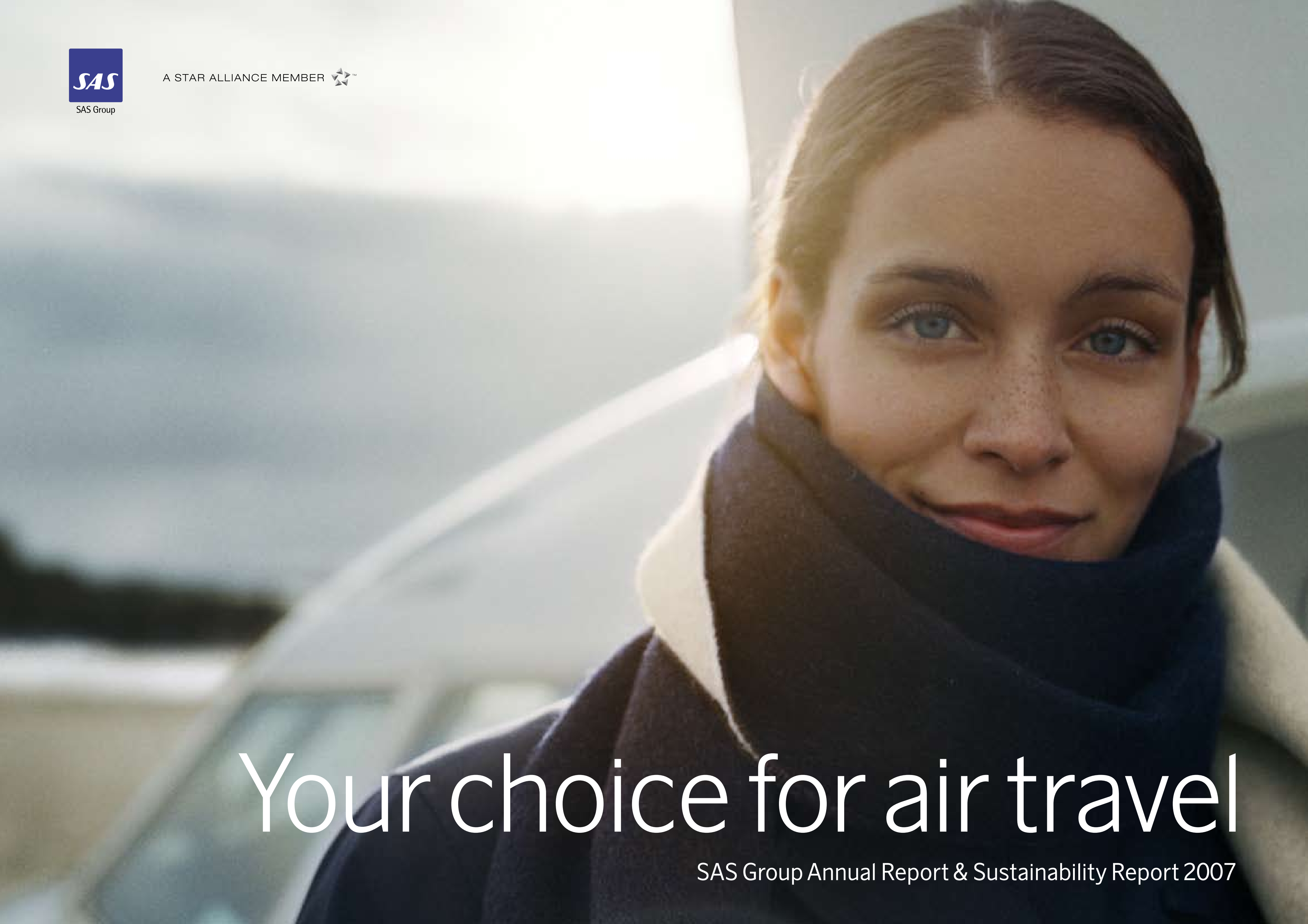
SAS Group

A STAR ALLIANCE MEMBER



Your choice for air travel

SAS Group Annual Report & Sustainability Report 2007

Contents

Quick guide to important facts

Strategy 2011
In 2007 the SAS Group launched a strategic plan, Strategy 2011, aimed at strengthening the SAS Group's customer focus, profitability and position in Northern Europe. p. 6-12

Financial targets
In connection with the launch of Strategy 2011 the SAS Group introduced revised financial targets. The Group's financial target is an EBT margin of 7%, which corresponds to a CFROI of at least 25%. Revised financial targets have also been introduced at a company level. p. 6 & 10

The market and analysis of competitors
The SAS Group's home market is Northern Europe. The SAS Group has a market share of 40% in the Nordic and Baltic countries. For a more detailed analysis of competitors, see p. 15

Flight safety
Flight safety has been and will continue to be the top priority in the SAS Group. Following the accidents with the Q400 at Scandinavian Airlines, a decision was made to ground these aircraft out of concern for customers, employees and the brand. Scandinavian Airlines' risk index rose on account of the accidents in 2007, but otherwise showed a stable, declining trend. p. 16

Environmental strategy
Responsible and sustainable traffic growth with a reduced environmental impact is discussed on p. 18

Employees
The SAS Group has 25,516 employees. In 2007 several structural changes were implemented requiring adjustments from employees. Employee surveys on life at SAS show continued satisfaction, despite the profound structural transformations the airline industry is undergoing. p. 106

Earnings performance
In 2007 the SAS Group's income before tax from continuing operations improved by MSEK 515 over the previous year, amounting to MSEK 1,242 (727). For a ten-year overview of earnings performance and operational key figures plus detailed statements of income for the business areas, see p. 43-51

Company information

Reports
All reports are available in English and Swedish and can be ordered from: SAS, SE-195 87 Stockholm, tel. +46 8 797 17 88 or: www.sasgroup.net

Direct further questions to SAS Group Investor Relations, Vice President - Head of SAS Group Investor Relations, Sture Stølen, tel. +46 8 797 14 51 or: investor.relations@sas.se

Annual General Shareholders' Meeting
The SAS Group's Annual General Shareholders' Meeting will be held on April 9 at 3:00 p.m. Venues:
Copenhagen: Radisson SAS Falconer, Falkoner Allé 9
Solna: The SAS Group head office, Frösundaviks Allé 1
Oslo: Radisson SAS Plaza Hotel, Sonja Henies plass 3.

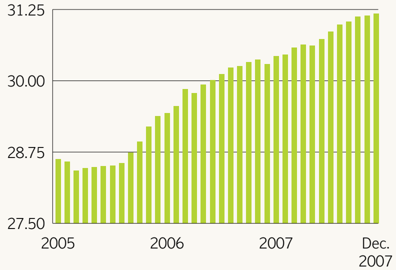
Financial calendar
Interim Report 1 (Jan-Mar), Apr. 29, 2008
Interim Report 2 (Jan-Jun), Aug. 14, 2008
Interim Report 3 (Jan-Sep), Nov. 5, 2008
Year-end Report 2008, Feb 2009
Annual Report & Sustainability Report 2008, March 2009

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

Flexible and value-for-money air travel

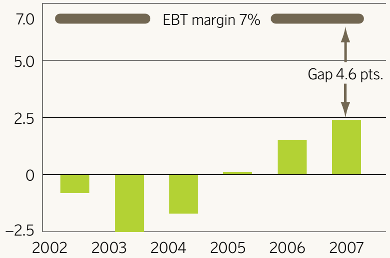
SAS is the leading airline group in Northern Europe.
31.2 million passengers flew with SAS in 2007
to 152 destinations in 34 countries.

Passengers carried
Million



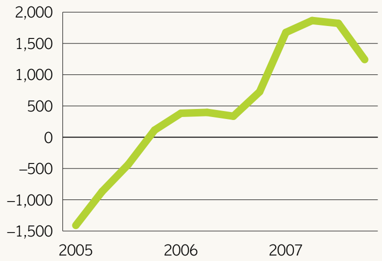
The airline market was favorable in 2005-07, providing the SAS Group with good growth. SAS carried 1.8 million more passengers in 2007 than in 2005.

Income before tax and nonrecurring items
%



The EBT margin is the SAS Group's most important earnings target. The requirement is a margin of 7%. In 2007 the SAS Group attained earnings corresponding to an EBIT margin of 2.4%.

EBT before nonrecurring items, quarterly rolling
MSEK



The SAS Group's earnings improved steadily from 2005 up until the third quarter of 2007. In the fourth quarter of 2007 SAS suffered the adverse impact of the Q400 and of the threat of strikes at SGS, which explains the decline.

The SAS Group in brief

SAS Group

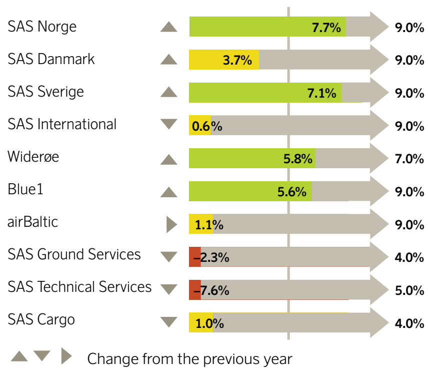
SAS Scandinavian Airlines	SAS Individually Branded Airlines	SAS Aviation Services
Scandinavian Airlines Norge Scandinavian Airlines Danmark Scandinavian Airlines Sverige Scandinavian Airlines International	Widerøe Blue1 airBaltic Spanair *	SAS Ground Services SAS Technical Services SAS Cargo
	Strategic affiliated company: Estonian Air	

** Reported as a discontinued operation in 2006 and 2007. However, Spanair is included in all sustainability-related figures and in the SAS Group's balance sheet.*

Results for the year

- Revenue for the year amounted to MSEK 52,251 (50,152), up 4.2% over the previous year.
- The number of passengers rose by 2.9% to 31.2 million.
- Spanair is reported as a discontinuing operation and goodwill impairment of MSEK 300 was recognized.
- Income before nonrecurring items in continuing operations was MSEK 1,242 (727).
- EBT margin before nonrecurring items amounted to 2.4% (1.4%); the target is 7%.
- In 2007 the SAS Group's passenger load factor amounted to 72.5%, a decline of 0.2 percentage points.
- Cost savings totaling SEK 2.8 billion are currently being implemented.
- The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividend be paid to SAS AB shareholders for fiscal year 2007.
- 2007 was the SAS Group's best year ever in terms of environmental performance.

Earnings and degree of target achievement, EBIT%



Full-year 2008

- The year 2007 was characterized by very positive growth and favorable market conditions in the SAS Group's home market in Northern Europe. General economic growth is expected to be lower in SAS's home markets in 2008 compared with 2007. Official forecasts have gradually been revised downwards, especially during the recent period, and we will probably see signs of an economic downturn in the not too distant future. As a result of this, the market's passenger growth is expected to be lower in 2008. In addition, there is uncertainty relating to the price trend for fuel, for which the degree of compensation could become a growing challenge if demand declines and the oil price continues to rise.
 The year 2008 will be favorably impacted by the fact that the ECA agreement has now expired, at the same time as the negative earnings effect of the Q400 is expected to amount to about MSEK 700-800 for full-year 2008.

Income and key ratios

Group	2007	2006
Revenue, MSEK	**52,251**	50,152
Number of passengers, million	**31.2**	30.3
EBITDAR, MSEK	**5,311**	5,099
EBT before nonrecurring items, MSEK	**1,242**	727
EBT margin before nonrecurring items	**2.4%**	1.4%
CFROI	**14%**	15%
EBT from continuing and discontinued operations, MSEK[1]	**929**	4 936
Earnings per share, SEK	**3.87**	28.10
Market price at year-end, SEK	**83.0**	116.5
Dividend (proposed for 2007), SEK	**0.0**	0.0
Adjusted equity/assets ratio	**24%**	22%
Adjusted debt/equity ratio	**1.42**	1.68
Financial preparedness, % of operating revenue	**24%**	22%
Financial net debt, MSEK	**1,231**	4,134
Investment related to continuing operations, MSEK	**2,511**	1,812

[1] Spanair and Aerolineas de Baleares are reported as discontinued operations in 2006-2007.

Sustainability[2]	2007	2006
Average no. of employees	**25,516**	25,323
of which women	**41%**	40%
of which men	**59%**	60%
Sick leave	**6.4%**	6.1%
Carbon dioxide (CO_2), 000 tonnes	**6,295**	6,213
Nitrogen oxides (NO_x), 000 tonnes	**25.6**	25.2

[2] Including Spanair.

Definitions and concepts, back flap *Traffic figures,* p. 43-51

The companies in brief

SAS Scandinavian Airlines

Main markets are Scandinavia, Europe, North America and Asia. Customers are primarily frequent travelers in the leisure and business segments. Competitors and return requirements, see each company.

Key figures	2007	2006
Revenue, MSEK	**40,155**	38,631
EBIT before nonrecurring items, MSEK	**1,999**	1,919
EBIT margin	**5.0%**	5.0%
EBT before nonrecurring items, MSEK	**1,765**	1,252
Number of passengers, mill.	**25.4**	25.1
Average number of employees	**7,598**	7,588
Carbon dioxide (CO_2), 000 tonnes	**4,019**	4,069
Nitrogen oxides (NO_x), 000 tonnes	**16.9**	17.3

Scandinavian Airlines Norge is Norway's leading airline, carrying 9.7 million passengers to 43 destinations in 2007. The airline has a market share of around 60% of Norwegian domestic. Revenue amounted to MSEK 13,411, an increase of 7% over the previous year. Scandinavian Airlines Norge has 2,465 employees, of whom 44% are women. p. 31

Scandinavian Airlines Danmark flies to/from Denmark, where the airline has a market share of around 45%. The airline carried 8.1 million passengers to 51 destinations in 2007. Revenue amounted to MSEK 11,659, which was an increase of 7% over the previous year. Scandinavian Airlines Danmark has 2,188 employees, of whom 57% are women. p. 32

Scandinavian Airlines Sverige bolstered its position in Sweden in 2007, carrying 6.2 million passengers to 57 destinations in 2007. The airline has a market share of around 49%. Revenue increased by 6%, totaling MSEK 8,779. Scandinavian Airlines Danmark has 1,704 employees, of whom 61% are women. p. 33

Scandinavian Airlines International accounts for Scandinavian Airlines' intercontinental flights and sales organization outside the Nordic region. The airline carried 1.3 million passengers between 10 destinations in 2007. Revenue amounted to MSEK 7,625, a decline of 2%. Scandinavian Airlines International has 782 employees, of whom 44% are women. p. 34

SAS Individually Branded Airlines

Main markets are Norway, Finland and the Baltics. Customers are primarily frequent travelers in the leisure and business segments. Competitors and return requirements, see each company.

Key figures	2007	2006
Revenue, MSEK	**7,190**	6,532
EBIT before nonrecurring items, MSEK	**379**	151
EBIT margin	**5.3%**	2.3%
EBT before nonrecurring items, MSEK	**383**	142
Number of passengers, mill.	**5.8**	5.2
Average number of employees	**2,884**	2,769
Carbon dioxide (CO_2), 000 tonnes [1]	**2,267**	2,123
Nitrogen oxides (NO_x), 000 tonnes [1]	**8.8**	8.0

[1] *Including Spanair.*

Widerøe is Norway's leading regional airline, carrying 2.0 million passengers to 43 destinations, 7 of which international, in 2007. Revenue amounted to MSEK 3,051, an increase of 4% over the previous year. Widerøe has 1,358 employees, of whom 35% are women. p. 36

Blue1 is Finland's second-biggest airline, carrying 1.8 million passengers to 27 destinations, 19 of which international, in 2007. The airline's revenue amounted to MSEK 2,019, unchanged from the previous year. Blue1 has 506 employees, of whom 52% are women. p. 37

airBaltic is the Baltics' leading and the Group's fastest-growing airline, with hubs in Riga and Vilnius. The airline carried 2.0 million passengers to 56 destinations in 2007. Total revenue amounted to MSEK 2,097, an increase of 35%. airBaltic has 917 employees, of whom 54% are women. p. 38

Estonian Air is Estonia's leading airline and a strategic affiliated company in the SAS Group. The airline carried 0.8 million passengers to 19 destinations in 2007. Revenue amounted to MSEK 812. Estonian Air has 439 employees, of whom 53% are women. p. 38

Spanair is reported as a discontinued operation.

SAS Aviation Services

Main markets are Scandinavia, the Nordic region and the Baltics. Customers are the SAS Group as well as external airlines. Competitors and return requirements, see each company.

Key figures	2007	2006
Revenue, MSEK	**14,192**	14,308
EBIT before nonrecurring items, MSEK	**–457**	–47
EBIT margin	**–3.2%**	–0.3%
EBT before nonrecurring items, MSEK	**–623**	–150
Average number of employees	**10,651**	10,565

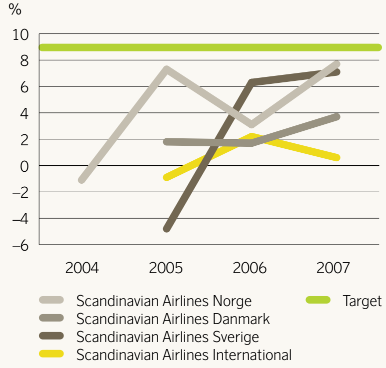
SAS Ground Services is the Nordic region's leading ground handling company, handling 78.8 million passengers and in 2007 was represented at 76 airports, also outside the Nordic region. Revenue rose by 3% in 2007, amounting to MSEK 6,055, 20% of which from external customers. SAS Ground Services has 6,873 employees, of whom 39% are women. p. 40

SAS Technical Services is the SAS Group's primary provider of technical maintenance for the Group's aircraft at 13 airports, also outside the Nordic region. Revenue was level with the previous year, amounting to MSEK 4,874, 14% of which from external customers. SAS Technical Services has 2,422 employees, of whom 7% are women. p. 41

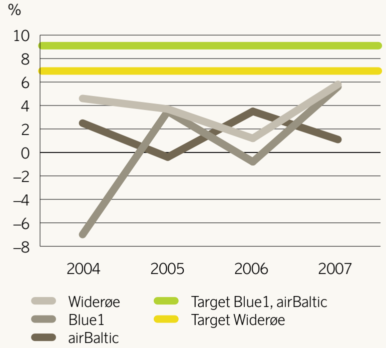
SAS Cargo offers air freight solutions and cargo capacity on passenger aircraft and purely cargo aircraft as well as cargo handling. Revenue amounted to MSEK 3,336, a decline of 8%. SAS Cargo has 1 356 employees, of whom 21% are women. p. 42

In 2007 the SAS Group sold Flight Academy. Comparison figures in the business area's statement of income for 2006 have been adjusted for this.

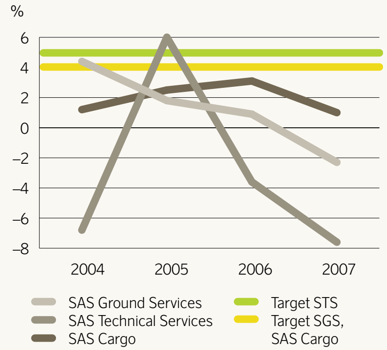
EBIT, SAS Scandinavian Airlines



EBIT, SAS Individually Branded Airlines



EBIT, SAS Aviation Services



Important events

First quarter 2007

- Mats Jansson assumed the position of President and CEO on January 1, 2007.
- The SAS Group changed the seasonal adaptation of its intercontinental operations. The Stockholm-Beijing route was launched in March. The Shanghai route was discontinued from April 2007.
- The SAS Group introduced product and service innovations for its largest customer group - frequent flyers.
- The SAS Group sold SAS Flight Academy for MSEK 550 to STAR Capital Partners.
- Scandinavian Airlines Sverige announced the launch of 11 new direct routes during the first half of 2007.
- The SAS Group began offering passengers the opportunity to offset carbon dioxide emissions.

Second quarter 2007

- At SAS AB's Annual General Shareholders' Meeting, the Board of Directors was reelected and it was resolved not to pay a dividend.
- Danish cabin crew engaged in wildcat strikes.
- Swedish cabin crew engaged in strikes in May 2007.
- The SAS Group sold its remaining stake in Rezidor to Carlson Companies.
- The SAS Group launched its new strategic plan - Strategy 2011.
- The SAS Group acquired a further 5% of the shares in Spanair from Teinver.

Third quarter 2007

- Four Danish unions declared their support for Strategy 2011 and further stated that they, in an active and positive spirit, will work to achieve a complete no-strike rule after the collective agreements for 2007 have been signed and for the period to which they apply.
- Standard & Poor's initiated coverage of SAS AB with a BB credit rating with stable outlook.
- Scandinavian Airlines Norge launched a special focus aimed at leisure travelers in Norway.
- During a flight from Copenhagen to Aalborg, the landing gear of a Dash 8 Q400 aircraft collapsed on landing. A near-identical incident occurred three days later on a flight from Copenhagen to Palanga, but landing in Vilnius.
- The Swedish public prosecutor launched a preliminary inquiry in conjunction with the incidents in Aalborg and Vilnius. The Accident Investigation Board's preliminary report indicated deficiencies in the manufacturer's maintenance directive.
- The SAS Group sold the Spanish ground handling company Newco to Teinver.
- SAS exercised options on two Boeing 737-800 aircraft with delivery in 2009.

Fourth quarter 2007

- Scandinavian Airlines Norway was found guilty of using sensitive business information from its competitor Norwegian.
- The Board of SAS decided to permanently ground its fleet of 27 Dash 8 Q400s after yet another accident involving the landing gear.
- SAS launched the Stockholm-Bangkok and Copenhagen-Dubai routes.
- Standard & Poor's credit rating for SAS AB emained BB with negative outlook.
- SAS received a Statement of Objections from the European Commission regarding suspicions of collusion in the air cargo business.

2008

- The SAS Group decided to purchase six MD-87 and two Boeing 737-600 aircraft from other carriers as replacements for the Q400, partly as an interim solution and partly as a permanent solution.
- The Danish Civil Aviation Administration announced that a design flaw had been found on the Q400. SAS cannot be held responsible for not discovering the problem.
- SAS took over delivery positions on three Boeing 737-800 aircraft with delivery in 2008.
- For SGS an internal solution was decided on, giving SGS 18 months to carry out MSEK 400 in cost reductions as well as a quality program. Otherwise an external solution will be sought.
- SAS won a dispute in the Labor Court in the matter of whether collective agreements and codetermination agreements had been breached when the Danish and Swedish short-haul pilots were transferred from the SAS Consortium. It was determined that no collective agreement or codetermination agreement existed in the manner claimed by the pilot unions and their claim for MSEK 15 in damages was rejected.
- At the Annual General Shareholders' Meeting on April 9, 2008, the nomination committee of SAS AB will recommend that Fritz H. Schur be elected the new Chairman of the Board of SAS AB. He is proposed to replace the current Chairman, Egil Myklebust, who wishes to step down from his directorship. The nomination committee recommends that Dag Mejdell, the CEO of Posten Norge AS, fill the vacancy on the Board.

President's comments

My first year as President of SAS was more challenging and eventful than anyone could foresee. Unfortunately we will remember the year primarily for a number of adverse events, such as strikes in both Denmark and Sweden, but above all for the three accidents involving Q400 aircraft.

We launched a new strategic plan, Strategy 2011, which was well received both internally and by the outside world. We also bolstered what we offer customers both on the ground and in the air to ensure our competitiveness. Still, for various reasons I am concerned about delays in certain structural decisions.

2007 in brief

Group earnings for 2007 came to just over SEK 1.2 billion. These results were attainable thanks to the positive performance of the first three quarters, with favorable demand. However, the last quarter of the year was very weak, chiefly because of the Q400 incidents. Full-year earnings were negatively impacted in the amount of around SEK 0.7 billion by the Q400 situation and SEK 0.7 billion by the ECA collaboration between SAS, bmi and Lufthansa. Beyond this, earnings were affected by a net SEK –0.2 billion by a number of strikes.

It is good news that with the exception of intercontinental operations, the Group's core business, its airlines, all improved their earnings compared with 2006. Widerøe and Blue1 posted the best results in the companies' history, while airBaltic's earnings were dragged down by robust expansion and extensive competition in the Baltic market. Unfortunately, the companies in SAS Aviation Services (SGS, STS and SAS Cargo) posted lower earnings than in 2006.

The Q400

At an airline an accident is the very worst that can happen. Thanks to the professionalism of our crews, no passengers were injured in the accidents involving the Q400, and I am tremendously grateful for this. The authorities' preliminary findings cleared SAS of blame for two of the incidents. No conclusions have been reached on the third incident. Even so, they triggered a decision unique in the airline industry, whereby in consideration of our customers, employees and brand, we permanently grounded the Group's Q400 aircraft.

A settlement with Bombardier and affected parties is in its concluding phase, and we hope to be able to report more on this in March.

Strategy 2011

Of course, the year's most important proactive initiative was the June launch of a new strategic plan for the Group - Strategy 2011.

The strategy, aimed at ensuring profitable growth for SAS, rests on five pillars: focus on airline operations, concentration on our geographic position in Northern Europe, harmonization and development of our products and service to our customers, being able to implement a cultural turnaround with greater attention to customer needs and a deeper commitment from our employees and competitiveness in all parts of our operations.

The new strategic direction was very favorably received by owners, personnel, unions, the media and the financial markets.

Our customers

Early in 2007 we improved several key parts of what we offer customers, such as more attractive fares, two classes in Scandinavia, Internet booking, Fast Track, etc. We also added a number of new routes to our intercontinental schedule. All this, along with greater attention to punctuality and regularity, is to ensure that we can recapture and retain customer confidence and strengthen our brand.

Part of the efforts to improve customer relations is also a number of meetings at the CEO level with some of the Group's by far biggest customers that I myself along with the rest of management and some of our Board members organized at the beginning of the year. These have been very fruitful.

Relations with our labor organizations

One of my top priorities within the framework of Strategy 2011 has been to change and improve relations with union representatives.

Part of this process was a four-day seminar in Sigtuna at which management and labor arrived at a new cooperation model, based on creating shared values and target scenarios.

Unfortunately, the new cooperation model received a serious blow when threats of conflict influenced management and the Board's decision on the future of the operation in SAS Ground Services. An absolute must for succeeding with the necessary structural changes and cost-cutting program in Strategy 2011, aimed at ensuring future profitability, growth and independence for the SAS Group, is progress in our "cultural turnaround."

Climate and the environment

Sustainable development efforts are increasingly vital. The climate issue is a global issue. That is why we have adopted an ambitious environmental strategy where the vision for Group companies is to emit 20 percent less CO_2 than today by 2020, while maintaining traffic growth.

