ASK, Available seat kilometers ▸ The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

ATK, Available tonne kilometers ▸ The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

AV ▸ Asset value (adjusted capital employed). Book shareholders' equity, plus minority interests, plus surplus value in the aircraft fleet, plus 7 times the net annual cost of operating leases for aircraft, plus financial net debt, minus share of equity in affiliated companies. Can also be expressed as the book value of total assets, plus surplus value in the aircraft fleet, plus 7 times the net annual cost of operating leases for aircraft, minus share of equity in affiliated companies, minus noninterest-bearing liabilities and interest-bearing assets, excluding net pension funds.

Available seat kilometers ▸ See ASK.

Available tonne kilometers ▸ See ATK.

B

Block hours ▸ Refers to the time the aircraft leaves the departure gate until it arrives at the destination gate.

Book equity ▸ Total shareholders' capital attributable to Parent Company shareholders excluding minority interests.

Breakeven load factor ▸ The load factor that makes traffic revenue equal to operating expenses.

C

CAPEX (Capital Expenditure) ▸ Future payments for aircraft on firm order.

Capital employed ▸ Total capital according to the balance sheet minus noninterest-bearing liabilities.

Capital employed, market adjusted ▸ See AV.

Capitalized leasing costs (x7) ▸ The annual cost of operating leases for aircraft multiplied by seven.

Cash flow from operations ▸ Cash flow from operating activities before changes in working capital.

CFROI ▸ Adjusted EBITDAR in relation to AV.

Code-share ▸ When two or more airlines state their flight number in the timetable for one and the same flight, while only one of the airlines operates the flight.

CSI, Customer Satisfaction Index ▸ Measures how customers perceive SAS's services. Surveys are conducted every six months.

D

Debt/equity ratio ▸ Financial net debt in relation to shareholders' equity and minority interests.

Dividend yield, average price ▸ Dividend as a percentage of the average share price during the year.

E

Earnings per share (EPS) ▸ Income after tax divided by the total number of shares.

EASA ▸ European Aviation Security Agency

EBIT (including capital gains) ▸ Operating income.

EBITDA margin ▸ EBITDA divided by revenue.

EBITDA, Earnings before depreciation ▸ Income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

EBITDAR margin ▸ EBITDAR divided by revenue.

EBITDAR, Earnings before depreciation and leasing cost ▸ Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

EBT ▸ Income before tax.

ECAC, European Civil Aviation Conference ▸ Forum for cooperation between and coordination of European national authorities on civil aviation matters.

EEA ▸ European Economic Area

EIRIS ▸ Ethical Investment Research Services. Independent analysis organization providing information about the social, environmental and ethical performance of companies.

Equity method ▸ Shares in affiliated companies are taken up at the SAS Group 's share of equity, taking acquired surplus and deficit values into account.

Equity per share ▸ Book equity divided by the total number of shares.

Equity/assets ratio ▸ Book equity plus minority interests in relation to total assets.

EV, Enterprise value ▸ Average market capitalization (market value of shareholders' equity) plus average net debt during the year and 7 times the net annual cost of operating leases for aircraft.

EVA, Equity value added ▸ Return over and above the company's weighted average cost of capital (WACC) times market-adjusted capital.

F

Finance leasing ▸ Based on a leasing contract where the risks and rewards of ownership of the asset are transferred to the lessee. The asset is reported as a fixed asset in the balance sheet and the commitment to pay future leasing charges is entered as a liability.

Financial net debt ▸ Interest-bearing liabilities minus interest-bearing assets excluding net pension funds.

Financial net debt, market adjusted, NPV ▸ Financial net debt plus present value of leasing costs for aircraft, NPV.

FTE ▸ Full-time equivalent.

G

Gross profit margin ▸ Operating income before depreciation in relation to revenue.

I

IATA, International Air Transport Association ▸ A global association of more than 200 airlines.

ICAO, International Civil Aviation Organization ▸ The United Nations' specialized agency for international civil aviation.

Interest coverage ratio ▸ Operating income plus financial income in relation to financial expenses.

Interline revenues ▸ Ticket settlement between airlines.