Our future performance

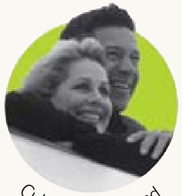
We are taking the downturn being predicted with utmost seriousness. The airline industry is labor- and capital-intensive, cyclical and volatile. This poses particular challenges and will demand further action. In addition we have cultural problems regarding our cost-cutting program and structural measures. My focus will be to continue in 2008, with full force and greater speed, to implement Strategy 2011 to make SAS a more easily managed and more flexible company.

SAS is a fine company with outstanding people and great potential. Together we shall work toward being the obvious choice for our customers.

Stockholm, March 3, 2008
Mats Jansson
President & CEO

S11
STRATEGY 2011

The foundation for profitable growth



Cultural turnaround

Focusing on airline operations

Concentration on Northern Europe

Harmonization and development of customer offerings

Competitiveness in all parts of the business

Strategy 2011

The SAS Group's strategic plan, Strategy 2011, was launched in June 2007. The strategy has a clear customer and employee focus for meeting the challenge of creating a future SAS that is stronger and less complex.

Background and strategic direction

2001-2004 was the worst period for airlines in the history of the industry. The SAS Group has survived thanks to the sale of assets along with the implementation of tough cost-cutting measures. Since 2001 the SAS Group has lost nearly SEK 6 billion.

In 2006 the SAS Group posted MSEK 727 in income before nonrecurring items and for 2007 earnings amounted to MSEK 1,242. This is not enough to enable the Group to grow in the long-term.

New competitors have entered the market while at the same time many European airlines have gone bankrupt or undergone major restructuring. Despite the tough times in the airline industry, the SAS Group has made a concerted effort to reduce costs and improve its customer offerings.

The restructuring of the SAS Group is not over and against this backdrop the SAS Group and its employees are now working to complete this process under the Group's Strategy 2011 plan. The strategy was formed in the spring of 2007 following talks with more than 2,000 employees and in-depth interviews with around 100 managers, board members and union representatives.

The guiding principle in Strategy 2011 is SAS Group customers. All changes will be made with the same starting point: How can SAS deliver even better services to its over 31 million passengers and achieve the company's growth target of approximately 20% more passengers in 2011?

The friendly airlines

Business concept

Through cooperating airlines the SAS Group will offer flexible and value-for-money air travel with great freedom of choice to both business and leisure travelers in Northern Europe.

Vision

The obvious choice.

SAS Group

Goals

The SAS Group's *overall goal* is to create value for its owners.

The Group's *financial target* is a 7% EBT margin, equivalent to a CFROI of at least 25% or earnings of approximately SEK 4 billion.
For more information, see p. 10

Strategy

The SAS Group's strategy is aimed at reducing complexity and creating profitable growth on the basis of these key elements:

- *Cultural turnaround*
- *Focusing on airline operations*
- *Concentration on Northern Europe*
- *Harmonization and development of customer offerings*
- *Competitiveness in all parts of the business*

SAS Strategy 2011 in brief

- SAS will carry out a **cultural turnaround** characterized by a stronger customer orientation, clearer management and greater commitment among all our employees. p. 7
- We are **focusing** on airline operations. This is where we create the greatest value for our customers and where we can be unique. p. 8
- We are **concentrating** on air travel to, from and within Northern Europe. p. 8
- We are **harmonizing and developing** our offerings. Our customers shall see distinct, uniform, flexible and value-for-money offerings regardless of which of our airlines they fly with. p. 8
- We have to become **competitive** in all parts of our business and continue to reduce our costs. Moreover, we also have to regain world-class punctuality and regularity. p. 10
- **Profitable growth.** The target is for the Group to have 20% more passengers in 2011 compared with 2007, with higher resource utilization and less complexity in business operations. p. 11

Cultural turnaround

Work must start from the inside

It is important to create a culture within the SAS Group of committed and motivated employees so that it is possible to avoid conflicts through dialog. Strikes must not be used as a means for achieving goals. It is essential to ensure an organization that can quickly react to changes in external factors while remaining centered on the customer.

The SAS Group's cultural turnaround consequently has four focus areas:

- Cooperation with unions
- Incentive with customer focus
- Management development
- Organizational development

Cooperation with unions

In the business SAS operates it is natural and necessary to enter into agreements with unions on employment terms and conditions. Unfortunately, cooperation with unions has not been friction-free for many years and has instead led to many conflicts that have inconvenienced our customers. This is completely unacceptable and for this reason the SAS Group together with the unions will focus on creating a new cooperation model - a model based on mutual understanding of the company's strategies and goals.

Sigtuna meeting

Work on the new cooperation model began in November 2007 at a four-day seminar in Sigtuna attended by the management and the largest unions in the Group's Scandinavian business units. At the meeting, the participants expressed their shared understanding of the company's situation, vision and goals. The management and unions also agreed on the principles for the new cooperation model (the Sigtuna model), and that constructive solutions, forms of cooperation and negotiations are essential for relations with our customers and, ultimately, the success of the SAS Group.

Employees and commitment

To foster a joint commitment to the success of the SAS Group a project has been initiated that will lead to a profit-sharing and part-ownership program for all employees at an appropriate time.

Besides the work on the profit-sharing and part-ownership program the Group will to a greater extent than before integrate the company's comprehensive strategy into its daily activities through performance management. This will be accomplished through the implementation of intermediate goals and execution of performance appraisal interviews, and also include a clear link to the focus on the customer in the incentive program.

Management development

The SAS Group needs clearer management that is open and honest. A substantial part of SAS's cultural turnaround accordingly involves bolstering the skills of managers throughout the company. One of the ways this will be accomplished is through basic management training with a clear focus on management communications. Overall, communication will be strengthened through training, communications tools and improved dialog. Not least, this applies to listening and giving feedback. The Group is focusing on creating stronger management teams through new meeting structures, management development and optimal use of internal management resources.

Organizational development

A competitive company is one that quickly reacts to changes in the world around it. A customer-oriented culture requires an organization focused on future resource needs and characterized by simplicity. The customer orientation applies to all parts of the SAS Group's activities and focuses on overall efficiency and profitability. The focus in developing the organization will therefore be to ensure efficient, customer-guided processes and management throughout the Group's operations.

Within SAS the annual cost of collaborating with the unions is estimated at approximately SEK 130 million, and the group management is currently working together with the unions on streamlining these processes as part of reducing complexity.

Since employees are in daily contact with customers, it is important to nurture and encourage the creativity and ideas of employees for improving customer relations. Greater attention will also be paid to development and recruitment of future competencies.

To become an attractive employer to new employees the SAS Group also has to ensure its attractiveness among current and potential employees, a concept known as employer branding.

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.

Sigtuna 2007
– new cooperation model with unions

Changes in the corporate structure

Core business

Keep
- Scandinavian Airlines Danmark
- Scandinavian Airlines Norge
- Scandinavian Airlines Sverige
- Scandinavian Airlines International
- Widerøe
- Blue1
- SAS Ground Services*
- SAS Technical Services

Seek majority stake
- airBaltic
- Estonian Air

Non-core business

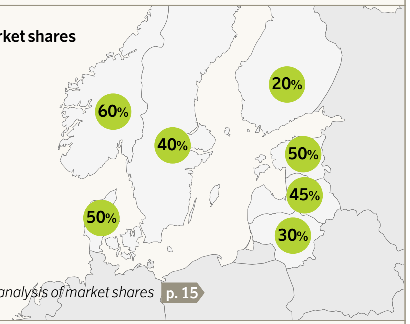
For sale
- bmi
- Air Greenland
- Spanair
- Spirit

Sold
- Newco

* *Requires implementation of MSEK 400 worth of cost reductions within 18 months plus the achievement of certain quality goals.*

In the fall of 2007 the future roles of SAS Ground Services, SAS Technical Services and Spirit, SAS Cargo's terminal handling company, were reviewed. On February 5, 2008, the board of SAS decided to outsource heavy maintenance of the Boeing 737 from STS. The decision was also made to sell Spirit.

Market shares



For analysis of market shares p. 15

Schedule for important activities in Strategy 2011

Sale of Newco	Implemented
Decision on STS and SAS Cargo	Implemented
Decision on SGS	Implemented [1]
Sale of Spanair	In progress [2]
Decision on new fleet strategy	1st half of 2008
Cost program implemented	2009
Majority stake in airBaltic	- [3]
Sale of bmi	2008-2009
Majority stake in Estonian Air	- [3]

[1] *Will be kept provided goals and conditions are met.*
[2] *Great interest shown and indicative bids have been received.*
[3] *As soon as possible during the strategy period, depending on the decision of the main owners.*

Focusing and concentration

Focusing on airline operations

The SAS Group is sharpening its focus on its core business - airlines. Airline operations accounted for the largest portion of the Group's profits and operating revenue in 2007. This is where the greatest value for customers is created and this is where SAS can be unique.

Well functioning support functions are important for customers and, ultimately, for the SAS Group. Each element has to be improved in order to offer the customer the best possible services. Operations in these areas compete in markets that are rapidly changing. Specialized global players, not just airlines, are increasingly found in these markets. The future role of support businesses in Aviation Services was under review for that reason.

Concentration on Northern Europe

The SAS Group's home market is the Nordic and Baltic countries, a market with more than 30 million people. SAS's new strategy builds on its position as Northern Europe's leading airline and the concentration on its home market and the airlines that operate there.

SAS is in the process of selling Spanair and also intends to sell its interests in bmi and Air Greenland airlines. At the same time the company's goal is to become majority owner of airBaltic and Estonian Air. This will bolster SAS Group's position in Northern Europe.

The SAS Group will develop its overall air services with the goal of capturing a bigger share of airline passengers to, from and within the company's home markets. With smooth connections between the company's hubs, SAS will become more attractive to customers.

The situation in March 2008

In September 2007 the Spanish ground handling company Newco was sold to Teinver. The divestment process for Spanair is in progress and is expected to be completed during the second quarter of 2008.

An internal solution was approved for SGS. The company will be retained provided it implements cost reductions of MSEK 400 and a quality-improvement program by the summer of 2009. Otherwise, an external solution will be sought.

The process of selling the bmi shares will continue in 2008. Discussions are taking place with the main owners with regard to the acquisition of a majority stake in airBaltic and Estonian Air.

Harmonization and development

Commercial positioning with better offerings for customers

Business and leisure travel is becoming increasingly integrated. A business traveler to London may be a leisure traveler to Malaga the next day.

In the past, a demand for great flexibility and a high service level was mainly associated with business travelers, while price was the main concern of leisure travelers. Today, both business and leisure travelers make the same demands. The SAS Group's ambition is to offer Northern Europe's most attractive flight schedule featuring more nonstop routes and more departures to both business and leisure destinations. Moreover, air services will be enhanced through Star Alliance and other strategic cooperation.

The SAS Group shall offer the market's most sought-after products. Its offerings are based on giving customers flexible, value-for-money air travel with great freedom of choice - completely depending on the customer's need for flexibility and comfort. Prices shall be the most competitive in the market and be set on the basis of one-way fares. Fare levels shall vary in step with demand and pricing shall be logical, with a good balance between price and value.

The SAS Group will streamline distribution and sales. Its goal is to get a higher percentage of customers to choose electronic channels. The Group will also increase its focus on its most loyal customers. Its ambition is for EuroBonus to be the market's leading and most attractive loyalty program bar none.

SAS intends to harmonize its offerings to an even greater extent throughout the Group. Customers are to feel at home regardless of which Group airline they fly with. Harmonization will take place in the flight schedule, products, fares/distribution and brands.

The commercial harmonization process will be handled by a newly created collaboration forum called the SAS Commercial Board, whose members include representatives from all the Group's airlines and CEO.

SAS Scandinavian Airlines passenger breakdown	2007
Business travelers	55-60%
Leisure travelers	35-40%
Charter travelers	5%

This aggressive strategy requires strong growth in the leisure segment. The goal is for leisure travelers to account for at least half of passengers, as opposed to 35-40% today.

Commercial positioning - new concept & products

IP telephony and wireless networks in lounges
SAS is the first airline to offer its passengers free IP telephony via Skype in its lounges. It also offers quick broadband connection and wireless Internet at no charge to all passengers with access to lounges.

New Fast Track at Arlanda and Gardermoen
Fast Track offers faster passage through security. Scandinavian Airlines or Blue1 Business or Economy Extra passengers and EuroBonus Gold members are offered Fast Track at most major airports.

Service benefits - on the customer's terms
SAS customers can personally customize their booking according to their desires and needs. SAS has a number of alternative offerings and ancillary products:

- Three ticket classes: Business, Economy Extra and Economy
- Food & beverages and special meals
- Business Sleeper, intercontinental
- Movies on board, Europe and intercontinental
- Access to lounge, etc.

New intercontinental routes
The SAS Group sees potential in the intercontinental area and will start this year with a route network more clearly adjusted to seasonal demand including routes from Stockholm to Bangkok and from Copenhagen to Dubai. Passengers rank SAS intercontinental traffic the third best airline of the airlines that fly across the North Atlantic.

Simple check-in by cell phone
For EuroBonus members and Travel Pass customers check-in is now offered via text message or Cell Phone Voice Control.

Customers traveling with luggage check-in by cell phone and the bag is checked in at the self-service machine at the airport.

The bag is left at Baggage Drop. For those traveling with a booking reference or paper ticket, the self-service machine also dispenses boarding cards needed to get through security and board the plane. Customers traveling by card do not need a boarding card.

Checking in via the mobile portal to and from the following SAS destinations:

- Within Scandinavia and Finland
- From Scandinavia to Europe and the rest of the world
- To Scandinavia from: *Amsterdam, Athens, Bergen, Brussels, Edinburgh, Dublin, Geneva, Helsinki, Copenhagen, London, Malaga, Manchester, Milan, Nice, Oslo, Palma, Paris, Prague, Reykjavik, Rome, Trondheim, Bangkok, Beijing, Chicago, New York, Seattle, Tokyo and Washington, D.C.*

Biometrics
The SAS Group is working on biometric solutions that save both time and resources.

For security reasons passengers who check in a piece of luggage for a flight must also be physically onboard the same flight. Scandinavian Airlines has introduced a biometric system for self-service customers.

Instead of being ID'ed when they check in a bag, passengers now leave a fingerprint on a special reader. When boarding the passengers again leave their fingerprint to verify that they are the same person. The stored fingerprints are deleted at the end of the flight. The system is in place at most Swedish domestic airports and is scheduled for installation in Norway and Denmark in 2008. In the future, biometric passports will afford further simplification of the travel flow process.

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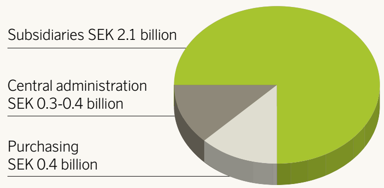
The cost program amounts to SEK 2.8 billion



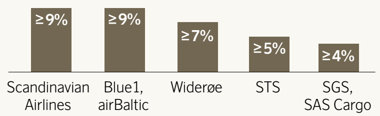
In December 2007, 25% of SEK 2.8 billion had been implemented. The plan was for 33% of the measures to be implemented.

The Group's profitability targets

EBT margin 7%	CFROI 25%	Earnings SEK 4 billion

Excluding Spanair

Subsidiaries' profitability requirements
Operating margin



The SAS Group's goal is an EBT margin of 7%. This is equivalent to a CFROI of 25%. The profitability requirement for subsidiaries is expressed as an operating margin (EBIT %).

SAS Group financial targets	Target	2007 Outcome
Adjusted equity/assets ratio	> 35%	24%
Adjusted debt/equity ratio	< 100%	142%
Financial preparedness, % of operating revenue	20%	24%

Value of the brand

Consideration
- SAS shows consideration in all that it does by accommodating its customers in a professional and cordial manner. SAS does what it can to make all customers feel appreciated.

Simplicity
- SAS strives for clarity and simplicity in its communication and in everything else it does. SAS does its utmost so that customer contact and travel with SAS airlines are perceived as flexible and efficient.

Reliability
- SAS is reliable in all that it does. SAS keeps its promises - customers, co-workers, partners and owners are to rely on the SAS Group. SAS offers safe, punctual and predictable travel.

Brand positioning

The SAS Group has a joint master brand with the same core values
- All companies are to be positioned jointly with the same positioning statement.
- All companies shall have the same design strategy and visual identity.

Brand positioning

SAS Scandinavian Airlines	Market leader in Sweden, Norway and Denmark. Growing presence in Finland and the Baltic countries and increased seasonal adaptation of intercontinental routes.
SAS Technical Services	Market leader in the Nordic and Baltic countries.
SAS Ground Services	Market leader in Scandinavia but also represented at 76 airports in 20 countries.
SAS Cargo	Leader in Northern Europe but broad network to and from Asia and the U.S.
widerøe	No. 1 on regional routes in Norway.
Blue1	Strong No. 2 position in Finland.
airBaltic	Market leader in Latvia and Lithuania.
ESTONIAN AIR	Market leader in Estonia.

The SAS Group shall maximize the value of its brands and meet competition with distinct brands. The Group's portfolio strategy consists of two brand strategies:

- *Master brand + descriptor strategy*
  SAS's master brand strategy covers Scandinavian Airlines' four airlines and shares the same brand platform, identity and design.
- *Endorsement strategy*
  The SAS Group's other airlines have their own brands and identities. The Corporate affiliation of the majority-owned airlines is visualized through endorsement, in other words by the application of "SAS Group Company" to the fuselage and other places.

Competitiveness

Increased competitiveness ensures the SAS Group's future

Since 2002 the SAS Group has carried out cost reductions equivalent to slightly more than SEK 16 billion. This has reduced the unit cost by over 30% during the same period. To maintain its position as Northern Europe's largest airline group, SAS, in the face of the prevailing intensified competition, initiated cost savings of SEK 2.8 billion in 2007.

The measures cover administration, purchasing, distribution, productivity etc. These are to be fully executed in 2009. The bulk of the earnings effects will occur in 2008 and 2009. As of December 31, 2007, 25% of the measures had been implemented. The plan was for 33% of the measures to be implemented in the corresponding period. In 2007 the central administration was reduced by approximately 20% and one project for centralizing Group purchasing now in progress is expected to cut costs by approximately MSEK 400. Several projects for Shared Services units have been started and are expected to yield effects in 2008 and 2009.

In the subsidiaries SEK 2.1 billion worth of efficiency enhancements will be implemented. Approximately SEK 0.6 billion concerns efficiency enhancements in the administration and sales organization, including a new distribution solution. The remainder of the measures pertain to productivity improvements relating to the existing operating conditions and rules set by the authorities. Of the measures approximately SEK 1 billion is related to collective bargaining agreements. The collective bargaining negotiations in 2007 did not lead to any breakthrough regarding higher productivity or other improvements. The implementation of all parts of the SEK 2.8 billion cost program is the foundation of the planned profitable growth.

Restructuring costs are expected to arise as the result of the efficiency gains. In 2007 restructuring costs amounted to MSEK 216, primarily attributable to employees idled under notice.

Airline operations, punctuality and regularity

Defined as everything from delays to canceled flights, air traffic interruptions adversely impact customers and impose extra costs on the airline. Reasons may vary from computer glitches and technical problems for aircraft to difficult ground and weather conditions, which affect all airlines. Other problems can be airport capacity limits (takeoff/landing times, terminals/gates, etc.), ATC etc.

Punctuality and regularity are very important from a competitive standpoint. One of the most basic customer requirements is that SAS Group airlines fly at the scheduled time. Punctuality is also an important requirement for being able to refine SAS's customer offerings.

The strategic focus on punctuality and regularity is based on:

- Establishing interdisciplinary cooperation between the operating activities.
- Ensuring a long-term and sustainable improvement of the most important quality parameters.

The work will be carried out within the framework for Group airline operating functions for aircraft and crew scheduling, operations management and control and in cooperation with suppliers of technical maintenance and station handling.

Vigorous improvement plans are being put in place for punctuality and regularity so that the Group's quality goals are achieved within the framework of Strategy 2011.

Below are examples of measures carried out in station and technical activities.

Improvements implemented in station activities:

- Security Fast Track minimizes arriving too late at the gate.
- Greater use of self-service check-in cuts time spent standing in line.
- Establishment of coordinator service, which monitors departures with many transit passengers.

Improvements implemented in technical activities:

- Maintenance of high focus on delivery quality.
- Increased level of service on component supplies to STS production units.
- The level of service on consumables for STS production units is substantially higher.
- Implementation of material kits for all types of checks has contributed to the streamlining of production.
- The Turnaround project in Copenhagen has given rise to a substantial reduction of Unscheduled Downtime (UDT) locally through improvements in all key processes such as planning, material supply, resource utilization and production shutdowns. In 2007 the program was continued at bases in Oslo and Stockholm.
- Delays of over 15 minutes due to maintenance planning have been substantially reduced on intercontinental routes.

SAS Group punctuality (within 15 minutes)	Target	Outcome 2007
Scandinavian Airlines Norge	90%	81.4%
Scandinavian Airlines Danmark	90%	76.8%
Scandinavian Airlines Sverige	90%	79.6%
Scandinavian Airlines International	90%	74.7%
Widerøe	90%	87.2%
Blue1	90%	84.1%
airBaltic	90%	82.5%

SAS Group regularity	Target	Outcome 2007
Scandinavian Airlines Norge	98,5%	98.6%
Scandinavian Airlines Danmark	98,5%	96.7%
Scandinavian Airlines Sverige	98,5%	97.0%
Scandinavian Airlines International	98,5%	98.6%
Widerøe	98.5%	96.7%
Blue1	98.5%	98.9%
airBaltic	98.5%	99.6%

Comparison of punctuality, 2007

SAS company		Competitor	
Blue1	84.1%	Finnair [1]	80.4%
Scandinavian Airlines Norge [2]	78.4%	Norwegian [2]	69.8%
Scandinavian Airlines [3]	80.1%	AEA-average [3]	78.9%

[1] *Pertains to arrivals.*
[2] *Oslo Gardermoen monthly average.*
[3] *International departures within Europe.* Source: AEA

Profitable growth

The goal of SAS Group's strategy is to enable profitable growth. The goal is that the Group is to have 20% more passengers in 2011 compared with 2007 and higher resource utilization.

The SAS Group's proactive growth strategy requires a rapid increase in leisure travel too. In Norway 14 new routes offering lower fares were opened in 2007.

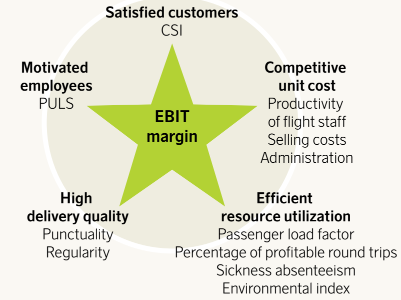
The ambition is that leisure travelers are to account for at least 50% of the SAS Group's share of passengers compared with 40% today.

The market and external factors

In terms of volume, passenger transportation by air shows a stronger long-term growth than GDP. From 1986-2007 the number of revenue passenger kilometers (RPK) climbed by an average of 6% in Europe, which is approximately 2.5 times more than the OECD's growth during the same period. This is a reflection of the general increase in prosperity along with continuing productivity increases in the airline industry.

According to Airbus and Boeing forecasts, the number of revenue passenger kilometers is expected to grow by approximately 5% until 2026. The biggest jump in the next 15 years is expected in the markets to, from and within Asia, with up to 9% growth expected in China. Within Europe, which is a more mature market, the SAS Group expects growth to be slower on short hauls for environmental reasons and increasing competition from high-speed trains. On longer distances air transportation will continue to be the first option. Given the expected technological advancements for the next generation of aircraft, traffic growth need not entail an increase in overall emissions.

SAS Group management parameters



Management of subsidiaries is complemented with goals for a number of management parameters.

SAS Group's management process

Traditional management using full-year budgets is of limited value. SAS has therefore introduced a new management process focusing on management by objectives and activities.

Current budget/business planning process replaced by:

- Targets (full-year value) for EBIT margin and management parameters are set in dialog with subsidiary.
- Focus on activities to achieve the targets.
- Follow-up is done compared to previous year, outcome of 12-month rolling period and "Rest-of-Year".

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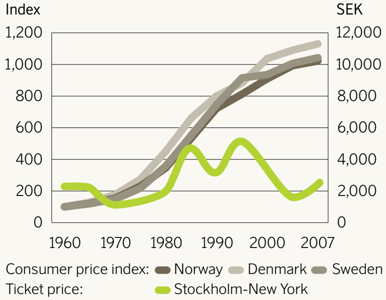
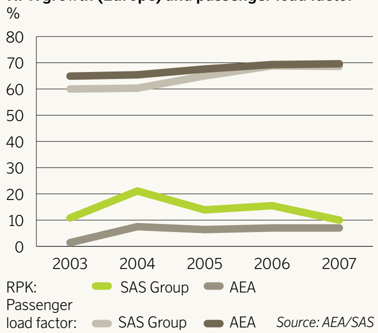
Ticket prices compared with consumer price index



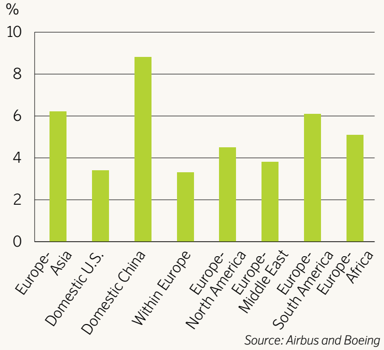
Airline tickets have barely risen in price since the 1960s despite the fact that the consumer price index in, for example, Sweden has increased 10.4 times.

RPK growth (Europe) and passenger load factor



Through a combination of organic growth and acquisitions the SAS Group has seen higher traffic growth in Europe than the AEA.

Expected market growth, 2006-2025



Market structure

The SAS Group's home market is the Nordic and Baltic countries, home to 30 million people. Despite its small population base compared with the rest of Europe the air travel market is considerable. Topographical and geographical conditions and long distances mean that air travel between several destinations is the sole possible means of transportation for business travel in particular. In SAS's home market, per capita air travel averages 3.2 trips per year, which is considerably more compared with the rest of Europe. The market comprises mature markets such as the Nordic countries and the rapidly growing markets in the Baltics. The total value of air travel in, to and from the SAS Group's home market is slightly more than SEK 100 billion per year, with more than 70 million passengers carried.

In 2007 the SAS Group carried 31.2 million passengers on scheduled services in Northern Europe. With its 40% market share SAS is the biggest player in the Nordic and Baltic airline market. Its market share increased in Latvia and Lithuania in 2007. Scandinavian Airlines Sverige also increased its market share in Sweden.

Growth opportunities

Growing faster than the market and simultaneously meeting the capital market's return requirement is a challenge. Overcapacity in the market is often a considerable financial burden and has also led to many bankruptcies in the industry. In the 2000s the SAS Group primarily focused on consolidating and streamlining SAS Scandinavian Airlines. With the implementation of this consolidation, which resulted in improved profitability, SAS Scandinavian Airlines is planning for cautious growth. Due to recent signals of an anticipated economic downturn SAS Group airlines will be cautious about increasing capacity in the time to come.

The percentage of passengers flying with SAS Group airlines on business is approximately 60%. Growth in the business segment is expected to be approximately 3-4% until 2011. The growth of leisure travel has been considerable in recent years and is expected to be 5-6% until 2011.

The SAS Group's growth opportunities are the brightest in the Baltic countries and Finland. SAS Scandinavian Airlines has a relatively low market share in international traffic to and from Sweden, which means there are opportunities to grow faster than the market. In 2007 Scandinavian Airlines Sverige opened 12 new international routes and the number of passengers increased by 5.6%. In Norway and Denmark growth matched the market level. While the SAS Group expects overall annual growth in the Nordic countries to amount to approximately 5% until 2011, it will be considerably higher in the Baltic countries, reaching above 10% in certain markets.

With its local airlines in the respective markets, the SAS Group is well poised to take part in this growth. With increased internal harmonization of its product, see p. 8, Group airlines have a good platform for strengthening the Group's position as the leading airline group in Northern Europe.

Fares

Since the 1960s the efficiency gains scored by the airline industry have far surpassed those of most other industries. In 1960 an economy class Stockholm-New York round trip ticket cost USD 440 (approximately SEK 2,300) excluding taxes. In 2007, by comparison, it was possible to book the same trip for USD 380 (approximately SEK 2,500). If airfares had followed the consumer price index in Sweden, the same trip would have cost approximately SEK 23,600 excluding taxes in 2007. Considerable streamlining has taken place in nearly all parts of the airline industry, from ground handling, technical maintenance and booking of tickets to more efficient aircraft and considerable reductions in jet fuel per passenger. While the introduction of jet aircraft represented an enormous leap, the evolution of fares shows that efficiency continues to rise.

Even in the future the airline industry is expected to have a higher potential for streamlining than other industries. The next generation of aircraft is expected to consume 30% less jet fuel and higher Internet use and electronic airline tickets will continue to drive the streamlining process. There is also potential for higher personnel productivity.

Key figures - air travel

	Million passengers	Trips/ capita	Group pass. revenue
Denmark	26.7	4.9	12%
Estonia	1.7	1.2	1%
Finland	13.0	2.5	3%
Latvia	3.1	1.4	2%
Lithuania	1.8	0.5	1%
Norway	27.5	6.0	35%
Sweden	26.8	3.0	23%

Growth in Northern Europe

	Market growth 2007, %	SAS Group growth 2007, %	SAS Group market share	Growth potential
Denmark	5.2%	0%	≈50%	Same as market
Estonia	11.6%	10%	≈50%	Very good
Finland	6.2%	–4%	≈20%	Very good
Latvia	26.6%	45%	≈45%	Very good
Lithuania	15.9%	30%	≈30%	Very good
Norway	7.1%	2%	≈60%	Same as market
Sweden	2.6%	1%	≈40%	Good

Strategy 2011 has a clear customer and employee focus for meeting the challenge of creating a future SAS that is stronger and less complex

Aviation industry value chain

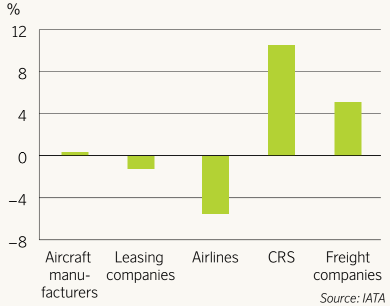
The SAS Group operates in three segments along the value chain: airlines, ground services and technical maintenance.

To achieve balance in the value chain IATA has listed the following focus areas:

- *States must permit an increasing degree of deregulation.*
- *Better balance between risk and return.*
- *Improved cost-effectiveness and productivity among airlines and optimal resource utilization.*

The SAS Group has taken important actions to more dynamically match capacity with demand and works systematically to reduce the imbalances in the value chain.

ROIC, 2001-2004



The return on invested capital (ROIC) among the various players along the value chain has historically been inequitably distributed in favor of global distributors (CRS), freight companies and airports. The airlines are now working to ensure that the connection between risk and return is reflected in returns to shareholders from now on.

Policy framework for civil aviation

SAS Group airlines operate primarily in a free and deregulated market. However, certain segments of the aviation industry are still protected by a legal framework in part based on bilateral agreements.

Regulations

National government influence over civil aviation in the EU is shrinking in general, in step with new EU laws and directives. This applies in areas such as the environment, infrastructure, safety, passenger security and passenger rights. Outside of the EU/EEA, civil aviation is regulated by bilateral agreements that contain requirements for national majority ownership and control, which are incompatible with the EU's right of free establishment. The EU's aim is for the bilateral markets reserved for flag carriers to be opened to all EU airlines.

Tax on air travel

In accordance with an ICAO policy from the 1950s, jet fuel for international aviation is untaxed. The European Parliament and some parts of the European Commission regard this as unsatisfactory. For that reason, the Commission has worked within the ICAO toward introducing a global carbon tax on jet fuel. This has not had any concrete result so far. Unlike other modes of transportation, aviation as an industry is charged for the cost of its entire infrastructure.

Norway is the only country in the world that levies both a carbon tax and a tax on NO_X on aviation. In all these taxes amounted to MSEK 177 for the SAS Group's Norwegian domestic traffic in 2007.

Consumer protection

In the EU there are clear consumer protection rules in the area of air travel. A recurring issue is compensation for overbooking or canceled flights. Overbooking is used by all airlines that offer a full refund if a customer does not show up for his flight. Certain airlines, it turns out, are not good at keeping their promises in the event of overbooking. The EU has given the industry more time to show consistent compliance, otherwise new and stricter legislation is threatened.

Infrastructure

Major European hubs have largely reached their limits for expansion. The possibility of constructing new major airports in densely populated regions is very slight, not least for environmental reasons. The lead time from idea to completed project is at least 10-15 years, and there are no known major plans for expansion or new construction in Europe. However, big projects are under way in China and India.

The lack of capacity makes it difficult for new airlines to enter the market, resulting in a scarcity of attractive takeoff and landing times, called slots. Business travelers largely demand outward flights in the morning and homeward in the evening, while leisure travelers can often fly at other times. The airlines' production and pricing reflect these patterns.

In several European countries, secondary airports are used that are located outside the major cities. They are often able to offer low takeoff and landing fees. Airport operators are in charge of allocating slots. There are ongoing discussions of how slots might be transferred to the airlines. It is clear that an airline's holding of slots may be significant for its value in the market.

Air traffic control services as well as airports have a near-monopoly vis-à-vis the airlines, which they exploit in deficiencies in overhauls and control. During this decade's crisis for airlines, they have compensated themselves through price increases in a way that would have been impossible in an open market with free entry and exit. Fees that are charged to our customers as well as Group airlines and that are paid to airports and authorities, such as Eurocontrol and the Swedish Luftfartsverket came to around SEK 9.8 billion in 2007.

Conditions in the value chain

Despite the robust growth in passenger transportation, the airline industry has historically been less profitable than other players in the value chain. This is in part because the industry is exposed to external factors often beyond an airline's control and in part because airlines have difficulty matching capacity to demand.

Distributors and other players have traditionally provided their owners with high operating margins (see diagram). Airports are being increasingly privatized, which means that state and municipal monopolies are being replaced by private monopolies with tougher profit requirements. The right to operate ground services at airports is partly regulated, hampering competition.

Airways

In Scandinavia, new, simpler airways have been introduced, and increased coordination of air traffic has begun. This collaboration will now be expanded to cover the countries surrounding the Baltic Sea. The benefits will be lower fuel consumption, shorter waiting times in the air and on the ground and less noise on approach and takeoff.

Similar efforts are under way within the framework of Eurocontrol. The aim is a Single European Sky. According to AEA estimates, this would result in a reduction of fuel consumption and thus emissions, of 10-15%. Progress on the Single European Sky is slow due to national considerations and the fact that each country protects its own air space.

Analysis of competitors

New airlines have entered the market, but nearly all of them have challenges in reaching their profitability targets. Despite a lot of competition, the SAS Group has enjoyed a relatively stable position in recent years.

Domestic/Europe

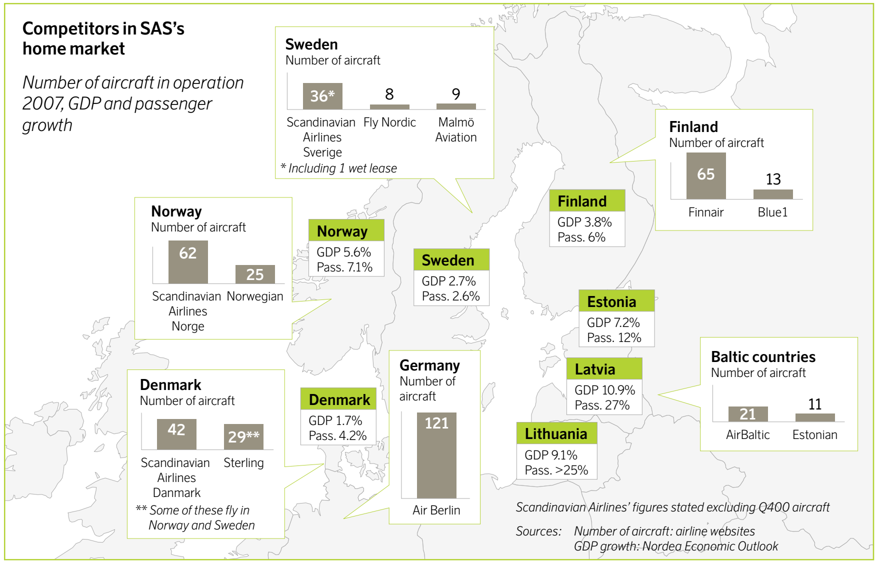
The booming economy has simultaneously resulted in good growth, while pushing up the cost of leasing aircraft. The number of new aircraft on order in Northern Europe indicates an increase in capacity moving forward, which may pose a challenge to the industry if growth becomes weaker than expected.

Currently around 150 aircraft are on order by competitors in the Baltic Sea area. In the summer of 2007, one of the SAS Group's competitors, Norwegian, decided on an investment in 42 aircraft, with an option on 42 more. The SAS Group is considering regional jets as replacements for the Q400s.

Intercontinental

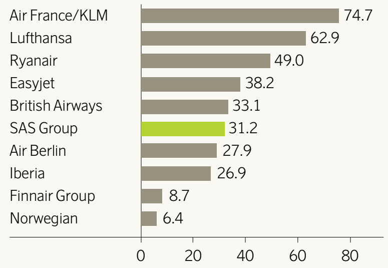
Competition stiffened in 2007 in the intercontinental airline market. Several U.S. carriers continued to move capacity from U.S. domestic routes to routes over the North Atlantic. As a result, traffic on European airlines increased by only 4.4% in 2007 and the passenger load factor declined by 0.3 percentage points.

In the Asian market the growth in capacity is taking place among airlines in the Middle East, a factor primarily affecting airlines in Central Europe.



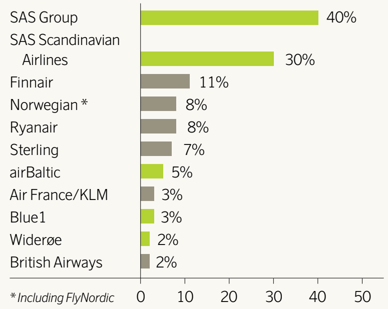
SAS Group	Main competitors in the home market	Main competitors in Europe/Globally
Scandinavian Airlines Norge	Norwegian, Sterling	Norwegian, Air France/KLM, British Airways, Ryanair
Scandinavian Airlines Danmark	Sterling, Cimber Air	Sterling, Air France/KLM, British Airways, AirBerlin
Scandinavian Airlines Sverige	FlyNordic (Norwegian), Malmö Aviation, Sterling	Finnair, Air France/KLM, British Airways, Ryanair
Scandinavian Airlines International	Finnair	Finnair, Air France/KLM, British Airways, Continental, Delta
Widerøe	Norwegian, Coast Air (bankrupt in 2008)	
airBaltic	Ryanair, Easyjet	Ryanair, Easyjet, Finnair
Estonian Air	Finnair, Easyjet	
SGS	Novia, Nordic Aero, Norport, Menzies	Swissport, Servisair, Menzies, BBA, WFS, Aviapartner
STS	Essential Aircraft Maintenance Service, Priority Aero Maintenance	SR Technics group, Iberia, Air France Industries
SAS Cargo	DHL, TNT, UPS, Posten	British Airways World Cargo, DHL, TNT

Total number of passengers, million



Excluding Spanair, the SAS Group is Europe's sixth largest airline measured in passenger volume.

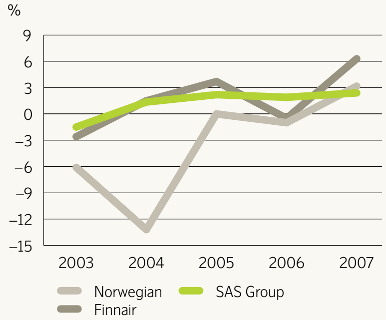
Market share, Nordic and Baltic countries



Market share based on production data (ASK) for 2007.

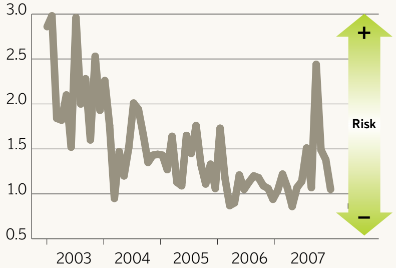
Source: APG

EBIT margin of competitors



Owing to accidents involving the Dash 8 Q400 and threat of strikes, the SAS Group's EBIT margin did not improve in 2007.

SAS Scandinavian Airlines' Risk Index, 2003-2007



SAS's risk index fell, indicating that air travel as a means of transportation is constantly becoming safer. Globally, 2007 was the best year ever in terms of flight safety.

SAS flight safety processes

Flight operations incident	Ground operations incident	Technical operations
▶ Authority ▶ Planning ▶ Communication ▶ Navigation ▶ Monitoring ▶ Cabin safety	▶ Aviation security ▶ Load control ▶ Passenger handling ▶ Clearance ▶ Hazardous goods ▶ Abnormal situations	▶ 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.

Flight safety

▶ **In 2007 the SAS Group had three accidents, and preliminary findings indicate design flaws in two of them, with one accident still under investigation.**

All SAS Group airlines are IOSA-certified. IOSA certification may be viewed as the airline industry's answer to ISO 9000 certification. In 2007 the SAS Group was affected by three accidents involving the Q400 that required emergency landing. The accidents had similar causes, the right main landing gear did not work the way it was supposed to. As a consequence of this and several years of quality problems with the Q400 aircraft, the SAS Group Board decided to permanently ground this aircraft type.

Maintenance

The SAS Group's maintenance is largely performed by SAS Technical Services (STS). Along with the airlines they perform quality work that is analyzed and evaluated on the basis of reported incidents, inspections and audits. Other suppliers' maintenance is performed under similar contract terms, which are checked and monitored separately.

Maintenance programs, agreements and related issues are approved by the authorities. All maintenance is performed according to strict rules and a strict system of inspections that ensures airworthy aircraft.

On the basis of experience and new requirements there is a particular focus on quality control in maintenance work, changes and improvements. Scandinavian Operations Management (SOM) has an action plan intended to improve the management in accordance with the airworthiness directive. The action plan was approved by the OPS Committee* at its meeting in February and was implemented in 2007.

* *Denmark's, Norway's and Sweden's civil aviation authorities' cooperation committee, primarily tasked with coordinating national regulations and oversight responsibility regarding the airline operations conducted by the SAS Consortium.*

All three accidents are still under investigation by the accident investigation board concerned.

Accidents in 2007 involving the Q400

September 9
SK1209
Copenhagen-Aalborg
During landing the aircraft veered to the right when the right landing gear collapsed. Passengers and crew evacuated the aircraft. The preliminary investigation from the Danish Accident Investigation Board points to a design flaw in the main landing gear mechanism, leading to corrosion fatigue.

September 11
SK2748
Copenhagen-Palanga
The aircraft's right main landing gear collapsed so that the fuselage plowed into the runway and came to a stop. Passengers and crew evacuated the aircraft unharmed. The preliminary investigation from the Lithuanian Accident Investigation Board points to a design flaw in the main landing gear mechanism, leading to corrosion fatigue.

October 27
SK2867
Bergen-Copenhagen
During the approach to Copenhagen the right main landing gear could not be extended completely. Passengers and crew evacuated the aircraft unharmed. The preliminary investigation from the Danish Accident Investigation Board indicates that an O-ring came loose from a component in the hydraulic system and became lodged in the main landing gear's mechanism.

Measures relating to the Q400 aircraft

On October 28, following the three accidents involving landing gear, the Board of Directors of the SAS Group decided to permanently ground its entire fleet of 27 Q400 aircraft.

The aircraft were used on Swedish domestic, Danish domestic and international routes, as well as by the subsidiary Widerøe in Norway. This affects a total of 27 of the Group's aircraft, an estimated 5% of the total capacity in terms of the number of seats. At year-end, nearly 100% of this capacity had been replaced by wet lease capacity.

The direct earnings effect for the Group of the Q400 is approximately MSEK 700 for the full year. This includes wet lease contracts and operating costs, as well as initial direct loss of earnings. A negative earnings effect of MSEK 700-800 is anticipated for full-year 2008.

Number of reported incidents in 2007

	R1	R2	R3	R4	R5
Flight operations	0	0	35	501	981
Ground operations	0	0	11	292	1,668
Technical operations	3	1	16	400	94
Aviation Security	0	0	0	61	528
Total	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 only 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 (R1-R5) as above to improve quality and decide on corrective actions. The SAS Group reports to the civil aviation authorities in Scandinavia according to ICAO regulations. Owing to a change in classification routines, the number of R5s for Flight Operations rose compared with the previous year.

The three R1 incidents in the table refer to the accidents reported above involving the Q400. In terms of both cause and impact these incidents are by their very nature to be considered extraordinary and extremely unusual in the airline industry. The other reported incidents are, seen relative to current industry standards, to be considered normal and at a level with other operators.

Aviation security and quality processes

In 2007 Group airlines were not affected by any serious incidents in aviation security. The airline industry's view is that protecting citizens from attacks and other criminal acts is society's job and is not the individual airline's responsibility.

Aviation security 2007

Turmoil in the world around us is constantly monitored by SAS's security department. Even if SAS Group airline operations are not directly affected by specific events in the outside world, SAS attaches great importance to ensuring customer and employee safety in all situations. The threat potential to Group companies has been low, but in some cases has risen when viewed from a national perspective.

In the U.K. a terrorist cell was uncovered with advanced plans of an attack on society. This was followed by the spectacular attack at Glasgow airport, which did not have the intended effect. These incidents have led to a further tightening of security measures. As a consequence of the Glasgow incidents, the vulnerability of the open part of an airport, such as departure halls, where many people gather, is now being discussed.

Within the EU there is an ongoing effort to revise the current regulations for aviation security introduced as a direct consequence of the events of September 2001. The regulations are to be adapted to the higher security standards that characterize today's airports and airlines. Work is also ongoing to harmonize EU regulations with corresponding rules in third countries. Examples of this are handling and importation of liquids and tax-free items.

SAS's successful efforts to improve self-service flows for its passengers continue. SAS's biometric method for matching passengers with checked baggage was also implemented during the year in Denmark and Norway. p. 9

Automated checking of baggage, called baggage drop, now exists at certain airports with biometric solutions.

Group Security Standards

During the year, new regulations were put in place for SAS Group Security Standards, which are Group-wide rules for security matters in the areas of aviation, properties, training, personnel and IT.

The collaboration among Group companies has developed with regard to security inspections of new destinations. A format and model for sharing performed inspections among airlines were implemented during the year. The initiative was also taken to harmonize the companies' security programs.

Measuring quality

By measuring quality the SAS Group sees how expectations concerning safety, punctuality and comfortable transportation are met. Service quality is measured by customer surveys. The goal is to achieve the best safety and competitiveness results by defining and establishing clear and measurable standards.

IT security

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

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

As in previous years, a large number of computer viruses were discovered and rejected on the Group's networks in 2007. Operations were not appreciably affected by computer viruses in 2007.

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 in two different places.

Credit card losses

The SAS Group follows the practice in the industry regarding security for credit card payments.

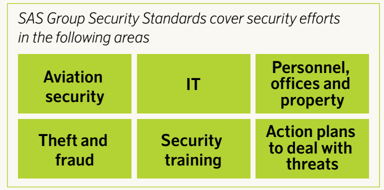
This means that all credit card transactions need to be authenticated by the card issuer before the purchase is approved. During the year SAS implemented MasterCard Secure Code and Verified by VISA, two security systems that increase security for purchases over the Internet for buyer and seller alike. Work to comply with credit card network rules described in PCI DSS (Payment Card Industry Data Security Standard) is ongoing and will become a continual overhaul of how credit card information is handled.

Operational security planning

To improve security, the authorities and the companies operating at the airports are working to prevent crimes against civil aviation.

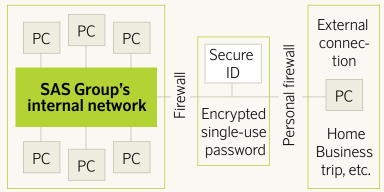
In collaboration with the Ministry of Enterprise, Energy and Communications, the Swedish Ministry of the Interior has initiated an anti-crime project to improve security in civil aviation.

SAS Group Security Standards



The overarching objective of the SAS Group's security work is to control risk exposure, thereby preventing unlawful disturbances in operations, sabotage, criminal acts, interruptions of business or financial losses. These actions are intended to ensure that Group employees and customers perceive the SAS Group as reliable from a security perspective.

Examples of the SAS Group's IT security



A new environmental strategy for the SAS Group

Responsible and sustainable traffic growth with reduced environmental impact p. 94-114

The climate issue

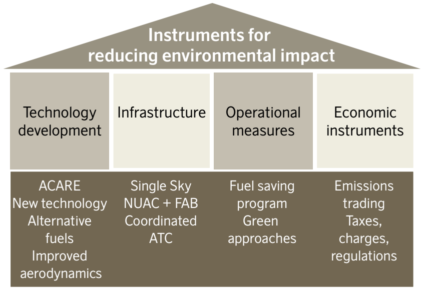
The climate issue is a reality that policymakers, business and industry and society have placed on the global agenda. SAS took its social responsibility early on in a world where more and more fossil fuel is used, with adverse environmental impacts. Along with many other industries aviation faces big challenges that require a strategy at the company level and a well-developed and coordinated political will to ensure a responsible balance between society's need for aviation and environmental concerns.

SAS endorses the conclusions of the IPCC report, which shows that aviation accounts for 2-3% of greenhouse emissions. SAS accepts that the polluter should pay for its impact and use the economically best available technology. The Group intends to take responsibility for its own carbon dioxide emissions and considers emissions trading to be an economically and environmentally effective way to reach its targets.

While the Group acknowledges aviation's contribution to the climate problem, it is vital that the debate on the magnitude of this impact be based on objective and well-documented findings. Carbon dioxide emissions from aviation impact the environment to the same extent as emissions from other sources. In addition, the latest research indicates that aviation's other emissions, such as nitrogen oxides and water vapor, have a clear climate impact. The most recent findings indicate a total climate impact that may be 1.2 to 1.8 times greater than the impact of carbon dioxide.

Instruments for reducing environmental impact

To reach its targets SAS's environmental work rests on four main pillars, Technology development, Infrastructure, Operational measures and Economic instruments.



Technology refers to the composition of the aircraft fleet, more efficient engines, improved aerodynamics, lower weight and development of alternative fuels.

Environmental aspects play a key role in processes for future fleet planning for SAS.

Infrastructure largely includes cooperation with the authorities and airport operators. Operational measures are aimed at management issues such as the fuel saving program and the like.

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 strategy

At the end of 2007/beginning of 2008 the SAS Group laid out a new strategy with appurtenant action plan for how the Group intends to actively contribute to sustainable development.

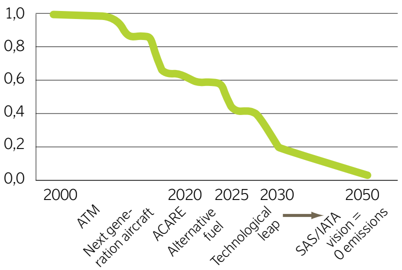
SAS will

- Create a culture among employees based on interest in and commitment to environmental work.
- Actively influence political decision-making to counteract distortion of competition both within and between various sectors.
- Have a documented sustainability appraisal as a basis for all decisions.
- Engage in strategic environmental communication.
- Promote tomorrow's solutions, build alliances and support relevant R&D projects.

Principal strategic targets

- 20% lower emissions by 2020 with traffic growth included.
- 50% lower emissions per unit produced by 2020.
- Zero greenhouse emissions by 2050.

Relative environmental impact and the SAS/IATA vision of zero emissions



The IATA and SAS's common vision for air transportation is zero environmental impact by 2050. This vision is to be realized through a number of measures.

Research and development (R&D)

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

Alternative fuel

In 2008 tests will be conducted of bio-based fuel. SAS takes an active interest in and intends to make use of developments in this area.

An intention agreement will be signed in 2008 with aircraft and engine manufacturers and suppliers of jet fuel, to ensure that SAS is able to be an early adopter of alternative fuels.

Climate index

SAS reports a climate index for CO_2 and NO_X emissions. The climate index measures the Group's total climate impact relative to production measured in RPK. For 2007 the lowest emissions ever per unit produced were reported.

The SAS Group is taking the climate issue very seriously and has in place an ambitious environmental strategy

The capital market

The SAS Group's share is primarily listed on the Stockholm Stock Exchange and secondarily listed on the exchanges in Copenhagen and Oslo. At the end of 2007 the Group's total market capitalization was MSEK 13,654. The number of SAS shares traded was at a record high in 2007, rising by 46%. The SAS Group's adjusted equity/assets ratio increased from 22% to 24%.

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%. This is equivalent to income before tax of about SEK 4 billion.

Financial strategies

Capital market and risk management

- Financial flexibility is maintained through high liquidity, adequate access to funding and an active dialog with the capital market.
- The job of finance operations is to identify, manage and handle the SAS 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.

IR/information policy

The SAS Group has an IR/information policy, set by the Board of SAS AB. To ensure sound and fair provision of information to the market, the information policy was updated in 2007.

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 policy can be found at www.sasgroup.net under Investor Relations.

Investor Relations activities

Since the introduction of a single share in 2001, the SAS Group has been working to increase interest and liquidity in the share. High liquidity is vital for major institutional investors to consider investing in it.

A key part of the communication with the capital market is the continual reporting of earnings, such as the Annual Report, interim reports and monthly traffic figures.