IPCC, Intergovernmental Panel on Climate Change ▸ Scientific panel appointed by the United Nations Environmental Program, UNEP, and the World Meteorological Association, WMO, to assess what is happening to the global climate and the impact of climatic disturbances.

IRR, Internal Rate of Return ▸ Discount rate where the present value of a project's cash flow, from investment to sales, is equal to zero.

J

JAA ▸ Joint Aviation Authorities

M

Market capitalization at year-end ▸ Share price multiplied by the number of outstanding shares.

N

Net debt ▸ Interest-bearing liabilities minus interest-bearing assets.

Net profit margin ▸ Income after financial items in relation to revenue.

Non revenue passengers ▸ Passengers traveling on bonus, charter, or ad hoc flights.

NPV, Net present value ▸ Used to calculate capitalized future costs of operating leases for aircraft.

O

Operating leasing ▸ Based on a leasing contract in which the risks and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income.

P

Passenger load factor ▸ Relation between RPK and ASK expressed as a percentage. Describes the capacity utilization of available seats. Also called occupancy rate.

P/CE ratio ▸ Average share price divided by cash flow per share after paid tax.

P/E ratio ▸ Average share price divided by earnings per share after standard tax.

R

RASK ▸ Passenger revenue/ASK.

Regularity ▸ The percentage of flights completed in relation to flights scheduled.

Return on book equity after tax ▸ Income after tax in relation to average book shareholders' equity.

Return on capital employed (ROCE) ▸ Operating income plus financial income in relation to average capital employed. Capital employed refers to total capital according to the balance sheet minus non-interest-bearing liabilities.

Return on equity ▸ Net income for the period attributed to shareholders in the Parent Company in relation to average shareholders' equity excluding minority interests.

Revenue passenger kilometers (RPK) ▸ See RPK.

Revenue tonne kilometers (RTK) ▸ See RTK.

RevPAR, Revenue per available room ▸ Revenue per available hotel room.

ROCE ▸ See Return on capital employed.

ROIC ▸ Return on invested capital.

RPK, Revenue passenger kilometers ▸ Number of paying passengers multiplied by the distance they are flown in kilometers.

RTK, Revenue tonne kilometers ▸ The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

Runway incursion ▸ Any occurrence in the airport runway environment involving an aircraft, vehicle, person, or object on the ground that creates a collision hazard.

S

Sale and leaseback ▸ Sale of an asset (aircraft, building, etc.) that is then leased back.

T

Total load factor ▸ The relation between RTK and ATK expressed as a percentage. The proportion of total available capacity sold and flown.

Total return ▸ The sum of change in share price and dividends.

TSR, Total shareholder return ▸ Average total return.

U

Unit cost, operational ▸ Airline operations' total operating expenses minus non-traffic related revenue per ASK.

Unit cost, total ▸ Airline operations' total operating expenses including the capacity cost of aircraft minus non-traffic related revenue per ASK.

Unit revenue (yield) ▸ Passenger revenue per RPK.

W

WACC, Weighted average cost of capital ▸ Average cost of liabilities, shareholders' equity and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of shareholders' equity and liabilities and the capitalized present value of operating lease costs for aircraft.

Wet lease agreement ▸ Leasing in of aircraft including crew.

Y

Yield ▸ See Unit revenue.

Sustainability-definitions & concepts

A

3C - Combat Climate Change → A global association consisting of 49 leading international companies whose purpose is to integrate environmental issues into the world market by a global framework coming into force in 2013. www.combatclimatechange.org

ACARE → *Advisory Council for Aeronautics Research in Europe.* An organization consisting of representation from the European Member States, the Commission, representation from the aeronautics industry and the European research establishments and academia. The aim of the organization is to establish and carry forward a Strategic Research Agenda (SRA). This agenda aims to influence the European aeronautic stakeholders in the planning of research programmes. www.acare4europe.org

Acetate → Acetic acid (CH_3COOH). Used by airport operators to deice takeoff and landing strips.

B

Biofuels → Solid or liquid fuels derived from organic matter (biomass), primarily in the form of plants. The biofuels are considered to be "CO_2 neutral" as burning the fuels releases carbon dioxide; but growing the plants absorbs a comparable amount of the gas from the atmosphere. Burning fossil fuels on the other hand adds to the carbon dioxide level in the atmosphere.