In 2007 the SAS Group Annual Report won first prize for large listed companies in Sweden. The competition was organized by the Nordic Exchange in Stockholm. The Annual Report was also awarded the Farmandpris in Norway. The interim reports were changed during the year in order to communicate better and simplify the analysis of the Group. In connection with quarterly reports SAS Group holds press and telephone conferences along with analysts' meetings in Scandinavia and London.

The Group also takes part in various airline industry conferences and has held a large number of investor meetings and presentations for investment clubs.

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 2007 fiscal year. This is at odds with the Group's dividend policy, whereby 30-40% of income after tax is to be distributed to the shareholders. This is motivated by the SAS Group's financial position, where financial flexibility will be of major importance in managing future restructuring measures and investment.

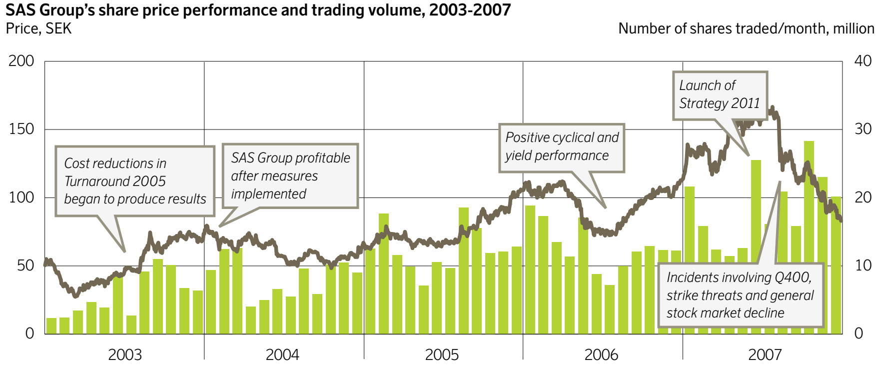
Special offer to shareholders

To strengthen the relationship between private shareholders and the Group's operations, since 2006 the SAS Group has offered private shareholders the opportunity to buy one-way and round-trip airline tickets to various destinations via a service on the website **www.sasgroup.net under Shareholder Service**. Over 1,000 trips by air have been taken on this special offer.

Capital market activities

	2002	2003	2004	2005	2006	2007
Meetings with analysts	6	6	7	6	8	5
Teleconferences	2	3	6	5	6	5
Group presentations	16	21	17	20	29	12
Personal meetings	42	59	72	74	67	80

SAS Group's share price performance and trading volume, 2003-2007



Closing (daily) price in SEK

Trading volume per month. Aggregate trading on the Copenhagen, Oslo and Stockholm exchanges.

Source: Reuters and the SAS Group.

The share

With a price rise of 36%, SAS Group shareholders saw a healthy return in the first half of 2007. In the second half of the year the share was negatively impacted by the Q400 accidents, record-high fuel prices and economic turmoil, which sent the share down 28.8% for the year.

Since 2001 the SAS Group has been listed through its parent company SAS AB on the Nordic Exchange in Stockholm, with secondary listings in Copenhagen and Oslo. Before 2001 the SAS Group was listed through parent companies in Sweden, Norway and Denmark.

In 2007 the SAS share performed very strongly in the first half of the year thanks to a strong yield, good earnings performance and the positive reception given the Group's new strategy, Strategy 2011. During the second half of the year the SAS share was negatively affected by the accidents involving the Q400, record-high fuel prices and economic turmoil. In 2007 the SAS share performed 12 percentage points below a weighted average of its competitors. Since 2005 the SAS share has trailed the index by 17 percentage points, largely due to the economic downturn in 2007.

Share return

Since December 31, 1995, the SAS Group's share has yielded an annual return, including reinvested dividends, of 4.5%. This means that an investment of SEK 100 in 1995 would have grown to SEK 159 as of December 31, 2007. Measured since December 31, 2002 the corresponding annual return has been 7.5%.

Share liquidity and index

During 2007 the number of shares traded increased by 45.7%, with a total of 223.8 (153.6) million shares traded. Since the introduction of the Nordic Exchange, trading has been concentrated in Stockholm, where the number of shares traded surged by 111%. The volume in Copenhagen decreased by 5% and in Oslo by 34%. Of the total volume, 66% (46%) was traded in Stockholm, 31% (48%) in Copenhagen and 3% (7%) in Oslo.

Total trading in 2007 amounted to SEK 19.0 (13.9) billion, an increase of 37%. This makes the SAS share the ninth most traded airline stock in Europe.

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.

Shareholders

The SAS Group had 29,053 (24,256) shareholders on December 31, 2007. A list of the biggest shareholders is shown in the table on p. 22

The total institutional holding is 35-40%, while the portion held by private individuals is approximately 10-15%. Holdings in the Nordic countries amount to approximately 85%, with Sweden accounting for 42%, Denmark 27% and Norway 16%. Holdings outside the EEA are approximately 5%, of which 4% are in the U.S. In 2007, U.S. holdings increased marginally.

Monitoring of the SAS Group by analysts

The SAS Group is monitored by approximately 20 share analysts, 12 of whom are in Scandinavia and maintain continuous contact with the company. The SAS Group is also continuously monitored by analysts in the sustainability sector.

Share analysts who monitor the SAS Group

Scandinavian analysts	Contact
ABG Sundal Collier	Lars Heindorff
Carnegie	Mikael Löfdahl
Danske Equities	Johannes Möller
DnB Nor Markets	Martin Huseby Karlsen
Enskilda Securities	Steven Brooker
First Securities	Hans Erik Jacobsen
Glitnir	Mats Hyttinge
HSH Gudme Raaschou Bank	Stig Nymann
Orion Securities	Alexander Solovjov
Jyske Bank	Michael Nielsen
Standard&Poor's	Finn Bjarke Petersen
Sydbank	Jacob Pedersen
International analysts	
ABN Amro	Andrew Lobbenberg
Citigroup	Andrew Light
Davy Stockbrokers	Stephen Furlong
Dresdner Kleinworth	Andrew Evans
Goldman Sachs	Hugo Scott Gall
JP Morgan	Chris Avery
Merrill Lynch	Samanta Glieve
Morgan Stanley	Penelope Butcher
Sustainability analysts	
Storebrand Kapital	Hege Haugen
Robur	Anna Nilsson
GES Investment Services	Martin Persson
SiRi Company	Loubana Ait-si-ahmed

SAS and the stock market

Excerpts from external analyses

" Management plans are sensible, if they can be implemented. The performance of core-SAS is creditable. Spanair's sale could help returns on capital. But, with more bad news to crystallise, it looks too early to buy.

We have waited some time since the results before publishing. This partly reflects the major surgery required to the financial model but also reflects a finely balanced decision on the recommendation. We are sticking at Hold. SAS is much closer to the perfect storm than other more vociferous companies and in general we think you should buy companies when they are awash with bad news. Progress at the core SAS airline has been decent and management has broadly sensible plans. However, we think the risk of further disappointments is rather greater than the risk of missing out on material positive catalysts that might give the share price some upward momentum.

Andrew Lobbenberg, ABN Amro
February 13, 2008

" The postponement of the divestment of SAS Ground handling has been broadly viewed as a defeat for management. However, we regard the postponement as timely because the catalyst for increasing SAS profitability is not blue-collar cost cutting; rather, we think cost-cutting will be in the hands of its pilots. SAS's future success is linked closely to the block-hour utilisation of pilots and cabin crew. During the SARS crisis, the pilots increased utilisation and other unions followed suit; however since 2005, there has been a standstill despite rapid changes in the competitive landscape. Pilots and cabin crew utilisation are still some 30% and 20% off the mark compared with the initial goal set out in the 'Turnaround 2005' strategy.

Steven Brooker, Enskilda Securities
February 8, 2008

Share data

Key data per share, SEK	2007	2006	2005	2004	2003
Market capitalization, mill.	**13,654**	19,164	17,190	9,870	11,234
No. of shares traded, mill.	**223.8**	153.6	150.0	100.8	71.7
No. of shares, mill.	**164.5**	164.5	164.5	164.5	164.5
Net income for the year after tax	**3.87**	28.10	1.06	–10.70	–9.63
Cash flow from operating activities	**17.42**	12.78	9.16	–8.75	–7.09
Dividend	**0.00**	0.00	0.00	0.00	0.00
Dividend as % of earnings after tax	**0%**	0%	0%	0%	0%
Book equity	**104.13**	99.49	69.93	67.09	78.40
Share price at year-end	**83.0**	116.5	104.5	60.0	68.0
Highest share price during the year	**167.5**	116.5	104.5	79.5	75.0
Lowest share price during the year	**83.0**	72.25	62.5	48.4	27.4
Average price	**131.4**	96.1	75.6	61.7	51.3
Share price/equity at year-end	**80%**	117%	142%	88%	85%
Dividend yield, average price	**0.0%**	0.0%	0.0%	0.0%	0.0%
P/E ratio, average	**34**	3	71	neg	neg
P/CE ratio, average	**8**	8	8	neg	neg

Distribution of shares Dec. 31, 2007	No. of shareholders	No. of votes	% of share capital	% of all shareholders
1-500	20,012	3,849,748	2.3%	68.9%
501-1,000	4,488	3,443,113	2.1%	15.4%
1,001-10,000	4,127	10,883,488	6.6%	14.2%
10,001-50,000	280	5,949,757	3.6%	1.0%
50,001-100,000	61	4,364,135	2.7%	0.2%
100,001-	85	131,572,394	80.0%	0.3%
Unknown owners		4,437,365	2.7%	
Total	29,053	164,500,000	100.0%	100.0%

Change in share capital*	Event	Number of new shares	Total number of shares	Par value/ shares 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 May 2001 the SAS Group was listed through SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.*

Top 15 shareholders in the SAS Group*		
Dec. 31, 2007	Number 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 Wallenberg Foundation	12,427,980	7.6%
Unionen	2,917,600	1.8%
SEB Funds	2,830,520	1.7%
Första AP-fonden	2,678,459	1.6%
National Bank of Denmark	2,289,294	1.4%
Goldman Sachs International Ltd, W8IMY	2,219,370	1.3%
Andra AP-fonden	2,102,764	1.3%
Nordea Funds	1,677,718	1.0%
Handelsbanken Funds	1,442,518	0.9%
Livförsäkrings AB Skandia	1,340,100	0.8%
SSB CL Omnibus OM07	1,318,057	0.8%
Gamla Livförsäkrings-aktiebolaget	860,200	0.5%
Other shareholders	48,145,420	29.3%
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

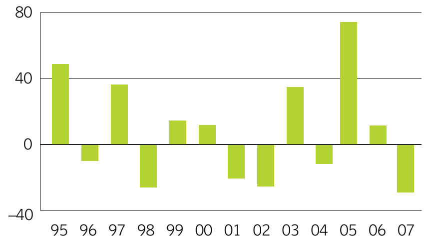
	Reuters	Bloomberg	Share distrib.
SAS AB,			
Copenhagen	SAS.CO	SAS DC	55 mill.
Oslo	SASNOK.OL	SAS NO	26 mill.
Stockholm	SAS.ST	SAS SS	83 mill.

Shareholders per exchange	2007	2006	2005
Copenhagen	22,586	17,891	17,355
Oslo	1,597	1,572	1,239
Stockholm	4,870	4,793	4,227
Total	29,053	24,256	22,821

No. of shares traded on respective stock exchange (million)	2007	2006	Difference
Stockholm SE	147.5	70.1	111%
Copenhagen SE	69.6	73.3	–5%
Oslo SE	6.7	10.2	–34%

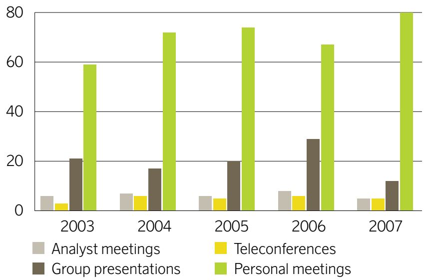
Source: Reuters

Annual total return on SAS Group share
%



Average annual effective return for 1995-2007 was 4.5%.

SAS Group's level of activity in the capital market 2003-2007
Number of meetings

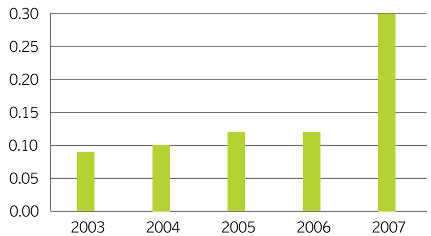


The SAS Group held over 100 meetings with investors, owners and analysts in 2007.

Share price performance
The SAS share and a European industry average 2007
Index = 100

Source: Reuters

Share of total trading, in Swedish kronor, of SAS Group shares on the Stockholm Stock Exchange, 2003-2007
%



Sources: Stockholm Stock Exchange and the SAS Group.

The SAS share's percentage of total trading on the Stockholm Stock Exchange increased sharply in 2007.

External factors, cycles, seasonal variations and risks

The airline industry is directly and indirectly affected by a large number of different external factors. The SAS Group is working proactively to prepare and adapt its operations to deal with various external risks.

The SAS Group closely follows economic trends, capacity trends, jet fuel prices and other conceivable risks in order to quickly adapt its operations and take advantage of the opportunities external changes can provide. Passenger growth is normally approximately 2.5 times the growth rate of global GDP and approximately 1.5 times that of mature markets such as the Nordic countries.

The SAS Group has prepared routines covering a range of events that the Group cannot control for the purpose of minimizing the negative economic effects.

The SAS Group monitors major macroeconomic factors such as future growth forecasts, export forecasts and consumer consumption forecasts in its main market.

Forecasts and capacity changes

A major profitability factor that the airline industry can affect is the seat capacity available in the market.

Globally, approximately 1,100 aircraft were delivered in 2007 while 400 were taken out of service. This is equivalent to a net increase of 3.4% of the world's total aircraft fleet, which is lower than the anticipated 5% growth in global traffic.

In 2008-2011 net deliveries of aircraft are expected to increase 3.9% annually. The capacity increase in the number of available seat kilometers will be somewhat higher, 5.4% during the period, because the number of seats per aircraft is increasing, primarily as a result of the introduction of the Airbus A380.

Airports with capacity problems will be served to a greater extent by the new Airbus A380. The Airbus A380 is not expected to serve the Nordic and Baltic countries. Instead, major airports in Europe, which are approaching their maximum capacity regarding total air transport movements (takeoffs and landings), can solve their problems by introducing these large aircraft.

The net addition in capacity will result in new routes and more frequencies. Thanks to the huge demand in Asia and the south Pacific region the value of aircraft deliveries for these markets is expected to exceed the corresponding value for North America in the next 20 years. The growth of new airlines has also changed the structure of the European airlines. In the last 10 years, the number of new nonstop routes in Europe has increased by about 100%. Moving forward, direct connections from Europe to above all Asia are expected to increase.

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 vary between different markets. The SAS Group has gradually developed sophisticated methods to dynamically adjust capacity to demand on a monthly and weekly basis, for example in connection with major holidays.

Demand on intercontinental traffic flows also varies. The number of passengers on U.S. routes doubles from April to September. In 2007 the SAS Group introduced a new strategy for capacity allocation on intercontinental routes. As a result of the new strategy, three new intercontinental routes, of which two are seasonal, were opened. For example, Dubai and Bangkok are winter program destinations.

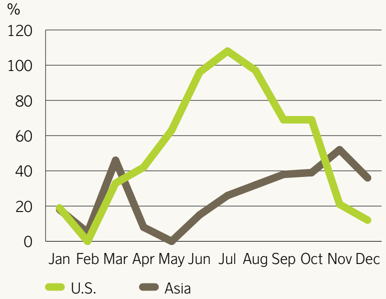
The capacity adjustments have made a major contribution to higher profitability. The SAS Group will continue to develop its dynamic adjustment of capacity.

Risks

The SAS Group is working strategically to improve its management of risks. Risk management comprises both sudden risks and known risks such as changes in the price of oil or exchange rates. While the Group monitors and manages the comprehensive risks centrally, some risk management rests with the subsidiaries and involves identification, action plans and policies.

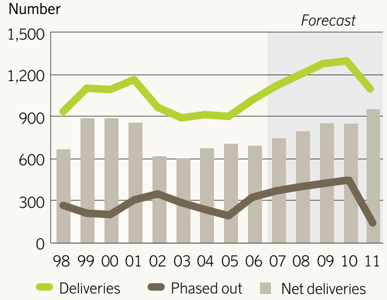
Since the airline industry is exposed to external factors such as acts of terrorism, war and epidemics, great flexibility in the cost structure is strategically important for handling declines in demand. Greater flexibility will be ensured through an even distribution of aircraft leases, alternative production models (wet lease instead of in-house production for expansion), flexible agreements with personnel, improved planning processes and volume-variable agreements. The SAS Group is also exposed to risks in IT security and payment security, see p. 17 and public confidence risks relating to safety and the environment on p. 110

Seasonal variations on SAS's U.S. and Asian routes

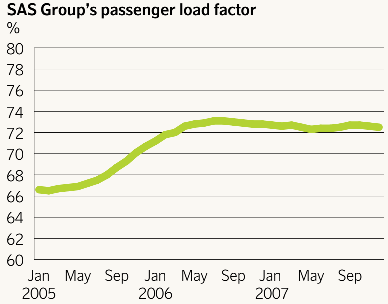


The number of passengers on SAS's U.S. routes rises by over 100% from March to September, while the high season on the Asian routes is from November to December.

Deliveries of aircraft - worldwide 1998-2011

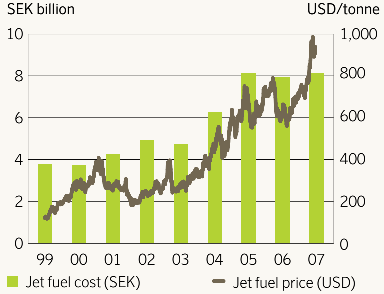


SAS Group's passenger load factor



The SAS Group has worked strategically on adjusting its capacity more dynamically to demand. Together with commercial initiatives such as the introduction of one-way fares, the Group has succeeded structurally in increasing the passenger load factor by approximately 6 percentage points, to more than 72%.

Jet fuel costs vs. jet fuel prices



SAS Group's jet fuel costs

In 1999 jet fuel accounted for 9% of the SAS Group's costs. The corresponding figure today is over 17%.

Detailed overview of jet fuel hedging 2008

	Q1	Q2	Q3	Q4
Options *	20%	14%	22%	30%
Redemption price (USD/tonne)	664	713	881	827
Swaps	7%	8%	10%	13%
Price (USD/tonne)	708	706	702	829
3-way **	16%	16%	5%	
Price (USD/tonne)	723	781	800	

* *Excluding premium.*
** *3-Way Option has a hedging ceiling of 800-900 tonnes/USD.*

Estimated jet fuel cost 2008 * SEK billion

	6.5 SEK/USD	6.75 SEK/USD	7 SEK/USD
600 USD/tonne	7.1	7.4	7.7
800 USD/tonne	8.8	9.1	9.5
1000 USD/tonne	10.2	10.7	11.0

** 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, 2007, was taken into consideration.*

Geographic exposure

The Group is active in several markets and is therefore affected by different economic cycles, mitigating the Group's exposure. On the other hand, exposure to major global trends and events does not change. Economic growth in 2007 was still good in the countries where the SAS Group is primarily exposed. The Group follows anticipated developments and adjusts its production to ensure the correct capacity in the market.

Jet fuel

The SAS Group's policy is to hedge 40-60% of its anticipated consumption of fuel in the coming 12-month period. In 2007 jet fuel accounted for slightly more than 17% of the Group's operating costs compared with barely 9% in 1999. The SAS Group's exposure to changes in jet fuel prices has increased in line with the rise in the world market price due to lower other operating costs and focus on airline operations.

For the entire airline industry jet fuel costs now account for approximately 25% of operating costs. The Group's outlay for jet fuel amounted to MSEK 8,104 (7,953). Adjusted for positive currency effects owing to a weaker USD, fuel costs rose by MSEK 811 due to higher prices and increased volume. By hedging jet fuel, the SAS Group was able to conduct its operations with more predictability and avoid sudden price movements.

Of its planned consumption in 2008 the SAS Group has hedged 42%. Most of the hedging was implemented through options and swaps.

The Group's fuel strategy

Based on the SAS Group's hedging of jet fuel in December 2007 jet fuel costs may vary. To the left is a table with different assumptions. The SAS Group's strategy for handling higher jet fuel prices is based on three measures:

- Hedging of jet fuel.
- Yield management.
- Price adjustments.

In 2006-2007 it was possible to neutralize most of the cost increase through the above measures, but should demand weaken in 2008 it will become increasingly challenging to handle fuel cost increases through yield management and/or price adjustments.

Currency exposure

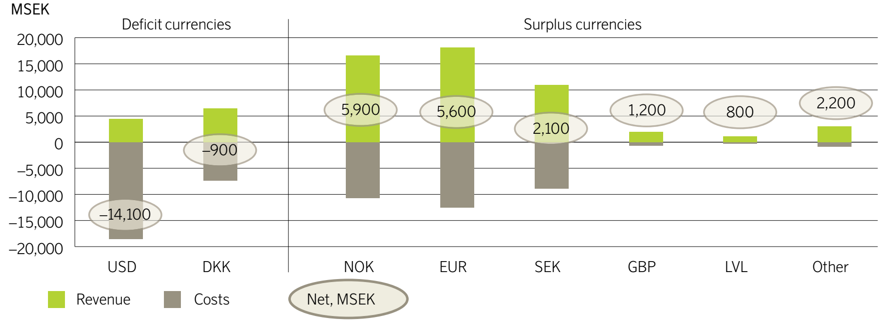
The Group is active internationally and is thus exposed to different currencies. Transaction risk arises during exchange rate fluctuations that affect the amount of commercial revenues as well as costs, thereby impacting the Group's operating income. Currency exposure is managed by hedging on an ongoing 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 (see diagram below). In 2007 the USD weakened against the Group's largest surplus currencies: SEK, NOK and EUR. The SAS Group has hedged approximately 68% of the USD deficit with forward contracts and options in 2008.

Liquidity

To guarantee adequate payment capacity, financial preparedness shall be equivalent to 20% of the SAS Group's annual operating revenue. Credit risks are divided among many players and to minimize them transactions may be signed only with counterparties with high creditworthiness, defined as category A3/P-1 or better according to Moody's. For further information, see Note 29 p. 76

Currency breakdown in the SAS Group 2007*



The SAS Group's largest deficit currency is USD because major expenses such as jet fuel and leasing charges are paid in USD. The most important surplus currencies are NOK and EUR.
** Includes Spanair.*

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 2007 by slightly more than 20% and amounted to approximately MUSD 27 (35).

Comments on the Group's sensitivity analysis

Airline operations

A 1% increase in passenger traffic represents approximately MSEK 310 in increased operating revenue for the SAS Group. In general a 1% increase of the passenger load factor is worth more for profitability if the yield drops by 1% at the same time. A 1% change in the yield, all else being equal, affects earnings by approximately MSEK 390.

Net currency effect and interest rate sensitivity:

The SAS Group's largest deficit currency is USD due to aircraft leasing and jet fuel costs. A 1% appreciation of USD would negatively impact the SAS Group's earnings by MSEK 140 per year before currency hedging. Because a USD gain often leads to higher fares the net effect is limited.

SAS Group's sensitivity analysis

Approximate relations between main operational key figures for Scandinavian Airlines and the SAS Group's financial and environmental result. While the impact on earnings cannot be totaled it illustrates the earnings sensitivity (excl. 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	260	310
Passenger load factor	1 percentage point change in passenger load factor, MSEK	350	430
Unit revenue (Yield)	1% change in passenger revenue per passenger km, MSEK	330	390
Unit cost	1% change in airline operations' unit cost, MSEK	290	340
Jet fuel	1% change in the price of jet fuel, MSEK	70	80
	1% change in consumption of jet fuel, equivalent tonnes of CO_2 (000)	41	62
Aircraft			
	1 short and medium-haul aircraft out of service, earnings impact per day, MSEK		–0.25
	1 long-haul aircraft out of service, earnings impact per day, MSEK		–1.0
Net currency effect and interest rate sensitivity, MSEK			
Revenues and expenses	1% weakening of SEK against USD		–140
	1% weakening of SEK against NOK		60
	1% weakening of SEK against DKK		–10
	1% weakening of SEK against EUR		55
	1% weakening of SEK against LVL		10
	1 percentage point decline in average interest rate		14

Reporting of pension plans

The SAS Group has applied IAS 19 for reporting the Group's defined benefit pension plans since 1996. The reporting of the size of the pension commitments is based on set parameters regarding interest, inflation, salary increases, etc.

Any actuarial gains and losses are amortized according to the remaining earning period, 15 years, in the pension plans. Due to changes in market assumptions the decision was made to lower the assumptions regarding the rate of return beginning January 1, 2007, by 1 percentage point in Sweden and Denmark and 1.5 percentage points in Norway. Overfunding exists in several of the SAS Group's pension plans, which means that as of December 31, 2007, the SAS Group had a positive difference of MSEK 1,516 between funded assets and commitments. For detailed information see Note 18 on p. 73

Taxes

The SAS Group has approximately MSEK 4,300 in unutilized tax loss carryforwards in continuing operations. This means that the SAS Group will not have tax payable until these loss carryforwards have been utilized, which will have a positive impact on cash flow in future periods. Deferred tax receivables have been recognized for approximately 83% of the accumulated loss carryforwards.

F.A.Q

- Frequently asked questions

Why does the SAS Group have so many different types of airplanes?

The SAS Group serves markets with widely fluctuating traffic volumes. To be able to offer more frequencies different sizes of aircraft are necessary. If SAS were to use only one type of aircraft many destinations could not be served. Alternatively, the number of frequencies would be reduced and/or capacity utilization measured as passenger load factor would decline, resulting in higher costs and higher fares. The SAS Group attempts to balance the need for a broad selection of routes with a smaller number of aircraft types. This is part of the Group's fleet strategy.

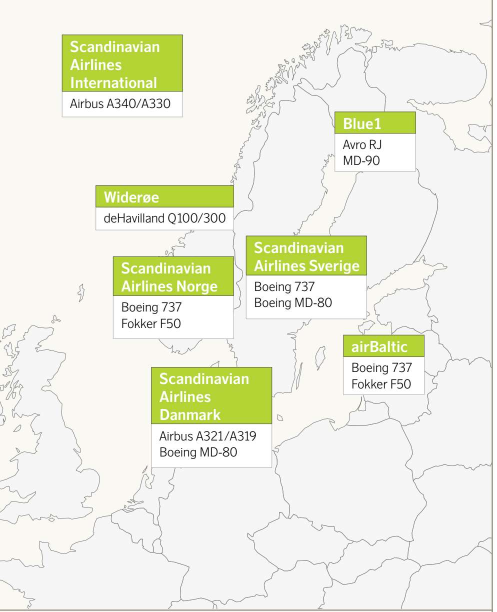
Why must the SAS Group reach earnings of SEK 4 billion?

Enabling the SAS Group to finance future capital expenditures on the aircraft fleet, customer offerings and employees and provide a reasonable return to its shareholders requires annual earnings of approximately SEK 4 billion. This is equivalent to an EBT margin of 7%.

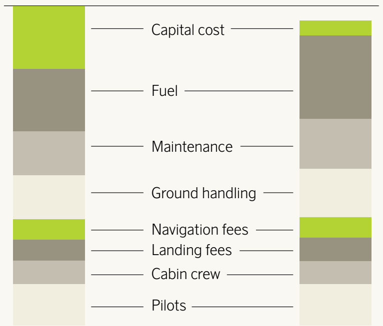
How will the SAS Group achieve its 20% growth target by 2011?

The growth rate is equivalent to 5% per year, which is only slightly higher than the anticipated market growth rate. Growth will be achieved through a combination of new aircraft orders and short and long-term aircraft leasing. However, the growth must be profitable and requires the SAS Group to recapture market share.

SAS Group's fleet by airline



Cost comparison per seat, Boeing 737 vs. MD-82



Average age of the SAS Group's total MD-80 fleet is 18.4 years. However, the cost per seat is lower than for Boeing 737s since low capital costs will offset somewhat higher fuel and maintenance costs

The aircraft fleet

The number of aircraft in the SAS Group increased in 2007 from 255 to 260. Three new Boeing 737s will be delivered in 2008 at the same time as the replacement of the already phased out Q400s will start.

Q400 taken out of service

On October 28 the SAS board decided to permanently ground the Q400. For the time being Scandinavian Airlines Danmark and Scandinavian Airlines Sverige have replaced Q400-capacity with flight schedule changes and wet leased aircraft from other airlines. Over the next few years the majority of the Q400s that previously served Scandinavian Airlines Danmark should be replaced by other aircraft. Scandinavian Airlines Sverige will replace its Q400s primarily with Boeing 737s and an amended route structure. Widerøe will likely phase the new generation Q400 into its fleet.

The Q400s previously operated by Scandinavian Airlines and Widerøe are currently undergoing upgrading, and will be sold to operators outside the SAS Group as the aircraft are finished.

Renewal of SAS's aircraft fleet

Estimates, which do not take economies of scale into consideration, show that the MD-80 has MSEK 5-10 higher profitability than aircraft produced today. The capital cost is MSEK 20 lower for the MD-80, while fuel and maintenance costs are MSEK 10-15 higher. The lower capital cost also provides a cost advantage when matching production to seasonal demand.

The MD-80 and Boeing 737 Classic have no technical limitations. The MD-80 fleet has a long remaining useful life of 10-15 years. The MD-80 is a very well-designed, highly reliable aircraft but has certain limitations in meeting today's strictest noise requirements. Hush kits are now on the market, and SAS is testing them.

With respect to fuel consumption, the fuel price can double without the seat cost for the aircraft becoming more expensive than what it is for newly manufactured aircraft in the same size class. More than a third of Scandinavian Airlines MD-80 fleet has been phased out since 2001. Economic trends, environmental considerations and technological development will determine the pace of the phase-out.

The research and technological developments taking place at aircraft and engine manufacturers indicate that a new generation of short- and medium-haul aircraft featuring approximately 20% lower fuel consumption compared with today's best aircraft may be ready before 2015.

After investing approximately SEK 36 million in new aircraft from 1998 to 2004 the Group is in the midst of a period of low expenditure. At the end of 2007 the SAS Group had firm orders for aircraft valued at MUSD 176 (MUSD 109).

SAS Group's total aircraft fleet, December 2007.
For technical information about the fleet p. 116

	Average age	Owned	Leased	Wet leased	Total	Leased out	Order
Airbus A330/A340	5.6	5	6		11		
Airbus A321/A320/A319	4.0	4	8		12		
Boeing 737-series	10.2	20	70		90	4	5
McDonnell Douglas MD-80-series	18.4	13	44		57	13	
McDonnell Douglas MD-90	10.9	8			8	3	
BAE Systems Avro RJ-70/85/100	8.6		9	4	13		
Fokker 50	18.1		14		14		
Bombardier Q-series*	9.9	17	34		51		
Bombardier CRJ200	7.5			4	4		
Total	11.6	67	185	8	260	20	5
By airline							
SAS Scandinavian Airlines	11.3				198	20	5
Widerøe	12.5				28		
Blue1	6.2				13		
airBaltic	15.5				21		
Total	11.6				260	20	5

** Includes 27 deHavilland Q400s taken out of service.*
The wet leased aircraft include only the aircraft leased for a longer period of time.

Financing, investment, liquidity & capital employed

The SAS Group's financial key figures were strengthened in 2007 thanks to a positive cash flow and continued releasing of capital. The airline industry is capital intensive and financing is an important part of the SAS Group's operations.

Financing

The SAS Group uses commercial paper, bank loans, bond issues, subordinated loans and leasing as sources of financing. No new borrowing took place in 2007. Aircraft-related sale and leaseback transactions brought in a total of MSEK 1,407.

At the opening of 2007 the SAS Group had MSEK 5,336 in unutilized credit facilities. In the first quarter of 2007 a MUSD 156 loan was renegotiated to a credit facility maturing in 2011. Furthermore, a one-year credit facility of MSEK 500 was renegotiated to a three-year MSEK 250 facility. At the end of 2007 the Group had contracted credit facilities of MSEK 6,345, of which MSEK 6,098 (5,336) was unutilized.

At the end of 2007 the SAS Group's interest-bearing debt amounted to MSEK 12,042 (16,478), of which approximately MSEK 4,600 matures in 2008. In addition to planned amortization of MSEK 1,940, loans equivalent to MSEK 2,760 were amortized in advance. Approximately MSEK 1,000 of the early amortization pertains to repurchases of bond issues maturing in 2008. The rest of the change in interest-bearing liabilities is primarily attributable to exchange-rate fluctuations.

Fixed rate period

On December 31, 2007, the SAS Group's financial net debt amounted to MSEK 1,231. The fixed rate period of the net debt is kept between one and six years. Various types of derivative instruments such as long-term interest rate swaps, FRAs and futures are used to adjust fixed rate terms. The average interest rate maturity varied during the year, but was an average of approximately 3.9 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 SAS Group has financial targets for equity/assets and debt/equity ratios. The adjusted equity/assets ratio improved in 2007, amounting at year-end to 24% (22%).

The financial net debt of MSEK 1,231 decreased by MSEK 2,903 during the year. At the end of 2007 the SAS Group's lease-adjusted financial net debt (7 x annual leasing costs) relative to shareholders' equity was 142% (168%).

Standard & Poor's has been rating the SAS Group's credit since September 2007. SAS was assigned a long-term rating of BB with stable outlook. At the end of October Standard & Poor's revised its outlook for the Group's creditworthiness from stable to negative. Moody's did not revise its assessment of the SAS Group's creditworthiness in 2007; its rating is still B1 with stable outlook. The Japanese rating institute Rating and Investment Information Inc. also rates the SAS Group's credit, which during 2007 had a long-term rating of BB+.

Rating in the airline industry

	Moody's	Standard & Poor's
Southwest Airlines	Baa1	A–
Qantas	Baa1	BBB+
Lufthansa	Baa3	BBB
British Airways	Baa3	BBB–
Japan Airlines		B+
All Nippon Airways	Baa3	BB+
SAS Group	B1	BB
Northwest Airlines	B1	B+
Delta Air Lines	B2	B
Continental	B2	B
American Airlines		B
United Airlines		B
US Airways	B3	B–
Air Canada	C	B

Investment and investment needs

Investment for the year amounted to MSEK 2,683 (2,299), of which aircraft, other flight equipment and prepayments accounted for MSEK 1,730. During 2007 the SAS Group purchased three Boeing 737s, two A319s and one A321. Five of these aircraft were later included in sale and leaseback transactions.

Expenditures will increase in the future, primarily due to the replacement of the Q400 fleet. In the slightly longer term expenditures will also increase when the MD-80 and Boeing 737 are replaced.

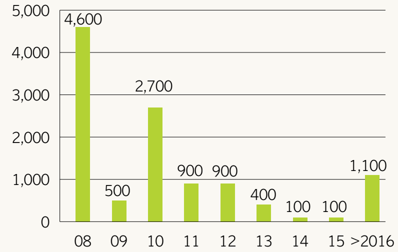
Environmental investment

During 2007 the SAS Group's environment-related expenditures amounted to MSEK 39 (66). Most of these are attributed to an investment of MSEK 24 in winglets for 5 aircraft and MSEK 15 for GPS equipment.

Operating lease commitments

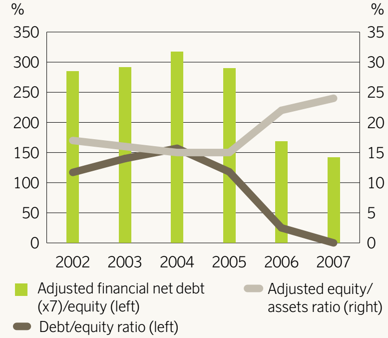
The capital market uses a multiple of seven in calculations of relevant key figures, including in regard to debt/equity ratios. In the loan market, the present value calculation is more relevant since it measures contracted leasing commitments. At the end of

Amortization of interest-bearing liabilities, Dec. 31, 2007
MSEK



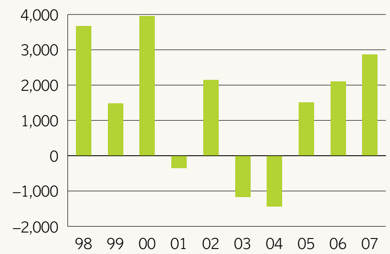
In 2007 the Group amortized MSEK 4,700. Early amortization amounted to MSEK 2,760 and planned amortization totaled MSEK 1,940 during the year.

Debt/equity ratio and adjusted equity/assets ratio



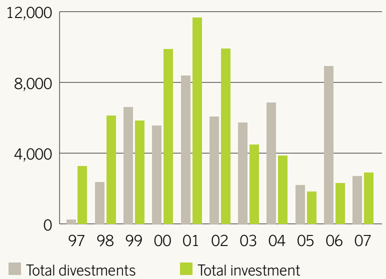
The SAS Group's financial key figures continued to improve in 2007.

Cash flow from operating activities, 1998-2007
MSEK



The SAS Group's cash flow from operating activities improved further in 2007 by MSEK 764, but has to increase even more in the future to enable the Group to undertake new investment.

Total investment and divestments, 1997-2007
MSEK

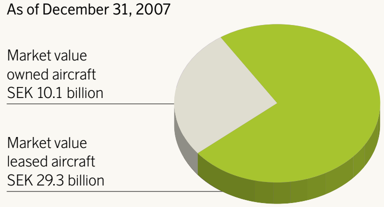


From 1998 to 2004 the SAS Group made large capital expenditures on aircraft. In 2006 the Group sold Rezidor Hotel Group, which explains the sales value.

Operational flexibility, lease maturity
Number %

A high percentage of leased aircraft with an even maturity profile in combination with owned aircraft that can be readily disposed of decreases business risk. It also provides an opportunity to quickly adjust the size of the fleet to new operating conditions.

Breakdown of the SAS Group's total aircraft fleet
As of December 31, 2007



The SAS Group's 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.

2007, the Group's capitalized leasing cost (x 7) was MSEK 24,304 (24,682) and the present value of the leasing contracts was MSEK 12,496 (12,748).

Distribution of owned and leased aircraft

At December 31, 2007, the market value of the SAS Group's owned and leased aircraft amounted to approximately SEK 39.4 (39.4) billion. The SAS Group has prepared guidelines concerning the composition of owned and leased aircraft. The most important criteria are assessments of capital costs, residual value risk and operational flexibility. An airline can carry out the same operations with an aircraft fleet consisting solely of owned aircraft, solely of leased aircraft, or a mixture. The SAS Group decides to own or lease aircraft on the basis of a number of parameters, which are defined in a 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 an expected high residual value and be readily leased or sold. The norm is to own aircraft valued at under MSEK 25,000.
- *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.

Foreign exchange risks arise through the ownership of aircraft, since these assets are valued in USD, while their book value is in SEK. By borrowing in USD this asset base is protected from unfavorable exchange rate movements. The Group's norm is to maintain a level of USD indebtedness equivalent to 50% of the book value of the aircraft fleet.

Leasing, MSEK	2007
Capitalized leasing costs (x 7)	24,304
Leasing costs (NPV)	12,496

Aircraft on firm order	Total	2008	2009	2010
CAPEX (MUSD)	176	120	56	0
Number of aircraft	5	3	2	0

Existing committed credit facilities for the SAS Group at December 31, 2007

MSEK	Total	Utilized	Unutilized	Maturity
Revolving credit facility, MEUR 366	3,467	-	3,467	2010
Revolving credit facility, MNOK 98	116	-	116	2011
Revolving credit facility, MUSD 156	1,008	-	1,008	2011
Bilateral bank facilities	500	-	500	2011
Bilateral bank facilities	500	-	500	2009
Bilateral bank facilities	250	-	250	2010
Other facilities	504	247	257	2008-2009
Total	6,345	247	6,098	

Financial preparedness

The SAS Group has chosen to maintain a high level of financial preparedness in the form of liquid assets and contracted unutilized credit facilities since its risk of exposure to external events is high. The goal is for financial preparedness to amount to a minimum of 20% of the SAS Group's operating revenue, of which at least half is to be held in liquid assets. On December 31, 2007, financial preparedness amounted to MSEK 15,091, with liquid assets amounting to MSEK 8,993 and unutilized credit facilities totaling MSEK 6,098. This provides a financial preparedness level of 24%. The SAS Group's liquid assets shall be held in instruments with adequate liquidity or short maturity with a credit rating of no lower than A3/P-1 according to Moody's.

Releasing capital

Moving forward the SAS Group will focus mainly on strategic divestments. In 2007 the SAS Flight Academy and Newco companies were sold. The remaining shares in Rezidor Hotel Group were also divested and these sales boosted the Group's cash flow by approximately MSEK 1,300. Sale and leaseback transactions for three Boeing 737s, one Airbus A321 and two Airbus A319s were implemented at a total sale price of MSEK 1,407. Five of these aircraft were acquired in 2007. One Dash 8 Q100 was also sold in 2007 for MSEK 46.

In 2006, 26 aircraft were sold and the Rezidor Hotel Group was divested. These transactions represent a financial contribution of MSEK 8,552.

Cash flow and working capital

2007's cash flow from operating activities amounted to MSEK 2,866. MSEK 2,177 consists of cash flow from operating activities and MSEK 689 from the reduction in tied-up working capital.

The SAS Group has a positive working capital, the net value of which amounted to approximately SEK 9.2 (7.5) billion as of December 2007. Working capital improved in 2007 by MSEK 1,400 mainly owing to efforts to achieve efficient management of working capital.

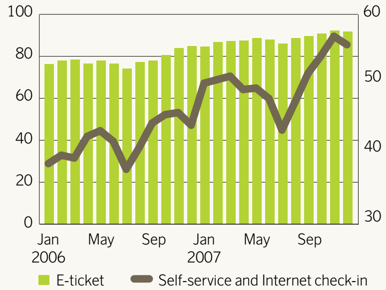
We’re proud of our customer offerings, and now we’re becoming even better

The offerings are based of giving the customers flexible and value-for-money air travel with great freedom of choice between different products - completely depending on the customer’s need for flexibility and comfort.

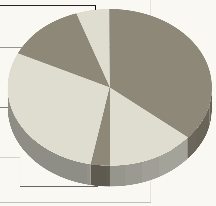
SAS Scandinavian Airlines

The carriers making up SAS Scandinavian Airlines are aimed at both business and leisure travelers. The product concepts have been designed to offer the most freedom of choice. All together the airlines in the business area had 185 aircraft and flew to 126 destinations with an average of 822 daily departures in 2007.

E-ticket, % Self-service and Internet check-in, %

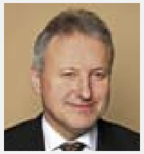


Scandinavian Airlines traffic breakdown in 2007, million passengers and change from 2006



The largest percentage of passengers is carried on short and medium-haul routes in Europe.

Block hours	**2007**	2006	2005
Scandinavian Airlines Norge			
Pilots	583	560	550
Cabin	599	604	584
Scandinavian Airlines Danmark			
Pilots	549	536	533
Cabin	627	628	611
Scandinavian Airlines Sverige			
Pilots	562	581	544
Cabin	620	679	701
Scandinavian Airlines International			
Pilots	586	574	600
Cabin	-	-	-



Responsible for the business area:
Deputy CEO & COO
John S. Dueholm

Summary statement of income, MSEK	**2007**	2006	2005
Passenger revenue	**33,031**	31,603	29,810
Revenue	**40,155**	38,631	36,859
EBIT before nonrecur. items	**1,999**	1,919	279
EBIT margin before nonrecurring items	**5.0%**	5.0%	0.8%
EBT before nonrecur. items	**1,765**	1,252	–374

Detailed statement of income and more key figures p. 45

The business area comprises Scandinavian Airlines Norge, Scandinavian Airlines Danmark, Scandinavian Airlines Sverige and Scandinavian Airlines International. SAS Scandinavian Airlines System was founded in 1946 with the first intercontinental flight to New York. In 2004 the operations in Denmark, Norway and Sweden were incorporated, while interncontinental flights were organized in the business unit Scandinavian Airlines International. Scandinavian Airlines was a founding member of Star Alliance in 1997 and cooperates with several other partners to offer the best possible network.

In 2007 25.4 million passengers flew with Scandinavian Airlines. Business area airlines serve 126 destinations in Scandinavia, the rest of Europe, North America and Asia. The business area is the Group's largest, with 65% of gross revenue in 2007.

Customers and loyalty program

SAS Scandinavian Airlines has designed product concepts to give both business and leisure travelers the most freedom of choice. In 2007 several new services were introduced that improved our customer offerings, such as Fast Track, improved service onboard, more frequent flights and better matching of capacity to demand. In 2008 several new destinations, tailored primarily to leisure travel, will be opened.

EuroBonus is SAS Scandinavian Airlines' loyalty program and had 2.7 million members at year-end. During the year the number of members increased by 1.9%. In 2007 new agreements were signed with Shanghai Airlines, which joined Star Alliance in December 2007. An agreement was also signed with SIXT car rental.

Owing to the incidents involving the Q400 the quality of the survey of customer satisfaction could not be assured, which is why this will be reported later this year.

SAS has already taken actions primarily to deal with the gap between customer-perceived punctuality and actual punctuality.

Traffic results

SAS Scandinavian Airlines' overall traffic fell 0.7% in 2007. Since capacity fell by 0.3% at the same time, this resulted in somewhat lower utilization and passenger load factor, which amounted to 74.1%. The yield was very strong during the first half of 2007, stabilizing in the second half. In all the yield increased by 6.5%. During the year, Scandinavian Airlines opened 18 new routes, of which three were intercontinental.

Punctuality and regularity

Scandinavian Airlines' goal is to be Europe's most punctual airline. In 2007 the targets for punctuality or regularity could not be met. This was primarily due to labor conflicts in March-June and to logistics problems involving technical maintenance as well as the accidents involving the Q400. Punctuality within 15 minutes amounted to 79.3% (78.1%). The target for punctuality is an average of 90%. Punctuality on arrival was 80.6 (78.4)%. The target for regularity, the percentage of non-canceled flights, is 99% in the summer months and 98% in the winter months. In 2007 an average regularity of 97.6% (97.8%) was attained.

Sustainability

During the year the positive trend was amplified that characterized the business area's sustainability work during the entire 2000s. Fuel efficiency was the best in the history of the operation. This means that the carbon dioxide emissions connected with this fell further compared with the previous year.

Scandinavian Airlines Norge

Scandinavian Airlines Norge carried 10.2 million passengers in 2007, of which 0.5 million traveled by charter. The company flies to 43 destinations. Scandinavian Airlines Norge's aircraft fleet consists of 54 Boeing 737s and six Fokker F50s.

CEO Ola H. Strand
www.sas.no

Key figures, MSEK	2007	2006	2005
SAS Group's holding	**100%**	100%	100%
Share of the home market	**60%**	61%	65%
Average no. of employees (of which 44% women)	**2,465**	2,604	2,840
Revenue	**13,411**	12,579	12,258
EBIT before nonrecur. items	**1,038**	396	621
EBIT margin before nonrecurring items	**7.7%**	3.1%	5.1%
EBT before nonrecur. items	**1,057**	404	630
Environmental index	**91**	93	100

More key figures p. 45

Important events in 2007

- SAS Braathens changed its name to Scandinavian Airlines Norge.
- New routes were opened between Oslo-London City and Ålesund-London Gatwick.
- The Norwegian Data Inspectorate gave its permission to use biometrics to check whether passengers who check in baggage also board their flight. Biometrics were introduced on all Norwegian domestic routes in November.
- A leisure market product featuring low fares to vacation destinations in Europe was launched. So far, the decision has been made to open 14 new routes in 2008.
- Scandinavian Airlines Norway was found guilty of using sensitive business information from its competitor Norwegian.

Scandinavian Airlines Norge has been a wholly owned subsidiary in the SAS Group since 2004. The result of the merger of Braathens and Scandinavian Airlines in Norway, 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. Starting January 2008 Scandinavian Airlines Norge will be responsible for approximately 50% of the flights between Oslo and Copenhagen. The airline coordinates the Group's sales operations in Norway. The company has 2,465 FTEs and operates 340 flights daily.

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. 111

Market performance

Scandinavian Airlines Norge's earnings in 2007 were a distinct improvement compared with the preceding year and the company was not far from meeting the Group's profitability requirement. The positive trend was primarily driven by a strong economy, which was apparent in the number of passengers and increased business travel. The domestic market remains favorable, with good growth. To meet the demand for leisure travel, Scandinavian Airlines Norge has so far launched 14 new selected destinations in this segment. At the same time unprofitable routes were consolidated and adjusted to a certain extent.

Traffic and earnings

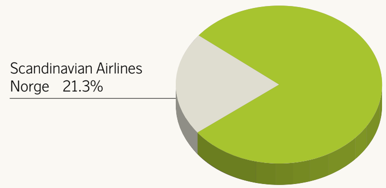
Scandinavian Airlines Norge's total traffic increased by 0.1% in 2007 with passenger volume up by 1.8%, primarily because of the expansion of Norwegian domestic traffic, which saw the number of passengers increase by 3.2%. Total capacity decreased during the year by 1.1% after some less profitable routes were closed, a move that brought the passenger load factor up by 0.8 percentage points to 69.6%.

Revenue increased in 2007 by 6.6%, totaling MSEK 13,411. The increase is due to more passengers and a 6.5% rise in the yield. Operating expenses amounted to MSEK 11,366, an increase of 1.8%, which was due to higher technical maintenance and pension costs. The unit cost rose by 2.3%. Though Scandinavian Airlines Norge has no Q400s it was adversely affected by the reallocation of aircraft to Scandinavian Airlines Sverige and Scandinavian Airlines Danmark.

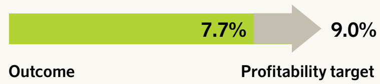
Market outlook

Norway's overall market grew 7% in 2007. Though the strong growth is expected to continue, the pace will be somewhat slower in 2008, with the European routes noting the biggest increases. Stiff competition and pressure on prices look set to continue. In Norway a total annual market growth rate of 3-4% is anticipated for the next few years.

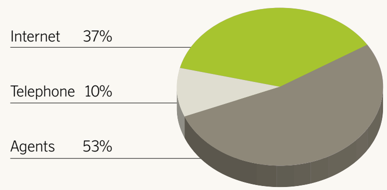
Share of Group revenue

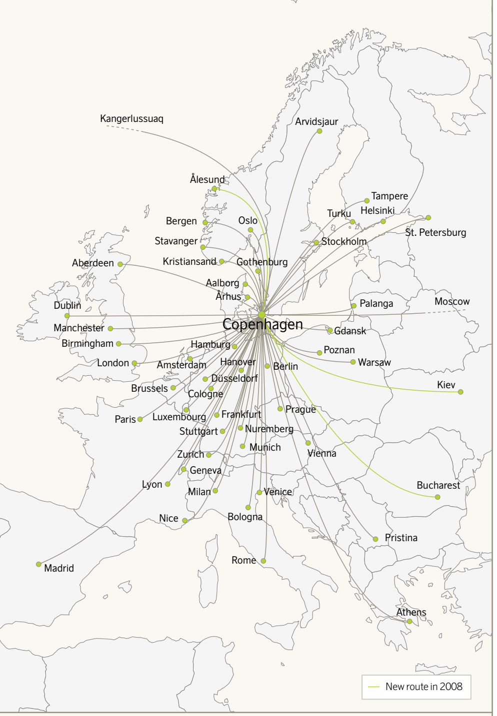


EBIT margin



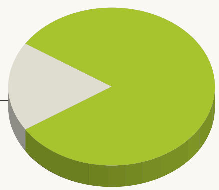
Booking channels in 2007





Share of Group revenue

Scandinavian Airlines Danmark 18.5%



EBIT margin

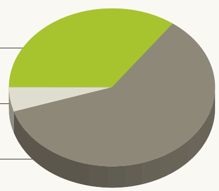
Outcome **Profitability target**

Booking channels in 2007

Internet 35%

Telephone 5%

Agents 60%



Scandinavian Airlines Danmark

Scandinavian Airlines Danmark carried 8.7 million passengers in 2007, 0.6 million of whom traveled by charter. The airline flies to 51 destinations. Scandinavian Airlines Danmark's aircraft fleet consists of 12 Airbus A321/319s and 26 MD-80s.

CEO Susanne Larsen
www.sas.dk

Key figures, MSEK	**2007**	2006	2005
SAS Group's holding	**100%**	100%	100%
Share of the home market	**45%**	47%	49%
Average no. of employees (of which 57% women)	**2,188**	1,983	1,628
Revenue	**11,659**	10,924	10,263
EBIT before nonrecur. items	**433**	186	–618
EBIT margin before nonrecurring items	**3.7%**	1.7%	–6.0%
EBT before nonrecur. items	**459**	182	–615
Environmental index	**94**	98	100

More key figures p. 45

Important events in 2007

- Blizzards in February resulted in four days of major traffic problems, leading to 469 canceled departures.
- Wildcat strikes among cabin crew resulted in 98 canceled departures on March 21 and 702 canceled departures on April 24-27.
- In August the Board of the SAS Group decided to move half of the production on the Oslo-Copenhagen route to Scandinavian Airlines Norge, to guarantee reliable service to customers.
- In September-October three Q400 aircraft crash-landed owing to problems with the landing gear. No one was injured in the accidents.
- New routes to Greenland opened on a seasonal basis.
- In October the Group Board decided to permanently ground the Q400s, and 16 of Scandinavian Airlines' 50 aircraft were withdrawn from service.