C

CAEP → *Committee on Aviation Environmental Protection,* technical committee of the ICAO (see definition) charged with developing and establishing rules and recommending measures to reduce the environmental impact of aviation.

Carbon dioxide → (CO_2) A colorless gas that is formed in combustion of all fossil fuels. The airline industry's CO_2-emissions are being reduced through a changeover to more fuel-efficient aircraft, something that is also desirable from a financial standpoint since lower fuel consumption automatically means lower costs.

Carbon monoxide → (CO) A toxic and combustible gas formed by incomplete burning of substances containing carbon, e.g. fossil fuels.

Certification requirements → The ICAO's minimum requirements for certification of aircraft types, such as limits for noise and emissions of carbon dioxide, nitrogen oxides and hydrocarbons (see Chapter 2, 3).

CFCs → Chlorofluorocarbons, certain halogenated hydrocarbons, best known under the trademark Freon.

Clean Sky → A research project, built on a joint commitment between the EU and aeronautics industry, aiming to find environmentally friendly solutions and make air travel more sustainable. www.cleansky.eu

CO_2 → Carbon dioxide (see definition).

Code of Conduct → Business ethics rules and guidelines.

D

dB → *Decibel,* a logarithmic unit of measurement that expresses the magnitude of a physical quantity relative to a specified or implied reference level. (See also EPNdB)

Dow Jones Sustainability Indexes → DJSI Global indexes that show the financial performance of the leading sustainability-run companies worldwide. www.sustainability-indexes.com

E

Ecoefficiency → A term launched primarily by the environmentally-oriented business organization WBCSD. Ecoefficiency is defined as a tool that companies can use to measure their environmental performance relative to how market demands are met and the company's financial performance is improved. The goal of ecoefficiency is to generate qualitative growth where value is created instead of transforming unnecessary volumes of material and energy into waste.

EPNdB → *Equivalent Perceived Noise,* a unit commonly used in an aviation context to express the average perceived noise level. (See also Noise.)

F

Fossil fuels → Fuels consisting of organic carbon and hydrogen compounds in sediment or underground deposits – especially coal, oil and natural gas.

Freon → See CFCs.

G

Germicides → Chemicals used to kill or prevent the growth of harmful microorganisms such as bacteria, virus or fungus. Added to the sanitizing liquid in aircraft lavatories reduce the risk of infection.

Global Compact → A challenge from the former UN Secretary General Kofi Annan to business and industry to live up to ten principles of human rights, employee rights, the environment and anti-corruption, as formulated by the UN. www.unglobalcompact.org

Glycol → An alcohol that is sprayed on the aircraft in cold weather to prevent ice formation. Today, a non-toxic propylene glycol is used. Some 80% of the glycol runs off the aircraft when applied, and seeps into the ground unless collected. A further 15% is emitted into the air is thus dispersed in the vicinity of the airport. The airports are responsible for collecting the glycol runoff for reuse.

GRI → *Global Reporting Initiative.* An organization aiming to provide companies and organizations with a global sustainability reporting framework and thereby facilitate comparisons between companies from a social, environmental and economical perspective. www.globalreporting.org

Green Approach → In a Green Approach, the approach begins 42 minutes before landing, which means the plane practically glides down and its engines have a very low RPM.

Greenhouse effect → Carbon dioxide and other gases trap and reradiate incoming solar radiation that would otherwise be reflected back into space. The problem is that emissions of greenhouse gases have increased. Most scientists agree that heavy human use of fossil fuels is causing global warming. Carbon dioxide is formed in combustion of all fossil fuels, but burning of biofuels only emits an amount of carbon equal to that absorbed during growth, producing no net emissions. However, use of coal, oil and natural gas produce a net increase, since they release carbon that has been bound in the earth's crust. The freon substitute HFC, methane and nitrous oxide are other powerful greenhouse gases. Other gases that contribute to the greenhouse effect are CFCs (see definition), methane and nitrous oxide.

H

H-value → EA measurement of the number of workplace injuries relative to the total number of man-hours.

Halons → A collective name for halogenated hydrocarbons and, specifically, a brand name for a fire extinguishing agent. Halons contain bromine, fluorine, iodine or chlorine and among these compounds there are strong contaminants. The atmosphere's ozone layer is depleted by halons and the use of these gases is prohibited. Airline operations have an exemption to use halons since there are no safe alternatives to halons as a fire extinguishant.