Scandinavian Airlines Danmark has been a wholly owned subsidiary in the SAS Group since 2004. The airline leads the market in traffic to, from and within Denmark. All sales in Denmark for all Group airlines are coordinated by Scandinavian Airlines Danmark. The airline will develop Copenhagen as a hub for traffic between Northern Europe and the rest of the world.

Scandinavian Airlines Danmark has 2,188 FTEs and operates 271 flights daily. In 2007 the airline carried 8.1 million passengers in scheduled service (8.7 million including charter) with a fleet numbering 43 aircraft, including wet lease.

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. 111

Market performance

In 2007 Scandinavian Airlines Danmark showed very strong underlying earnings improvement. Despite the accidents involving the Q400 the improvement was considerable compared with the previous year and is explained by a higher yield and expanded charter activity, resulting in higher traffic revenue. The expanded charter operation is enabled by greater aircraft utilization, which also helped to boost productivity for the pilots. The company is working continuously on other productivity improvements and well-balanced revenue control.

Traffic and earnings

In 2007 Scandinavian Airlines Danmark's passenger traffic fell by 1.4% and the number of passengers by 1.6%. At the same time capacity rose by 1.5% owing to the opening of two new substantially longer routes to Greenland and Pristina. The passenger load factor deteriorated by 2.1 percentage points to 70.0%. Traffic rose during the year on Danish domestic by 9% thanks to the new seasonal route to and from Greenland.

Revenue increased in 2007 by 6.7%, totaling MSEK 11,659. Operating expenses amounted to MSEK 10,505, an increase of 5.6%, owing to higher jet fuel prices and higher capacity.

The unit cost fell by 4.5%. Earnings include MSEK 116 in compensation from the Confederation of Swedish Enterprise for the pilots' conflict in 2006. The Q400 situation had a profoundly negative impact on earnings in 2007.

Market outlook

The overall market in Denmark grew by 5% in 2007. The increase pertained to local traffic, while transfer passenger volume shrank. The market outlook for air travel is still favorable, and Scandinavian Airlines Danmark is expected to grow and bolster its market position.

Scandinavian Airlines Sverige

Scandinavian Airlines Sverige carried 6.5 million passengers in 2007, 0.3 million of whom traveled by charter. The airline flies to 57 destinations. Scandinavian Airlines Sverige's aircraft fleet consists of 19 Boeing 737s and 16 MD-80s.

CEO Anders Ehrling
www.sas.se

Key figures, MSEK	2007	2006	2005
SAS Group's holding	**100%**	100%	100%
Share of the home market	**49%**	48%	55%
Average no. of employees (of which 61% women)	**1,704**	1,615	1,468
Revenue	**8,779**	8,273	7,777
EBIT before nonrecur. items	**622**	525	–311
EBIT margin before nonrecurring items	**7.1%**	6.3%	–4.0%
EBT before nonrecur. items	**625**	504	–338
Environmental index	**95**	95	100

More key figures p. 45

Important events in 2007

- In 2007 nine new nonstop routes started to/from Arlanda and three new nonstop routes to/from Gothenburg.
- SAS renewed a general agreement with the Swedish government on all routes.
- Scandinavian Airlines Sverige's cabin crew went on strike in May, causing a standstill for five days on all routes.
- On October 28, SAS decided to withdraw the Q400 aircraft from production, seven of which were operated by Scandinavian Airlines Sverige.
- In November it was decided to enlarge the fleet with two Boeing 737-800s in 2008.

Scandinavian Airlines Sverige has been a wholly owned subsidiary in the SAS Group since 2004. The airline operates air service to/from and within Sweden and coordinates the Group's sales activities in that country. Scandinavian Airlines Sverige is a market leader on domestic routes in Sweden.

Scandinavian Airlines Sverige has 1,704 FTEs and operates 193 flights daily. In 2007 the airline carried 6.2 million passengers in scheduled service with a fleet numbering 36 aircraft, including wet lease and excluding Q400s.

Target

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

The environmental target for 2011 is an index of 89. p. 112

Market performance

Scandinavian Airlines Sverige showed an improvement in earnings in 2007. During the year progress continued on "Nya Inrikesflyget" and "Nya Europaflyget" for domestic and European destinations, respectively. The earnings improvement is explained by a positive performance of the passenger load factor and good cost control, despite higher fuel prices.

In 2007, capacity was reallocated from charter to scheduled operations. For its international service Scandinavian Airlines Sverige launched 12 new nonstop routes, which were well received and bolstered the airline's competitiveness.

Traffic and earnings

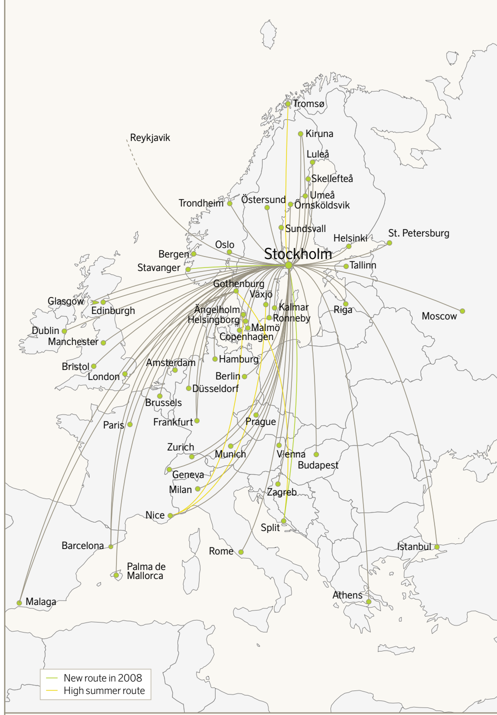
In 2007 Scandinavian Airlines Sverige's passenger traffic rose by 10.2% and the number of passengers by 5.6%. Capacity increased by 9% because of the new international routes, and the load factor improved by 0.8 percentage points to 70.7%. The earlier marked overcapacity in the Swedish market diminished somewhat in 2007, and Scandinavian Airlines Sverige increased its market share during the year. On European routes, traffic was up 15%.

Revenue in 2007 was up 6.1%, amounting to MSEK 8,779, owing to increased traffic and more passengers. Operating expenses amounted to MSEK 7,621, an increase of 7.8%, owing to higher capacity and higher jet fuel prices. The Q400 situation had a profoundly negative impact on earnings in 2007.

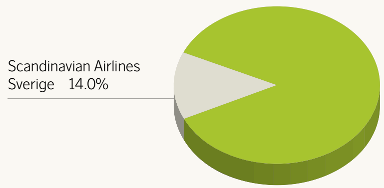
Market outlook

In 2007 the overall Swedish market grew 2.6%, and Scandinavian Airlines Sverige captured market share. Growth is expected to continue in 2008 and will be highest on international routes.

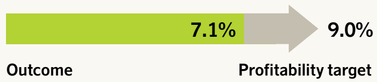
Competition is assumed to be stiff during the period, and Scandinavian Airlines Sverige will continue its efficiency-enhancing measures.



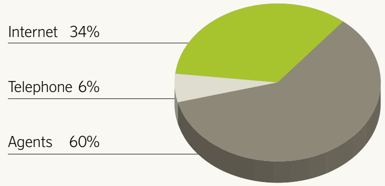
Share of Group revenue



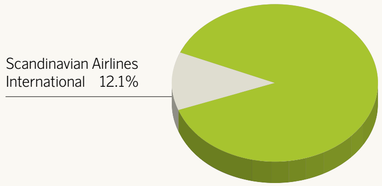
EBIT margin



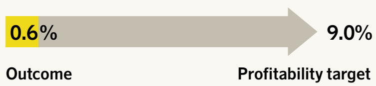
Booking channels in 2007



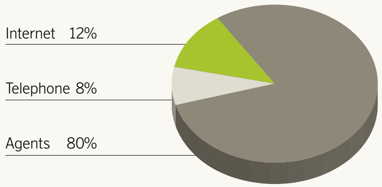
Share of Group revenue



EBIT margin



Booking channels in 2007



Scandinavian Airlines International

Scandinavian Airlines International carried 1.3 million passengers in 2007. The airline flies from Stockholm and Copenhagen to eight destinations: four in the U.S., three in Asia and one in the Middle East. The aircraft fleet consists of seven Airbus A340-300s and four Airbus A330-300s.

CEO Lars Sandahl Sørensen
www.flysas.com

Key figures, MSEK	2007	2006	2005
SAS Group's holding	**100%**	100%	100%
Share of traffic to the U.S.	**31%**	25-30%	30-35%
Share of traffic to Asia	**15%**	15%	15-20%
Average no. of employees (of which 44% women)	**782**	650	671
Revenue	**7,625**	7,805	7,736
EBIT before nonrecur. items	**43**	169	–74
EBIT margin before nonrecurring items	**0.6%**	2.2%	–1.0%
EBT before nonrecur. items	**54**	169	–48
Environmental index	**106**	103	100

More key figures p. 45

Important events in 2007

- New routes opened between Stockholm and both Bangkok and Beijing, and between Copenhagen and Dubai.
- A new closer partnership with Air China was introduced, including several code-share destinations in China.
- A new, more flexible fare structure was introduced.
- SAS Business Sleepers are now installed on all aircraft.

Scandinavian Airlines International, which was founded in 2004, is a business unit in the SAS Consortium with two main activities:

- Intercontinental air routes.
- Sales activities in Asia and North America as well as in Europe outside the Nordic countries for all SAS Group airlines.

Scandinavian Airlines International has 782 FTEs and operates 18 flights daily. In 2007, the unit carried 1.3 million passengers with a fleet consisting of 11 aircraft.

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. 112

Market performance

Competition, above all over the North Atlantic, continued to stiffen in 2007. Despite a reduction in Scandinavian Airlines International's capacity, passenger flows from Scandinavia increased.

The airline was adversely affected by strikes in other SAS Group companies, disruptions in heavy maintenance and also the Q400 through less transfer traffic, leading to weaker earnings than for 2006. In addition to the weak passenger revenue trend, the company was impacted by reduced cargo revenue.

Traffic and earnings

In 2007 Scandinavian Airlines International's passenger traffic fell by 5.6% and the number of passengers by 4.7%. Capacity was reduced by 5.7%, due in part to increased technical maintenance and reconfiguration and in part to reduced capacity to Asia. The Copenhagen-Shanghai route was closed and replaced by the shorter Stockholm-Beijing route. The passenger load factor improved by 0.1 percentage points to 82.9%.

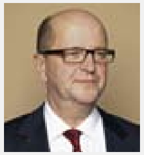
Revenue fell in 2007 by 2.3%, totaling MSEK 7,625. This is due to reduced capacity and lower freight revenue. Operating revenue amounted to MSEK 6,923, the same level as the previous year despite higher jet fuel prices. The unit cost rose by 4.3%. The Q400 situation had a profoundly negative impact on Scandinavian Airlines International owing to fewer transit passengers.

Market outlook

The number of passengers in the airline's markets are expected to show continued robust growth. Copenhagen's and Stockholm's favorable geographical locations make them natural hubs for intercontinental service between Northern Europe and Asia/ North America. International traffic is expected to grow by 5-6% between Europe and North America. Between Europe and Asia, expectations are 5-9%. Competition is expected to stiffen further through an increase in capacity over the North Atlantic and between Europe and Asia. Scandinavian Airlines International plans to continue to open new intercontinental routes in 2008/2009.

SAS Individually Branded Airlines

The airlines in the business area offer travel in both the leisure and business segments, with business models tailored to their particular markets. All together the consolidated airlines in the business area had 62 aircraft and flew to 92 destinations with an average of 438 daily departures in 2007.



Responsible for the business area:
President & CEO
Mats Jansson

Summary statement of income, MSEK	2007	2006	2005[1]
Passenger revenue	**5,570**	5,137	9,536
Revenue	**7,190**	6,532	14,352
EBIT before nonrecur. items	**379**	151	415[2]
EBIT margin before nonrecurring items	**5.3%**	2.3%	2.9%
EBT before nonrecur. items	**383**	142	264

[1] *Including Spanair, Aerolineas de Baleares and Newco.*
[2] *Including capital gains.*

Detailed statement of income and more key figures p. 46

Formed in 2001, the SAS Individually Branded Airlines business area comprises the airlines Widerøe's, Blue1 and airBaltic. It also includes the strategic affiliated company Estonian Air, as well as the affiliated companies Air Greenland, British Midland (bmi) and Skyways.

Widerøe operates both regional air service in Norway and regional international routes. Blue1 provides air service within and to/from Finland. Operating from its Riga and Vilnius hubs, airBaltic is the leading airline in the Baltics. Blue1 is a member of Star Alliance™. The affiliated company Estonian Air operates from its Tallinn hub.

Customers and loyalty program

In line with Strategy 2011 product offerings will be harmonized more with Scandinavian Airlines.

Blue1, Widerøe, airBaltic and Estonian Air are linked to the SAS Group's loyalty program. The SAS Group is growing in Finland and the Baltics. At the end of 2007 the number of EuroBonus members in Finland and the Baltic countries totaled 250,400, which is 9.8% more than the previous year. Of these, just under 2.3% were EuroBonus gold members, most of whom were in Finland. The total number of members rose in all countries in 2007.

Traffic results

In 2007, the number of passengers in the business area rose 11.2% to 5.8 million. In all, the business area's traffic rose by 22.3% and accounted for 13,8% of the Group's total traffic. The passenger load factor improved by 1.8 percentage points to 64%, owing to capacity management at Blue1 and Widerøe in particular.

Traffic growth was highest in the Baltics, where airBaltic's traffic was up 50.4%. airBaltic's traffic rose by 56.6% to/from its Riga hub and by 37.7% at its Vilnius hub. During the year Blue1 reduced its capacity between Finland and Scandinavia, but increased capacity on Finnish domestic. The number of passengers on Finnish domestic rose by 6.7%, with Blue1 capturing market share.

Widerøe's saw positive traffic performance and succeeded in raising the number of passengers carried by 2.5% despite cutting capacity. Performance was particularly strong on Norwegian domestic routes.

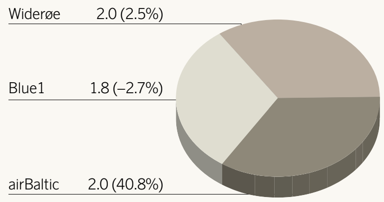
Punctuality and regularity

The airlines are working to meet punctuality and regularity targets set on the basis of their market assumptions. In 2007, 84.1% of Blue1's flights departed within 15 minutes of scheduled departure times, and 98.9% of scheduled flights were completed. Although Widerøe was affected by the grounding of the Q400s, it still managed to improve its regularity further to 96.7%, with punctuality at 87.2% (87.1%). airBaltic's punctuality was 82.5% (85.3%) during the year.

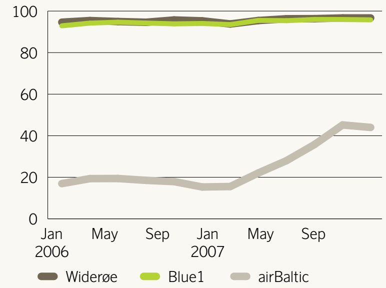
Sustainability

The carriers in SAS Individually Branded Airlines work continuously to improve environmental performance. In 2007 the environmental index improved for most companies in the business area.

SAS Individually Branded traffic breakdown in 2007, million passengers and change from 2006



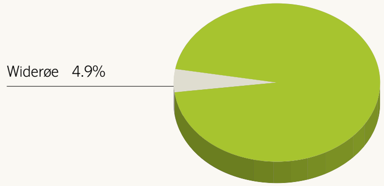
E-ticket, %



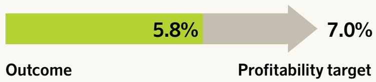
Customer satisfaction	2007	2006	2005
Widerøe	60	63	62
Blue1	69	70	74
airBaltic	63	66	-
Estonian Air	61	65	-

Block hours	2007	2006	2005
Widerøe			
Pilots	436	449	478
Cabin	411	434	436
Blue1			
Pilots	658	635	693
Cabin	696	638	696
airBaltic			
Pilots	805	820	786
Cabin	789	757	751
Estonian Air			
Pilots	666	607	708
Cabin	663	622	721

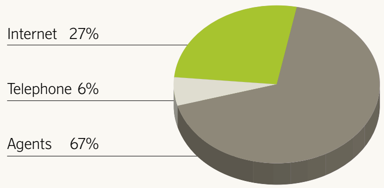
Share of Group revenue



EBIT margin



Booking channels in 2007



Widerøe

The largest regional airline in the Nordic countries, Widerøe carried two million passengers in 2007. Its airline fleet consists of 28 turboprop aircraft serving 36 airports in Norway and seven abroad.

CEO Per Arne Watle
www.wideroe.no

Key figures, MSEK	2007	2006	2005
SAS Group's holding	**100%**	100%	100%
Share of the home market	**13%**	13%	14%
Average no. of employees (of which 35% women)	**1,358**	1,393	1,331
Revenue	**3,051**	2,941	2,831
EBIT before nonrecur. items	**177**	35	89
EBIT margin before nonrecurring items	**5.8%**	1.2%	3.2%
EBT before nonrecur. items	**162**	22	60
Environmental index	**92**	95	100

More key figures p. 46

Important events in 2007

- In April Widerøe opened a new route to Finnmark after winning the Norwegian government's competitive bidding process for air services to and from the region. The contract covers two aircraft and runs for three years. Widerøe also won a competitive bidding process for air services to Andenes, a route it had taken over after Coast Air withdrew.
- In the wake of the accidents involving the Q400 in Denmark and Lithuania, the SAS Group permanently grounded the entire Q400 fleet. Widerøe's four Q400 aircraft accounted for 30% of its daily seat capacity and have been temporarily replaced by Dash 8 Q300s and wet leases.

Widerøe is the largest regional airline in the Nordic countries, with operating revenue of SEK 3 billion and 1,358 employees. Widerøes Flyveselskap AS was started by five entrepreneurs in 1934. One of them was Viggo Widerøe. Based outside Oslo at that time, Widerøe operated air taxi and ambulance services along with a flight school and an aerial photography business. In the 1950's its business expanded to seaplane routes in northern Norway. These were replaced by land air routes after the authorities established short runway airports in the region and put air operations out to bid. In 1970 Widerøe was reorganized to enable it to assume the leading role in developing air routes.

Widerøe has 264 daily departures to 43 domestic and international destinations, with approximately 2 million passengers annually.

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. 112

Market performance

Widerøe's earnings are the best in the company's history. Despite the accidents involving the Q400, Widerøe exceeded its preceding year's earnings by a large margin. The company has handled the Q400 accidents by optimizing traffic and technical planning, and through wet leases. A strong economy and an improved concept resulted in more passengers and a higher yield. Additionally, the unit cost was also reduced. The company still has certain challenges in terms of its cost program, but has succeeded well in obtaining favorable agreements for its domestic operations.

Traffic and earnings

Widerøe's passenger traffic increased by 0.9% in 2007 and the number of passengers rose by 2.5% thanks to the rapid rise in Norwegian domestic traffic. Its capacity was reduced during the year by 4.6% as the result of the closure of some unprofitable international routes and capacity adjustments. The passenger load factor improved by 3.3 percentage points to 60.3%. Widerøe's traffic on Norwegian domestic routes increased 6.1% during the year. Its positive traffic performance is a result of yield management, capacity adjustments and market activities.

Revenue increased in 2007 by 3.7%, totaling MSEK 3,051. The increase is attributed to more passengers and stable yield. Operating expenses amounted to MSEK 2,625, a reduction of 0.9%, despite the record-high jet fuel prices. The unit cost decreased by 1.7%. Income before nonrecurring items amounted to MSEK 162, an improvement of MSEK 140 compared with 2006.

Market outlook

The Norwegian market surged by 7% in 2007, with continued growth predicted for 2008, though not on the same scale. Widerøe is well positioned in the regional market and to and from Norway. In 2008 a new bidding competition will be announced for 2009. On the commercial route network the company is planning to replace part of the 50-seat fleet with a new aircraft model so that growth can be readily achieved on a number of the existing routes.

Blue1

The airline operates SAS Group's air service to/from and within Finland and handles sales in the Finnish market for SAS Group airlines. Blue1 carried 1.8 million passengers in 2007. Its aircraft fleet consists of nine Avros and four MD-90s.

Blue1

CEO Stefan Wentjärvi
www.blue1.com

Key figures, MSEK	2007	2006	2005
SAS Group's holding	**100%**	100%	100%
Share of the home market	**17%**	15%	12%
Average no. of employees (of which 52% women)	**506**	491	444
Revenue	**2,019**	2,018	1,704
EBIT before nonrecur. items	**113**	–16	60
EBIT margin before nonrecurring items	**5.6%**	–0.8%	3.5%
EBT before nonrecur. items	**117**	–18	62
Environmental index	**89**	89	100

More key figures p. 46

Important events in 2007

- In the spring Blue1 launched a new business travel product, Economy Extra, on its Scandinavia routes, and the product was also introduced to European routes in the fall.
- The sales-on-board product Cafe1 was improved, and payment options and product range were expanded. A change of product supplier further improved the level of service.
- Seating by row was introduced on domestic routes, with better punctuality and customer satisfaction as a result.
- A new hangar went into operation at Helsinki-Vantaa Airport, and the technical base at Arlanda was closed.

A wholly owned Finnish subsidiary in the SAS Group since 1998, Blue1 flies to 24 destinations. Its business concept is based on a basic product at centrally-located airports, a network allowing transfers and value-for-money supplementary services.

Blue1 enjoys a strong position in the Finnish market, with market share of around 30% on Finnish domestic routes. Its total share of the domestic market rose during the year by around two percentage points to 17%. Blue1 has been a member of Star Alliance since October 2004 and has code-sharing on all its routes with all the SAS Group's other airlines. Blue1 has 506 FTEs and operates 74 flights daily. During 2007 the airline carried 1.8 million passengers with a fleet that since the addition of a fourth MD-90 in December 2007 numbers 13 aircraft.

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. 112

Market performance

Blue1's earnings improved sharply compared with the previous year. This trend is primarily attributable to improvements in terms of expenses and weak comparative figures from 2006, when the company had major additional costs in relation to its expansion. During the year Blue1 continued its work on Round Trip Management and made capacity adjustments in all route areas.

Traffic and earnings

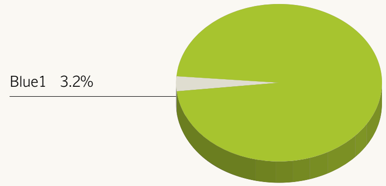
Blue1's passenger traffic was up 1% in 2007, while passenger volume was down 2.7% owing to capacity adjustments on the routes between Finland and Scandinavia. Capacity was increased during the year by 0.5%, a result of the focus on Finnish domestic service and European routes. The passenger load factor improved by 0.4 percentage points to 66.9%. Blue1's traffic on Finnish domestic was up during the year by 8% and by 13.5% on European routes, though fell on the routes to/from Scandinavia by 13.8%.

Revenue in 2007 was at a level with 2006, totaling MSEK 2,019. The yield was marginally lower, but additional revenue per passenger was higher. Operating expenses amounted to MSEK 1,762, a reduction of 5.5%, despite the record-high jet fuel prices. The unit cost was reduced by 6% owing to lower leasing costs and the fact that nonrecurring costs were charged to earnings the previous year in connection with the introduction of the MD-90 in the aircraft fleet. Income before nonrecurring items amounted to MSEK 117, an improvement of a whopping MSEK 135.

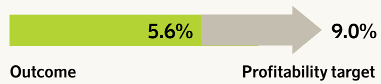
Market outlook

In 2007 the overall Finnish market saw growth of 6%. The Finnish airline market has few players. Despite the fact that the Finnish domestic market is not growing, there is growth potential on long-haul routes and winter destinations in Lapland. The growth on nonstop routes to and from Europe is expected to continue, and eastward traffic to Russia is expected in the long run to open up new opportunities for growth for Blue1.

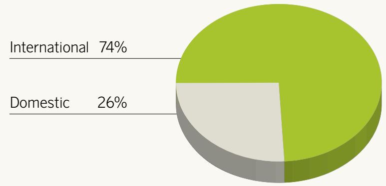
Share of Group revenue



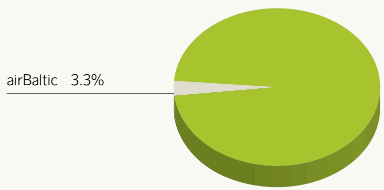
EBIT margin



Passenger breakdown in 2007



Share of Group revenue



EBIT margin

airBaltic

airBaltic

CEO Bertolt Flick
www.airbaltic.lv

Key figures, MSEK	2007	2006	2005
SAS Group's holding	**47.2%**	47.2%	47.2%
Share of the home market	**45%**	42%	40%
Average no. of employees (of which 54% women)	**917**	790	626
Revenue	**2,097**	1,551	1,211
EBIT before nonrecur. items	**24**	55	55
EBIT margin before nonrecurring items	**1.1%**	3.6%	5.3%
EBT before nonrecur. items	**21**	49	–19
Environmental index	**83**	89	100

More key figures p. 46

Important events in 2007

- airBaltic opened 24 new routes from Riga, Vilnius and Liepaja.
- A substantially improved reservation system was introduced, increasing airBaltic's sales on its website from 25% to 47%.
- airBaltic was the first airline in Northern Europe to introduce E-vouchers for air travel.

Founded in 1995 and consolidated since 2005 in the SAS Group, airBaltic is owned by the Latvian state, the SAS Group and Transaero. The leading airline in the Baltics, with hubs in Riga, Vilnius and Liepaja, airBaltic operates the SAS Group's air service to/from Latvia and Lithuania and handles sales in both countries. airBaltic has 917 FTEs and operates 99 flights daily. In 2007 the airline carried over 2 million passengers for the first time. In 2007 five Boeing 737s were added to the fleet, which now numbers 21 aircraft: 13 Boeing 737s and eight Fokker 50s.

Targets

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

The environmental target for 2011 is an index of 76. p. 113

Market performance

Thanks to good market performance and market initiatives, airBaltic is the Baltic countries' leading and the Group's fastest-growing airline. Primarily due to rapid expansion, airBaltic's earnings deteriorated compared with the previous year. Earnings were affected by a falling yield, but were compensated by good cost control and a higher passenger load factor.

Traffic and earnings

airBaltic's passenger traffic was up 50.4% in 2007, with passenger volume increasing by 40.8%. Capacity increased by 44.2% owing to new routes and more frequent flights. The passenger load factor improved by 2.6 percentage points to 63.2%.

Revenue increased in 2007 by 35.2%, totaling MSEK 2,097. The rise was attributable to higher passenger volume. The yield fell by 12.2% on account of longer routes. Operating expenses increased due to higher capacity and jet fuel prices, amounting to MSEK 1,819. Adjusted for fuel prices, the unit cost declined by 4.6%. Income before nonrecurring items was MSEK 21, a deterioration of MSEK 28.

Market outlook

Growth in the Baltics is strong, with Riga having gradually established itself as the major hub. The robust growth is expected to continue in 2008, as is the competition from the new airlines. Latvia is expected to become a Schengen country during 2008, further bolstering Riga's position.

Estonian Air

Important events in 2007

- New routes introduced to six destinations.
- The airline's sixth Boeing 737 went into service.
- Estonian Air Regional was founded for regional service, and a new aircraft type, the SAAB 340, was introduced.

Estonian Air is 49% owned by the SAS Group and offers nonstop flights to major European cities and regional service in the Baltic Sea region from its hub in Tallinn. Estonian Air serves 19 destinations and provides charter service with four Boeing 737-500s, two 737-300s and two SAAB 340s. Estonian Air has 439 FTEs.

Market performance

The number of passengers carried was up by 8%, totaling 746,000. At the same time, capacity was increased by 3.9%, and the passenger load factor amounted to 67.9%, an improvement of 2.3 percentage points. Revenue was up by 5.2% owing to higher passenger volume. Operating expenses totaled MSEK 727. Income before tax was MSEK –32, an improvement of MSEK 4.

ESTONIAN AIR

Chairman Mats Jansson
Acting CEO Andrus Aljas
www.estonian-air.ee

Key figures, MSEK	2007	2006	2005
SAS Group's holding	**49%**	49%	49%
Share of the home market	**>43%**	45%	45%
Average no. of employees (of which 53% women)	**439**	424	380
Revenue	**812**	752	678
EBIT	**–28**	–41	29
EBIT margin	**–3.5%**	–5.4%	4.3%
Income before tax, EBT	**–32**	–36	39
Environmental index	**83**	94	100

More key figures p. 46

Business area

SAS Aviation Services

SAS Ground Services is a full-service supplier in ground handling and is represented in 21 countries at 76 airports. SAS Technical Services supplies technical maintenance of aircraft at a large number of airports in the Nordic countries. SAS Cargo is a leader in freight transportation to/from and in the Baltic Sea region.

Responsible for SAS Ground Services and SAS Cargo: Benny Zakrisson

Responsible for SAS Technical Services: John S. Dueholm

Summary statement of income, MSEK	2007	2006	2005[1]
Revenue	**14,192**	14,308	14,964
Payroll expenses	**–6,380**	–6,197	6,462
EBIT before nonrecur. items	**–457**	–47	603[2]
EBIT margin before nonrecurring items	**–3.2%**	–0.3%	4.0%
EBT before nonrecur. items	**–623**	–150	633

[1] *Including SAS Flight Academy.*
[2] *EBIT incl. nonrecurring items.*

Detailed statement of income and more key figures p. 47

SAS Aviation Services comprises SAS Ground Services (SGS), SAS Technical Services (STS) and SAS Cargo. In 2007, Flight Academy, a training center for pilots and cabin crew, was sold in line with the SAS Group's focus on its core business.

STS and SGS posted very poor earnings in 2007. The reasons include the main focus being on delivery quality, as well as delays and difficulties in implementing the necessary cost program. A decision was made to divest Spirit in SAS Cargo, and to outsource heavy maintenance of the Boeing 737 Classic. For now, an internal solution was approved for SGS, whereby the company is to implement cost reductions of MSEK 400 and a quality-improvement program no later than within 18 months, i.e., before the summer of 2009. In 2007 the number of passengers SGS handled increased by 3.8%. STS had approximately 120 airlines as customers of technical maintenance. SAS Cargo's flown tonnage decreased by 5.1% due to large overcapacity.

Customers

SGS and STS primarily have airlines as customers, but unlike STS, SGS has direct contact with the end customer. In 2007, SGS signed new agreements with, among others, Malaysia Airlines, Air France and Turkish Airlines. All together, SGS signed agreements with six new airlines.

STS focused during the year on business with SAS Group airlines and consequently did not sign any agreements during the year. SAS Cargo offers transportation solutions primarily to business customers.

Since its customers are mainly companies this results in part in more individual agreement solutions. Long-term agreements with large volumes provide more advantageous terms as a rule.

Sustainability

SAS Aviation Services units work actively to reduce their environmental impact and to promote sustainable development. SGS has introduced greener deicing methods and is developing a baggage handling system that will improve the working climate. During the year, STS worked on finding methods to reduce the use of chemicals and quantity of hazardous waste.

SAS Facility Management manages SAS Group's buildings and works continuously to streamline waste management and reduce energy use. SAS Cargo is ISO 14001 certified.

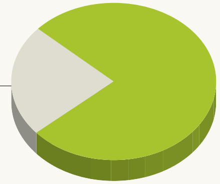
Trends in the support business

The ongoing streamlining of airlines will require further streamlining in support activities. These operations are ground handling and technical support, along with distribution systems and cargo. Self-service functions such as automated baggage handling and biometrics are placing new demands on operations.

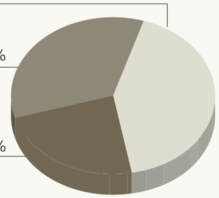
Of SAS Scandinavian Airlines' passengers, over 50% already check in via self-service machines and at the end of 2007 more than 10% had checked in via the Internet. Biometric check-in solutions are used at Norwegian and Swedish domestic airports and are in the process of being installed at other airports.

In technical maintenance, competition in heavy maintenance is increasing from low-cost countries in Eastern Europe and Asia. Base maintenance has not been correspondingly affected by competition from low-cost countries. Simplified routines and increasing demands for higher capacity utilization of aircraft mean that streamlining is expected to continue.

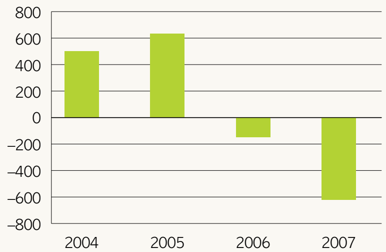
SAS Aviation Services' share of Group revenue, 2007



Breakdown of business area operating revenue

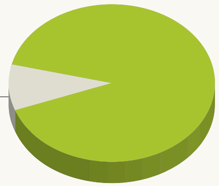


Income before nonrecurring items, EBT
MSEK



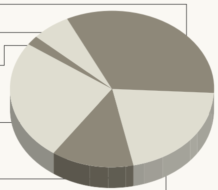
Due to the poor profit performance of STS and SGS, earnings worsened in 2007. Measures are being implemented to reverse the situation.

Share of Group revenue



EBIT margin

Sales breakdown in 2007 and 2006



SAS Ground Services

SAS Ground Services, SGS, is the largest full-service supplier in the Nordic countries in the ground handling industry and other airport-related services. SGS consists of a holding company and eight subsidiaries in the Nordic countries and the U.K. SGS operates in Europe, Asia and North America.

SAS Ground Services

CEO Björn Alegren
www.sasground.com

Key figures, MSEK	2007	2006	2005
SAS Group's holding	**100%**	100%	100%
No. of flights handled thousands	**499**	488	506
Baggage quality (reports per 10,000 pass.)	**104**	128	88
Average no. of employees (of which 39% women)	**6,873**	6,622	6,952
Revenue	**6,055**	5,866	6,185
EBIT before nonrecur. items	**–141**	55	241
EBIT margin before nonrecurring items	**–2.3%**	0.9%	3.9%
EBT before nonrecur. items	**–167**	43	228
Environmental index	**101**	106	100

More key figures p. 47

Important events in 2007

- Continued streamlining of operations.
- Increased focus on quality delivered.
- Björn Alegren appointed new CEO of SGS.
- New agreements were signed with Malaysia Airlines, Air France, Turkish Airlines, KLM, Icelandair and MyTravel Airways.

SAS Ground Services is represented at approximately 76 airports and has an average of 6,873 FTEs in 21 countries. SGS offers ground services for passengers, baggage and aircraft. Examples of efficient solutions are automated check-in and boarding and centralized departure control. Serving a total of 118 airlines during the year, SGS handled 78.8 million travelers, 499,000 departures and 309,000 tonnes of freight and mail.

SGS also includes SAS Ground Equipment, which owns, leases, and maintains ramp as well as radio communications equipment.

The market leader in Scandinavia, SGS has a market share of slightly more than 55%. In comparison with independent handling companies in Europe, SGS is number three based on operating revenue.

Target

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

Quality objectives

SGS works systematically on quality. Safety, punctuality and service are continuously tracked and its safety goal is zero incidents. Punctuality and service are measured, among other things, by the percentage of delays caused by ground handling and waiting time for check-in and baggage.

Environmental targets

The environmental target for 2011 is an index of 95. p. 113

SGS's goal is to be a company that takes the environment into consideration and complies with current laws and regulations. SGS's working environment targets are measured and followed up in regard to sick leave, work-related injuries, how the management is viewed by employees, and job satisfaction.

Earnings performance

Despite higher revenues, SGS's earnings for 2007 were down from the previous year. The revenue increase is attributed to increased volumes, more external customers and new products ordered by companies in SAS Scandinavian Airlines. Its low profitability is due to a combination of price pressure in the market, unimplemented streamlining measures in parts of its operations and a focus on delivery quality.

The number of passengers handled increased by 3.8% to 78.8 million and the number of flights handled increased by 2.3% to 499,000 in 2007. During the year SGS's operating revenue rose by 3.2% to MSEK 6,055. Operating expenses increased by 4.4%, totaling MSEK 6,112. The unit cost rose by 0.9% during the year. Measures will be implemented to further improve efficiency. Income before nonrecurring items declined by MSEK 210, amounting to MSEK –167.

Market outlook

SGS's immediate future challenge consists of implementing MSEK 400 worth of cost reductions along with a quality improvement program by the summer of 2009.

With the continuing growth trend in the airline industry, the demand for ground services will increase. Prices for ground services are still under pressure and profits in the industry are low.

The global market for ground services is fragmented. Consolidation in the market continues, albeit at a relatively slow pace.

SAS Technical Services

SAS Technical Services, STS, is a leading technical aircraft maintenance supplier of MRO (Maintenance, Repair and Overhaul) services to the airline industry in the Nordic and Baltic countries. SAS has 13 maintenance bases in Europe and one in Seattle, U.S.

SAS Technical Services

CEO Peter Möller
www.sastechnicalservices.com

Key figures, MSEK	**2007**	2006	2005
SAS Group's holding	**100%**	100%	100%
Average no. of employees (of which 7% women)	**2,422**	2,509	2,678
Revenue	**4,874**	4,895	5,167
of which external revenue	**13.7%**	16.2%	19.6%
EBIT before nonrecur. items	**–372**	–176	181
EBIT margin before nonrecurring items	**–7.6%**	–3.6%	3.5%
EBT before nonrecur. items	**–499**	–249	93
Environmental index	**93**	99	100

More key figures p. 47

Important events in 2007

- A new base organization was established.
- Material Management, with overall responsibility for STS material supply, was established.
- An international benchmark was implemented for identifying market price levels and performance goals for STS.
- STS's future role and ownership structure has been set within the Strategy 2011 framework and will be implemented in 2008.

SAS Technical Services has been engaged in aircraft maintenance since 1946. STS was incorporated in 2004. Its biggest customers are SAS Group airlines, which account for approximately 80% of revenues. Its operations are certified by European, U.S. and other countries' inspection authorities. It has 2,422 employees.

The work in STS is performed by aircraft mechanics and certified aircraft technicians where required. Delivery quality is a focus throughout the company and substantial improvements can be seen at all bases: Stockholm, Oslo and Copenhagen. Further improvements have been made in the service level for components and consumables.

STS offers servicing of Airbus, MD-80/90, and Boeing 737 aircraft, as well as customized services. The product portfolio includes Line Maintenance, Airframe Maintenance, Engineering Services, Engine Management, Material Management and Technical Training.

Target

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

Quality objectives

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

STS aims to be a world leader in safety, quality and efficiency.

Environmental target

The environmental target for 2011 is an index of 90. p. 113

Earnings performance

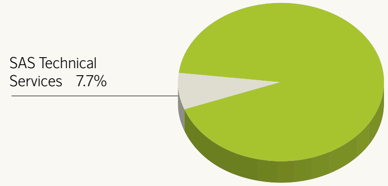
STS's earnings were substantially worse than in 2006. While a major effort was made during the year to improve delivery quality, the cost-cutting measures that were implemented did not fully compensate for the low prices. Together with other measures within the framework of STS's efficiency program, STS's commitment to delivery quality in combination with a more efficient production structure will yield long-term increased productivity and efficiency, thereby improving the company's competitive and profitability levels.

STS's revenues were level with the preceding year and amounted to MSEK 4,874. The percentage of external revenues decreased by 2.5 percentage points. Operating expenses increased during the year by 1.9%, amounting to MSEK 5,184. Income before nonrecurring items was down MSEK 250, amounting to MSEK –499.

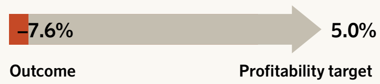
Market outlook

The external market for technical maintenance is growing but is marked by stiff competition, a certain amount of overcapacity and pressure on prices, particularly from companies in Eastern Europe.

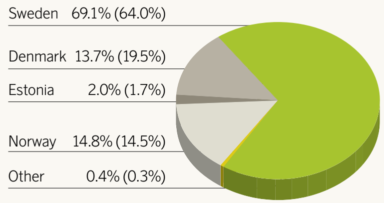
Share of Group revenue



EBIT margin



Sales breakdown in 2007 and 2006



SAS Cargo

The bulk of SAS Cargo's freight capacity is found in the SAS Group's own airlines. In 2007 SAS Cargo began a transition process toward global solutions in a world market characterized by toughening competition.

SAS Cargo

CEO Kenneth Marx
www.sascargo.com

Key figures, MSEK	2007	2006	2005
SAS Group's holding	100%	100%	100%
Average no. of employees (of which 21% women)	1,356	1,434	1,328
Flown tonnes, thousands	279	294	287
Tonne km (million)	1,024	1,082	1,039
Cargo yield/tonne km	2.47	2.56	2.52
Revenue	3,336	3,645	3,308
EBIT before nonrecurring items	33	114	101
EBIT margin before nonrecurring items	1.0%	3.1%	3.0%
EBT before nonrecurring items	22	99	84

More key figures p. 47

Freight and mail, tonne km (000)	2007	2006	Changes
Intercontinental	573,754	642,444	–11%
Europe	20,966	25,390	–17%
Intra-Scandinavian	2,494	4,873	–49%
Total international	597,214	672,707	–11%
Denmark	19	16	21%
Norway	777	10,703	–93%
Sweden	224	326	–31%
Total domestic	13,759	11,045	25%
All Cargo	412,001	398,249	4%
Total	1,023,994	1,082,000	–5%

Important events in 2007

- SAS Cargo's freight operation, Spirit Air Cargo Handling, signed an agreement for new cargo terminals in Gothenburg and Stockholm
- New cargo capacity was added between Scandinavia and China, Dubai and Bangkok
- Due to poor profits, certain All Cargo operations were closed.
- The SAS Group received a Statement of Objections from the European Commission regarding suspicions of collusion in the air cargo business.

SAS Cargo Group A/S is a wholly owned company in the SAS Group. Most of the company's revenues are derived from air cargo, airmail and cargo handling for other airlines at SAS Cargo terminals in Scandinavia.

SAS Cargo primarily utilizes the cargo capacity existing in SAS Group airlines, particularly on the intercontinental routes. SAS Cargo's main markets are Asia, the U.S. and Scandinavia. In main markets outside Scandinavia SAS Cargo is represented by its own sales offices.

Target

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

Quality objectives

SAS Cargo's quality goal is "Arrived As Agreed." Spirit Air Cargo Handling is ISO 9001:2000 certified, and all of SAS Cargo is ISO 14001 certified.

Sustainability

In cooperation with a number of customers and suppliers SAS Cargo has developed an on-line system for calculating emissions in which the customer can view the environmental impact of all types of cargo shipments by air and road. p. 114

Earnings performance

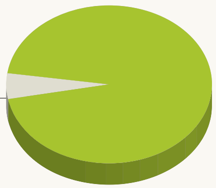
SAS Cargo's earnings for 2007 were worse than for 2006, due to intense competition from several new players in the domestic market and pressure on prices. Production realignments within Scandinavian Airlines also impacted earnings. To create a platform for long-term profitability, SAS Cargo has prepared a program of commercial initiatives, efficiency measures and structural changes. During the first eight months of the year the cargo market to and from Asia had far too much capacity. Efficiency measures were introduced, yielding a positive earnings effect in the fall of 2007 by reducing costs and bolstering SAS Cargo's commercial offerings.

SAS Cargo's revenue decreased in 2007 by 8.5%, totaling MSEK 3,336. Operating expenses fell during the year by 6.3%, amounting to MSEK 3,349. Income before nonrecurring items was MSEK 22.

Market outlook

SAS Cargo is carefully following market developments and will continue to adjust its capacity to the different markets.

Share of Group revenue



EBIT margin

Facts, key figures and traffic data information

Traffic data information and comments

Scandinavian Airlines Norge saw a combination of positive yield and traffic performance in 2007. Capacity was dragged down early in the year on some unprofitable European routes and was reallocated to the growing Norwegian domestic traffic. Traffic in Norwegian domestic grew by 3.8%, and the passenger load factor rose by 1.8 percentage points to 68.4%. Performance was also positive on intra-Scandinavian routes, while traffic on European routes declined. p. 31

Scandinavian Airlines Danmark increased capacity in 2007. New routes were introduced to Greenland and Pristina. Larger aircraft were leased in in the fall of 2007 to replace the Q400s, which were permanently grounded. This had a negative impact on the passenger load factor, which declined by 2.1 percentage points to 70.0%. The yield performed positively, and the unit cost fell by a significant 4.5%. p. 32

Scandinavian Airlines Sverige opened 12 new routes in 2007, and total capacity rose by 9%. The new capacity was well absorbed, and the passenger load factor rose by 0.8 percentage points to 70.7%. Scandinavian Airlines Sverige saw its strongest growth on European routes, where traffic rose by 15% combined with a 1 percentage point higher passenger load factor. Owing to the longer routes, the yield declined by 2%. p. 33

Scandinavian Airlines International matched its capacity to seasonal variations in demand between Asia and the U.S. better than before in 2007. Two seasonal routes, Stockholm-Bangkok and Copenhagen-Dubai, began in the winter season, and the number of frequencies to the U.S. increased in the summer season. The shorter routes and installation of SAS Business Sleepers helped reduce capacity by 5.7%. The adjustments were well received, and Scandinavian Airlines International's passenger load factor rose by 0.1 percentage point to 82.9% and the yield rose by 5.7%. p. 34

Widerøe successfully adjusted its capacity in 2007. Despite 4.6% lower capacity, traffic increased by 0.9%, and the passenger load factor was up 3.3 percentage points to 60.3%. Above all, the trend was positive on Norwegian domestic traffic, where the number of passengers increased by 5.1%. This is the result of yield management, capacity management and marketing campaigns. p. 36

Blue1 focused on adapting capacity to demand in 2007, following the big capacity increase in 2006 when three MD-90 aircraft were phased in. Capacity fell during the year on the routes between Finland and Scandinavia but increased on Finnish domestic routes and on traffic between Finland and Europe. The passenger load factor rose by 0.4 percentage points to 66.9%. p. 37

airBaltic's strong growth continued in 2007, and traffic rose by 50.4%. New, substantially longer routes resulted in the yield declining by 12.2%. Growth was fastest on traffic to and from the Riga hub, where traffic increased by 56.6%. Traffic at the Vilnius hub also rose by a substantial 37.7%. Despite the big increase in capacity, the passenger load factor rose by 2.6 percentage points to 63.2%. p. 38

Affiliated company
Estonian Air saw no growth in passenger volume during the first half of 2007. During the second half, two SAAB 340s were phased in in the aircraft fleet, making possible increased growth and the opening of new routes. In all Estonian Air's traffic increased in 2007 by 7.5% and the number of passengers by 8%. p. 38

SAS Scandinavian Airlines

Traffic, production, yield	2007	2006	Change
Total passenger traffic			
No. of passengers, (000)	**25,403**	25,099	1.2%
Rev. pass. km (RPK), mill.	**27,304**	27,506	–0.7%
Avail. seat km (ASK), mill.	**36,852**	36,971	–0.3%
Passenger load factor	**74.1%**	74.4%	–0.3 pts.*
Yield, currency adj., SEK	**1.21**	1.14	6.5%
Total unit cost incl. charter			3.9%**
Scandinavian Airlines Norge			
No. of passengers, (000)	**9,726**	9,554	1.8%
Rev. pass. km (RPK), mill.	**6,846**	6,839	0.1%
Avail. seat km (ASK), mill.	**9,842**	9,948	–1.1%
Passenger load factor	**69.6%**	68.8%	+0.8 pts.*
Charter passengers, (000)	**482**	426	13.1%
Yield, currency adjusted			6.5%
Scandinavian Airlines Danmark			
No. of passengers, (000)	**8,111**	8,246	–1.6%
Rev. pass. km (RPK), mill.	**5,931**	6,018	–1.4%
Avail. seat km (ASK), mill.	**8,474**	8,351	1.5%
Passenger load factor	**70.0%**	72.1%	–2.1 pts.*
Charter passengers, (000)	**609**	372	63.7%
Yield, currency adjusted			5.2%
Scandinavian Airlines Sverige			
No. of passengers, (000)	**6,224**	5,892	5.6%
Rev. pass. km (RPK), mill.	**4,893**	4,441	10.2%
Avail. seat km (ASK), mill.	**6,919**	6,349	9.0%
Passenger load factor	**70.7%**	69.9%	+0.8 pts.*
Charter passengers, (000)	**323**	478	–32.4%
Yield, currency adjusted			–2.0%
Scandinavian Airlines International			
No. of passengers, (000)	**1,341**	1,407	–4.7%
Rev. pass. km (RPK), mill.	**9,634**	10,207	–5.6%
Avail. seat km (ASK), mill.	**11,616**	12,323	–5.7%
Passenger load factor	**82.9%**	82.8%	+0.1 pts.*
Yield, currency adjusted			5.7%

** Change in percentage points (pts.)*

*** Higher fuel costs negatively impacted the unit cost by 2.2 percentage points.*

SAS Individually Branded Airlines

Traffic, production, yield	2007	2006	Change
Total passenger traffic *			
No. of passengers, (000)	**5,776**	5,195	11.2%
Rev. pass. km (RPK), mill.	**4,377**	3,580	22.3%
Avail. seat km (ASK), mill.	**6,843**	5,758	18.8%
Passenger load factor	**64.0%**	62.2%	+1.8 pts.
Widerøe			
No. of passengers, (000)	**1,964**	1,916	2.5%
Rev. pass. km (RPK), mill.	**614**	608	0.9%
Avail. seat km (ASK), mill.	**1,018**	1,067	–4.6%
Passenger load factor	**60.3%**	57.0%	+3.3 pts.
Yield, currency adjusted			–0.1%
Blue1			
No. of passengers, (000)	**1,798**	1,848	–2.7%
Rev. pass. km (RPK), mill.	**1,447**	1,432	1.0%
Avail. seat km (ASK), mill.	**2,161**	2,150	0.5%
Passenger load factor	**66.9%**	66.6%	+0.4 pts.
Yield, currency adjusted			–0.1%
airBaltic			
No. of passengers, (000)	**2,014**	1,430	40.8%
Rev. pass. km (RPK), mill.	**2,317**	1,540	50.4%
Avail. seat km (ASK), mill.	**3,664**	2,542	44.2%
Passenger load factor	**63.2%**	60.6%	+2.6 pts.
Yield, currency adjusted			–12.2%

Affiliated company * Estonian Air	2007	2006	Change
No. of passengers, (000)	**746**	690	8.1%
Rev. pass. km (RPK), mill.	**1,006**	936	7.5%
Avail. seat km (ASK), mill.	**1,483**	1,427	3.9%
Passenger load factor	**67.9%**	65.6%	+2.3 pts.

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

Business area

SAS Scandinavian Airlines

Key figures - comments

The carriers in SAS Scandinavian Airlines show a slight uptick in performance in 2007 regarding punctuality. However, due to the negative effects from the Q400 and strikes in early 2007, regularity deteriorated marginally. All airlines are concentrating efforts on improving both punctuality and regularity.

Scandinavian Airlines Danmark and Scandinavian Airlines Sverige both improved aircraft utilization in 2007, while capacity utilization for Scandinavian Airlines Norge and Scandinavian Airlines International declined, in part because of readjustments in the route network.

The unit cost for the business area rose by 3.9% during the year, and adjusted for jet fuel costs the increase was 1.7%. The increase is due in part to expenses for the Q400, but also to delays in implementing certain cost-cutting measures.

The aircraft fleet grew in 2007 from 180 to 198 including aircraft under wet leases after the delivery of two Boeing 737s. The network expanded during the year, and SAS Scandinavian Airlines flew to a total of 126 destinations. Scandinavian Airlines Sverige opened 12 routes in 2007.

Most of the environmental key figures improved during the year.

Statement of income - comments

The business area SAS Scandinavian Airlines showed an improved underlying earnings performance in 2007. Revenue was up during the year by 3.9%, amounting to MSEK 40,155 owing to higher passenger volume and a 6.5% higher yield.

During the year the business area's operating revenue rose by 4.5% to MSEK 35,051. The increase was due to higher capacity and negative effects of the fact that the Q400 aircraft were permanently grounded in October and replaced by wet leasing in order to offer customers the best possible service. Leasing costs rose by 2.6% to MSEK 2,156. The ECA agreement and Q400 had a negative impact on total earnings of just under SEK 1.3 billion. The business area's income before nonrecurring items amounted to MSEK 1,765, an improvement of 41% compared with 2006.

Scandinavian Airlines Norge posted an earnings improvement of MSEK 653. Scandinavian Airlines Danmark and Scandinavian Airlines Sverige also showed improved income before nonrecurring items of MSEK 277 and MSEK 121, respectively, despite negative effects from the Q400. Scandinavian Airlines International had poorer earnings than in 2006 due to falling freight revenue.

Scandinavian Airlines Norge's and Scandinavian Airlines Sverige's EBIT margin amounted to 7.7% and 7.1%, respectively, close to the target of 9%.