HC → Hydrocarbons (see VOCs).

Heavy metals → Certain high density metals, such as cadmium and mercury, that have both acute and chronic toxic effects.

Hydrocarbons → See Volatile organic compounds.

I

Insecticides → Chemicals that are used to combat insects.3

ISO 14000 → A series of international environmental standards developed by the International Organization for Standardization. The general guiding principles for ISO 14000 are identical to those in the quality standard ISO 9000. There are several environmental standards in the ISO 14000 family, such as for environmental management systems (ISO 14001), environmental labelling, environmental audits and life cycle analyses.

N

N-ALM → The Nordic Working Group for Environmental Issues in Aviation, composed of civil aviation, environmental and communication authorities and airlines in the Nordic countries.

Nitrogen oxides → (NO_X) Formed in all combustion in aircraft engines since the high temperature and pressure cause the atmospheric nitrogen and oxygen to react with each other, mainly during takeoff and ascent when the engine temperature is at a maximum. With effect from 1996 the ICAO has tightened the requirements for nitrogen oxide emissions, and these are expected to be made even stricter. New engines with double annular combusters (DAC), for example, reduce emissions by up to 40% compared with the previous generation of engines. (See also Acidification and Ozone layer.)

Noise → Environmentally detrimental, undesirable sounds. The environmental impact of air traffic in the form of noise is primarily of a local nature. Noise is normally described and measured in dB(A), an A-weighted sound level. (See also EPNdB, Chapter 2, 3)

NOx → Nitrogen oxides (see definition).

O

Oil aerosols → Oil emitted from the aircraft engines during operation under high pressure. Upon contact with air they form a fine mist, which is then broken down primarily into carbon dioxide.

Ozone → (O_3) Formed in a reaction between oxygen atoms and oxygen molecules.

Ozone layer → The majority (90%) of the ozone exists in the stratosphere where it forms a protecting layer against ultraviolet radiation. The ozone layer can be depleted by free radical catalysts, including nitric oxide, hydroxyl, atomic chlorine and atomic bromine. Discharge from the aviation traffic contributes to depletion of the ozone layer.

P

PULS → The Swedish acronym for SAS´s employee surveys, conducted via individual questionnaires.

S

SO_2 → Sulfur dioxide (see definitinon).

Stratosphere → Part of the earth's atmosphere (see definition) between 10 and 50 km above the earth's surface.

Sulfur dioxide → (SO_2) Formed in combustion of fossil fuels. A colorless gas with an acrid odor that is toxic when inhaled in large quantities. Aviation fuel contains a minute proportion of sulfur, and, accordingly, causes only minor emissions of this substance. The same applies to the "green" diesel used in ground vehicles. In the airline industry, as in many others, sulfur dioxide emissions come largely from oil-fired heating.

Sustainable development → means that when mankind satisfies its needs to today, it does so without limiting the opportunities for future generations to satisfy theirs.

T

Tonne kilometers → The number of transported metric tonnes of passengers and cargo multiplied by the distance flown.

Triazol → Organic aluminum compounds, often used as additives to glycol to prevent corrosion and as a fire retardant. Triazols are long-lived and non-degradable, and are absorbed by living organisms.

U

Urea → A urine substance synthetically produced from carbon dioxide and ammonia that is used by airport operators for deicing of runways. Contributes to nutrification/eutrophication. See also Acetate.

V

VOCs → *Volatile Organic Compounds,* Emitted during incomplete combustion of fossil fuels – in aviation mainly when the engine is run at low speed and the temperature in the combustion chamber is low. This category also includes all types of solvents that evaporate from detergents and paints, among other things. With effect from April 1, 2002, only aircraft with low VOC emissions will be permitted in the EU.

Volatile organic compounds → See VOCs.

W

Weighted landings → A term used to express the work input per departure, depending on the aircraft type and route sector. Based on SAS's most common aircraft type (MD-81), which has been assigned a weighted landing value of 1.0. A smaller aircraft that requires a lower work input will have a lower value and a larger aircraft will have a higher weighted landing value.

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