Statement of income

MSEK	**2007**	2006	2005
Passenger revenue	**33,031**	31,603	29,810
Charter revenue	**1,906**	1,740	1,523
Other traffic revenue	**2,025**	2,532	2,512
Other revenue	**3,193**	2,757	3,014
Revenue	**40,155**	38,631	36,859
Payroll expenses	**–8,510**	–7,844	–7,790
Selling costs	**–512**	–473	–617
Jet fuel	**–6,936**	–6,883	–5,729
Government user fees	**–3,608**	–3,540	–3,843
Catering costs	**–1,262**	–1,242	–1,170
Handling costs	**–5,046**	–4,962	–5,460
Technical aircraft maintenance	**–3,936**	–3,825	–3,942
Computer and telecommunications costs	**–1,505**	–1,798	–1,731
Other operating expenses	**–3,737**	–2,988	–3,142
Operating expenses	**–35,051**	–33,554	–33,424
Income before depreciation and leasing costs, EBITDAR	**5,104**	5,076	3,435
Leasing costs, aircraft	**–2,156**	–2,102	–1,927
Income before depreciation, EBITDA	**2,948**	2,974	1,508
Depreciation	**–985**	–1,187	–1,346
Share of income in affiliated companies	**–30**	58	61
Capital gains	**41**	58	394
Operating income, EBIT	**1,974**	1,903	617
Net financial items	**–234**	–667	–656
Income before tax, EBT	**1,740**	1,236	–39
Income before nonrecurring items	**1,765**	1,252	–374

Key figures

	Total SAS Scandinavian Airlines			**Scandinavian Airlines Norge**			**Scandinavian Airlines Danmark**			**Scandinavian Airlines Sverige**			**Scandinavian Airlines International**		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Passenger revenue	**33,031**	31,603	29,810	**10,905**	10,173	9,733	**9,382**	9,045	8,443	**6,834**	6,333	5,982	**5,914**	6,060	5,675
Other revenue	**7,124**	7,028	7,049	**2,507**	2,406	2,525	**2,277**	1,879	1,820	**1,945**	1,940	1,795	**1,711**	1,745	2,061
Revenue	**40,155**	38,631	36,859	**13,411**	12,579	12,258	**11,659**	10,924	10,263	**8,779**	8,273	7,777	**7,625**	7,805	7,736
EBIT before nonrecurring items	**1,999**	1,919	279	**1,038**	396	621	**433**	186	–618	**622**	525	–311	**43**	169	–74
EBIT margin before nonrecurring items	**5.0%**	5.0%	0.8%	**7.7%**	3.1%	5.1%	**3.7%**	1.7%	–6.0%	**7.1%**	6.3%	–4.0%	**0.6%**	2.2%	–1.0%
Number of destinations	**126**	124	109	**43**	45	39	**51**	51	66	**57**	45	45	**10**	11	11
Average flight distance, scheduled, km	**814**	811	793	**626**	631	609	**670**	662	649	**762**	739	721	**7,176**	7,193	6,822
Number of aircraft [4]	**198** [1]	180 [1]	191 [1]	**62**	58	56	**43**	54	59	**36**	42	45	**11**	11	11
Number of daily departures (average)	**822**	832	882	**340**	340	344	**271**	283	304	**193**	190	211	**18**	18	20
Aircraft, block hours/day	**8.0**	7.9	8.0	**8.1**	8.4	8.2	**7.5**	7.2	7.3	**7.1**	7.0	7.2	**14.6**	15.3	16.3
Regularity	**97.6%**	97.8%	98.4%	**98.6%**	97.6%	98.0%	**96.7%**	97.2%	98.3%	**97.0%**	99.0%	99.3%	**98.6%**	98.7%	98.6%
Punctuality (% within 15 min.)	**79.3%**	78.1%	84.5%	**81.4%**	80.1%	82.8%	**76.8%**	69.5%	80.7%	**79.6%**	82.7%	87.0%	**74.7%**	67.0%	75.2%
Average number of employees [3]	**6,139**	6,852	8,244	**2,465**	2,604	2,840	**2,188**	1,983	1,628 [2]	**1,704**	1,615	1,468 [2]	**782**	650	671
of which women	**49%**	53%	53%	**44%**	55%	54%	**57%**	53%	71%	**61%**	61%	72%	**44%**	54%	63%
Carbon dioxide (CO_2), 000 tonnes	**4,019**	4,069	4,245	**1,056**	1,059	1,031	**1,022**	998	1,065	**783**	787	859	**1,158**	1,226	1,290
Nitrogen oxides (NO_x), 000 tonnes	**16.9**	17.3	17.4	**3.4**	3.5	3.7	**4.5**	4.4	4.0	**2.6**	2.7	2.9	**6.4**	6.7	6.9
Environmental index	**-**	-	-	**91**	93	100	**94**	98	100	**95**	95	100	**106**	103	100

[1] Including aircraft being leased out. [2] Excluding pilots. [3] For other employee key figures, see Note 3, page 65. [4] Excluding aircraft under wet leases in 2005-2006.

SAS Individually Branded Airlines

Key figures - comments

The carriers in SAS Individually Branded Airlines posted positive performance for the majority of key figures. In part, qualitative key figures like punctuality and regularity improved for Blue1 and even for Widerøe despite the fact that Widerøe was negatively impacted by the permanent grounding of the Q400 in October.

All airlines' fleet utilization increased in 2007. Comparing capacity utilization of aircraft in the air between airlines is often not relevant owing to differences in networks. An airline like Widerøe with very short flight distances cannot have its aircraft in the air as long. The number of aircraft was unchanged during the year and amounted to 62.

Total unit cost fell at Widerøe, Blue1 and airBaltic during the year, and the units improved their competitiveness. Blue1 showed the biggest improvement, posting a 6% lower unit cost 2007 compared with 2006.

The airlines in the business area also expanded their networks in 2007 and increased the number of destinations served from 84 to 92. airBaltic saw the fastest growth, opening two new destinations and more routes during the year primarily eastward from Riga.

Most of the environmental key figures improved during the year.

Statement of income - comments

The carriers in SAS Individually Branded Airlines grew in 2007, resulting in a 10% increase in revenue to MSEK 7,190. Growth was robust at airBaltic in particular, which carried 41% more passengers than in 2006. Spanair is reported as a discontinued operation for the years 2006-2007 and is not included in the business area's statement of income for those years.

In 2007 Widerøe and Blue1 carried out cost-cutting measures, which contributed to the business area's operating expenses rising only 6.1% and amounting to MSEK 6,220. More aircraft resulted in a 15% rise in leasing expenses to MSEK 474. The business area's income before nonrecurring items was up sharply, amounting to MSEK 383, an improvement of MSEK 241.

Widerøe and Blue1 reported their best full-year results ever. Widerøe's EBIT margin for 2007 amounted to 5.8%, close to the target of 7%. Blue1's EBIT margin amounted to 5.6%. airBaltic, which is undergoing extensive expansion, was able to show a positive earnings performance. Its EBIT margin amounted to 1.1%, far from the target of 9%. The poorer earnings are due in part to the fact that jet fuel costs could not be compensated for in the same way as at the other airlines.

Statement of income

MSEK	2007	2006	2005[1]
Passenger revenue (scheduled)	**5,570**	5,137	9,536
Freight revenue	**86**	81	127
Charter revenue	**45**	33	2,758
Other traffic revenue	**353**	229	352
Other revenue	**1,136**	1,051	1,579
Revenue	**7,190**	6,532	14,352
Payroll expenses	**–1,678**	–1,596	–3,007
Selling costs	**–181**	–162	–375
Jet fuel	**–1,173**	–1,077	–2,400
Government user fees	**–841**	–772	–1,905
Catering costs	**–134**	–139	–634
Handling costs	**–611**	–595	–950
Technical aircraft maintenance	**–517**	–471	–1,057
Computer and telecommunications costs	**–54**	–66	–263
Other operating expenses	**–1,031**	–983	–1,841
Operating expenses	**–6,220**	–5,863	–12,432
Income before depreciation and leasing costs, EBITDAR	**970**	668	1,920
Leasing costs, aircraft	**–474**	–412	–1,247
Income before depreciation, EBITDA	**497**	257	673
Depreciation	**–176**	–174	–312
Share of income in affiliated companies	**57**	43	39
Capital gains	**12**	0	15
Operating income, EBIT	**390**	126	415
Net financial items	**5**	–11	–136
Income before tax	**395**	114	279
Income before nonrecurring items	**383**	142	264

1 *Including Spanair and Aerolineas de Baleares.*

Key figures

	Total SAS Individually Branded Airlines			Widerøe			Blue1			airBaltic			Not consolidated Estonian Air		
	2007	2006	2005[3]	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
Passenger revenue	**5,570**	5,137	9,536	**2,000**	1,990	1,736	**1,784**	1,777	1,523	**1,787**	1,370	1,084	**747**	744	662
Other revenue	**1,620**	1,395	4,816	**1,051**	951	1,095	**236**	241	181	**309**	181	127	**45**	9	16
Revenue	**7,190**	6,532	14,352	**3,051**	2,941	2,831	**2,019**	2,018	1,704	**2,097**	1,551	1,211	**812**	752	678
EBIT before nonrecurring items	**379**	151	415[5]	**177**	35	89	**113**	–16	60	**24**	55	28	**–28**[5]	–41[5]	29[5]
EBIT margin before nonrecurring items	**5.3%**	2.3%	2.9%[5]	**5.8%**	1.2%	3.2%	**5.6%**	–0.8%	3.5%	**1.1%**	3.6%	5.3%	**–3.5%**[5]	–5.4%[5]	4.3%[5]
EBT before nonrecurring items	**383**	142	264	**162**	22	60	**117**	–18	62	**21**	49	–19	**–32**	–36	39
Number of destinations	**92**	84	101	**43**	41	42	**27**	26	14	**56**	54	36	**19**	18	14
Average flight distance, scheduled, km	**-**	-	-	**221**	229	222	**704**	689	557	**918**	898	909	**1,104**	1,266	1,258
Number of aircraft	**62**	62	103[2]	**28**	29	30	**13**	17	14	**21**	16	16	**9**	4	5
Number of daily departures (average)	**438**	437	638	**264**	270	270	**74**	87	90	**99**	80	64	**25**	25	23
Aircraft, block hours/day	**-**	-	-	**6.7**	6.7	6.7	**8.5**	8.2	8.0	**9.3**	9.1	8.7	**10.4**	10.5	10.2
Regularity	**-**	-	-	**96.7%**	96.2%	95.3%	**98.9%**	98.6%	98.4%	**99.6%**	99.2%	99.2%	**99.7%**	99.1%	99.5%
Punctuality (% within 15 min.)	**-**	-	-	**87.2%**	87.1%	85.8%	**84.1%**	83.9%	91.4%	**82.5%**	85.3%	87.9%	**80.5%**	84.5%	87.4%
Average number of employees[4]	**2,884**	2,769	5,903	**1,358**	1,393	1,331	**506**	491	444	**917**	790	626	**439**	424	380
of which women	**46%**	45%	48%	**35%**	35%	37%	**52%**	46%	49%	**54%**	57%	55%	**53%**	54%	54%
Carbon dioxide (CO_2), 000 tonnes	**2,267**[3]	2,123	1,928[1]	**125**	132	129	**230**	249	199	**338**	242	195	**130**	127	124
Nitrogen oxides (NO_x), 000 tonnes	**8,8**[3]	8.03	7.19[1]	**0.38**	0.40	0.38	**0.77**	0.77	0.51	**1.13**	0.77	0.67	**0.44**	0.44	0.45
Environmental index	**–**	-	-	**92**	95	100	**89**	89	100	**83**	89	100	**83**	94	100

1 *Including airBaltic.* 2 *Excluding airBaltic when it was consolidated as of August 2005.* 3 *Including Spanair and Aerolineas de Baleares.* 4 *For other employee key figures, see Note 3, page 65.* 5 *EBIT including nonrecurring items.*

Business area

SAS Aviation Services

Earnings - comments

The units in SAS Aviation Services had a challenging year with a negative earnings performance. In all, the business area's revenue fell by 0.8% to MSEK 14,192. The decline was due to pressure on prices at SGS and lower volume at STS. SAS Cargo was affected primarily by substantial overcapacity at the beginning of 2007, which led to lower prices.

The business area's income before nonrecurring items deteriorated by MSEK 473 and amounted to MSEK –623 for the full year 2007.

None of the units reached their return target of an operating margin of over 4% for SGS and SAS Cargo and 5% for STS.

The number of employees increased marginally during the year and amounted to 10,651. The rise is due to an increase at SGS because more passengers were handled compared with the previous year. STS and SAS Cargo report fewer FTEs due to lower volumes.

Statement of income

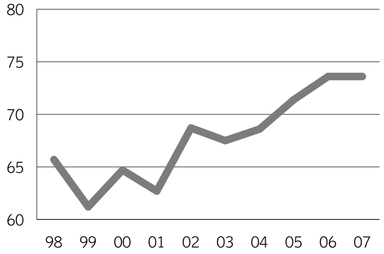
MSEK	2007	2006	2005[1]
Revenue	**14,192**	14,308	14,964
Payroll expenses	**–6,380**	–6,197	–6,462
Handling costs	**–985**	–1,063	–1,356
Technical aircraft maintenance	**–2,769**	–2,551	–1,447
Computer and telecommunications costs	**–472**	–532	–589
Other operating expenses	**–3,910**	–4,073	–4,099
Operating expenses	**–14,515**	–14,417	–13,953
Income before depreciation, EBITDA	**–324**	–109	1,011
Depreciation	**–257**	–316	–419
Share of income in affiliated companies	**–17**	–41	–23
Capital gains	**-**	-	34
Operating income, EBIT	**–598**	–466	603
Net financial items	**–166**	–103	–101
Income before tax	**–764**	–570	502
Income before nonrecurring items	**–623**	–150	633

Key figures

	Total SAS Aviation Services			SAS Ground Services			SAS Technical Services			SAS Cargo		
	2007	2006	2005[1]	2007	2006	2005	2007	2006	2005	2007	2006	2005
Revenue, MSEK	**14,192**	14,308	14,964	**6,055**	5,866	6,185	**4,874**	4,895	5,167	**3,336**	3,645	3,308
of which external revenue	**36.6%**	38.3%	37.0%	**20.1%**	17.5%	17.3%	**13.7%**	16.2%	19.6%	**99.0%**	98.5%	95.6%
EBIT before nonrecurring items	**–457**	–47	603[3]	**–141**	55	241	**–372**	–176	181	**33**	114	101
EBIT margin before nonrecurring items	**–3.2%**	–0.3%	4.0%[3]	**–2.3%**	0.9%	3.9%	**–7.6%**	–3.6%	3.5%	**1.0%**	3.1%	3.0%
EBT before nonrecurring items	**–623**	–150	633	**–167**	43	228	**–499**	–249	93	**22**	99	84
Average number of employees[2]	**10,651**	10,565	10,846	**6,873**	6,622	6,952	**2,422**	2,509	2,678	**1,356**	1,434	1,328
of which women	**29%**	28%	26%	**39%**	37%	37%	**7%**	7%	8%	**21%**	21%	18%
Unsorted waste, tonnes[4]	**754**	545	432	**-**	-	-	**-**	-	-	**-**	-	-
Energy consumption, GWh[4]	**191**	200	193	**-**	-	-	**-**	-	-	**-**	-	-
Environmental index	**-**	-	-	**101**	106	100	**93**	99	100	**-**	-	-

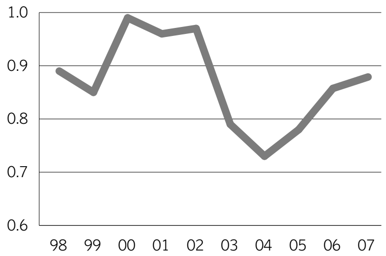
1 *Including SAS Flight Academy.*
2 *For other employee key figures, see Note 3, page 65.*
3 *EBIT including nonrecurring items.*
4 *The environmental numbers are total figures for SAS Aviation Services and all units owned or managed by SAS Facility Management (buildings and land).*

Passenger load factor
%, SAS Group total



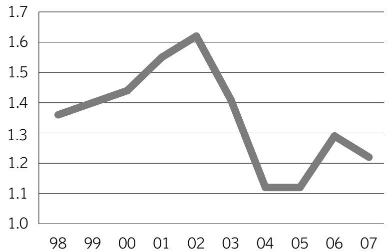
The passenger load factor performed very favourably during 2004-2006.

Passenger revenue
SEK per available seat kilometer (RASK)



RASK was affected by the passenger load factor and yield. RASK performed well in 1999-2001 primarily owing to high yields.

Yield performance
SEK per revenue passenger kilometer



The yield trend from 1998 to 2002 was relatively stable and rising. From 2003 to 2005 there was a dramatic deterioration of the yield.

Group operational key figures

The key figures refer to consolidated units. airBaltic was consolidated during 2005. Spanair was consolidated in March 2002 and is included up to and including 2005. Blue1 and Widerøe have been included in the key figures since 1999.

SAS Group	**2007** [1]	2006 [1]	2005	2004	2003	2002	2001	2000	1999	1998 [3]
Passenger traffic-related key figures										
Number of destinations served, scheduled	152	146	147	146	130	123	128	92	97	101
Number of flights, scheduled	459,922	462,970	554,838	530,597	502,145	536,768	445,584	460,496	460,749	334,693
Number of passengers carried, total (000) [2]	33,420	32,416	41,033	38,253	36,399	38,775	25,103	25,310	23,990	21,699
Number of passengers carried, scheduled (000)	31,179	30,294	36,312	34,250	31,005	32,562	24,689	25,155	23,755	21,499
Available seat kilometers, total (mill.) [2]	48,107	46,938	62,445	60,173	54,800	54,235	38,120	36,334	35,491	31,766
Available seat kilometers, scheduled (mill.)	43,682	42,729	53,689	51,478	47,634	47,079	36,765	34,754	33,930	31,704
Revenue passenger kilometers, total (mill.) [2]	35,397	34,552	44,566	41,287	36,985	37,237	23,906	23,519	21,722	20,883
Revenue passenger kilometers, scheduled (mill.)	31,682	31,086	35,864	33,312	30,403	30,882	23,567	23,243	21,639	20,821
Passenger load factor, total (%) [2]	73.6	73.6	71.4	68.6	67.5	68.7	62.7	64.7	61.2	65.7
Average passenger distance, total (km)	1,059	1,066	1,086	1,079	1,016	960	952	929	905	962
Weight-related key figures [5]										
Available tonne kilometers, ATK, total (mill. tonne km)	6,204	6,185	7,614	7,302	6,227	6,084	4,922	4,699	4,698	4,501
Available tonne kilometers, scheduled (mill. tonne km)	5,374	5,287	6,376	6,068	5,201	5,171	4,873	4,660	4,637	4,459
Available tonne kilometers, other (mill. tonne km)	831	898	1,238	1,233	1,026	914	49	38	61	42
Revenue tonne kilometers, RTK, scheduled (mill. tonne km)	5,727	5,676	6,157	5,393	4,544	4,523	3,320	3,269	2,957	2,680
Passengers and excess baggage (mill. tonne km)	3,474	3,390	4,298	3,844	3,234	3,312	2,295	2,237	2,076	1,877
Total load factor, scheduled (%)	92.3	91.8	80.9	73.9	73.0	74.3	67.5	69.6	62.9	59.5
Traffic revenue/RTK (SEK)	7.51	7.29	7.57	8.06	9.91	11.41	11.69	11.38	11.50	11.90
Key figures for costs and efficiency										
Total unit cost	0.77	0.79	0.70	0.71	0.81	0.88	1.01	0.91	0.88	0.93
Jet fuel price paid, average (USD/tonne)	786	707	564	434	314	268	295	311	199	218
Revenue-related key figures										
Passenger revenue/Revenue pass. km, scheduled, yield (SEK)	1.22	1.18	1.10	1.11	1.27	1.48	1.55	1.44	1.40	1.36
RASK, Pass. revenue/Available seat kilometers, scheduled (SEK)	0,88	0.86	0.73	0.72	0.81	0.97	1.00	0.96	0.89	0.89
Environmental key figures										
CO_2, gram/Revenue passenger kilometer	130 [4]	131 [4]	136 [4]	154	158	159	176	179	192	196
Climate index (Environmental index [3] until 2004)	92 [4]	94 [4]	100 [4]	76	78	78	87	88	88	96

[1] *Excluding Spanair.*
[2] *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.*
[3] *Refers to Scandinavian Airlines.*
[4] *Refers to all SAS Group's airlines.*
[5] *Excludes Blue1 in 1998-2004 and Braathens in 2002-2003.*
Definitions and concepts, see back flap

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

SAS Group [1]	2007 [2]	2006 [2]	2005 [2]	2004 [3]	2003 [3,5]	2002 [3,5]	2001 [5]	2000 [5]	1999 [5]	1998 [5]
Statements of income, MSEK										
Revenue	**52,251**	50,152	55,501	58,093	57,655	64,906	51,433	47,540	43,746	40,946
Operating income before depreciation	**2,733**	2,618	2,548	1,779	597	3,463	743	3,710	2,731	4,101
Depreciation	**–1,478**	–1,757	–2,170	–2,846	–3,046	–2,953	–2,443	–2,192	–2,087	–2,125
Share of income in affiliated companies	**9**	59	76	157	39	–409	–70	–1	77	–20
Income from the sale of shares in subsidiaries and affiliated companies	**-**	-	41	5	651	817	–24	1,033	283	1
Income from the sale of aircraft and buildings	**41**	85	182	113	649	–320	1,165	490	726	1,014
Income before tax	**1,052**	177	–246	–1,833	–1,699	–543	–1,140	2,829	1,885	2,921
Income from discontinued operations	**–130**	4,528	577	-	-	-	-	-	-	-
Income before capital gains and nonrecurring items in continuing and discontinued operations	**824**	1,279	114	–1,701	–2,450	–829	–2,282	1,291	459	1,905
Income before capital gains and nonrecurring items in continuing operations	**1,242**	727	–106	-	-	-	-	-	-	-
Balance sheets, MSEK										
Fixed assets	**26,663**	31,189	36,439	38,458	42,768	46,845	42,407	33,422	28,587	26,491
Current assets, excluding liquid assets	**13,216**	9,172	12,893	10,748	9,441	9,244	8,693	7,024	7,133	5,958
Liquid assets	**8,891**	10,803	8,684	8,595	9,066	10,721	11,662	8,979	8,495	8,024
Total shareholders' equity	**17,149**	16,388	12,081	11,044	12,926	15,261	15,807	17,651	16,145	15,359
Long-term liabilities	**11,274**	17,847	23,608	25,193	25,633	27,096	24,569	14,895	12,418	11,188
Current liabilities	**20,347**	16,930	22,327	21,564	22,716	24,453	22,386	16,879	15,652	13,926
Total assets	**48,770**	51,164	58,016	57,801	61,275	66,810	62,762	49,425	44,215	40,473
Cash flow statements, MSEK										
Cash flow from operating activities	**2,866**	2,102	1,507	–1,440	–1,167	2,138	–350	3,949	1,483	3,665
Investment	**–2,908**	–2,299	–1,827	–3,865	–4,488	–9,919	–11,676	–9,886	–5,845	–6,112
Sale of fixed assets etc.	**2,695**	9,784	2,797	6,853	5,535	6,055	8,382	5,559	6,601	2,360
Cash flow before financing activities	**2,653**	9,587	2,477	1,548	–120	–1,726	–3,644	–378	2,239	–87
New issue	**-**	-	-	-	-	197	-	-	-	-
Dividend	**-**	-	-	-	-	-	–754	–666	–637	–678
External financing, net	**–4,492**	–7,438	–2,426	–2,016	–1,480	588	7,081	1,528	–1,131	–1,039
Cash flow for the year	**–1,839**	2,149	51	–468	–1,600	–941	2,683	484	471	–1,804
Key figures										
Gross profit margin, %	**5.2**	5.2	4.6	3.1	1.0	5.3	1.4	7.8	6.2	10.0
Return on capital employed (ROCE), % [4]	**6.7**	18.2	5.0	–1.1	0.0	3.5	0.0	10.9	8.7	13.4
Return on book equity after tax, % [4]	**3.8**	37.8	1.4	–14.9	–11.7	–1.4	–6.3	13.6	9.4	15.5
Equity/assets ratio, %	**35**	32	21	19	21	23	25	36	37	38

[1] Pertains to the SAS Group pro forma 1998-2000. [2] Discontinued operations are reported according to IFRS 5. [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. Definitions and concepts, see back flap.

Earnings performance - a look back

The SAS Group saw weak earnings performance at the beginning of the 1990s due to the global recession and Gulf War. Drastic cost-cutting measures were implemented in 1991-1993, which resulted in the SAS Group posting its best earnings to date in 1995. Earnings declined somewhat after that on account of higher costs.

2001 opened strong, but the terrorist attacks of September 11 precipitated the biggest crisis in the airline industry since the Gulf War. Following an improvement in 2002, SARS and stiffening competition in 2003 resulted in a deterioration in earnings.

The SAS Group initiated Turnaround 2005, which resulted in a return to profitability in 2005 after four years of losses.

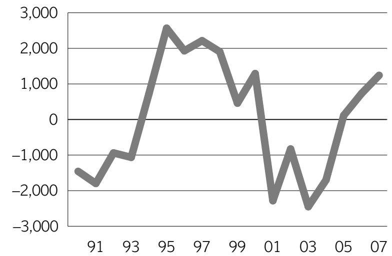
The positive trend continued in 2007 thanks to favorable cyclical factors and positive traffic results.

Performance in 2007

- The SAS Group carried more than 31 million passengers.
- SAS decided to permanently ground the Q400.
- The passenger load factor amounted to 72.5% (72.8%).
- Income before capital gains and nonrecurring items amounted to MSEK 1,242, despite negative earnings effects of around MSEK 700 from the Q400.

Performance of income before capital gains and nonrecurring items, 1990-2007

MSEK



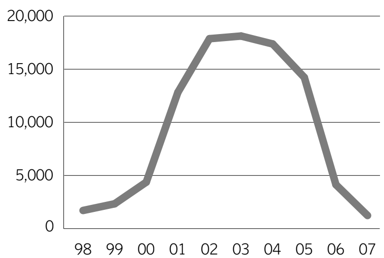
Performance of financial key figures
One of the SAS Group's financial objectives is achieving a CFROI of at least 25% over a business cycle. Owing to expected increases in investment moving forward, the Group raised its target to 25% from 20% in 2007. The return target shows how well the company's income before capital costs performs relative to the actual capital input, including off-balance sheet commitments. Off-balance sheet commitments primarily refer to aircraft leasing, which according to capital market practice is multiplied by a factor of seven. Owing to the difficult years in the early 2000s, the SAS Group did not meet its return target, but did perform positively thanks to the introduction of Turnaround 2005 and other streamlining measures.

The other financial data show that the SAS Group's Turnaround 2005 and capital release program did a great deal to improve the Group's financial position. Interest-bearing liabilities amounted to SEK 29.8 billion in 2002, but have been gradually paid down to SEK 12.0 billion by the end of 2007.

Since 2003, financial net debt has declined by MSEK 16,891 to MSEK 1,231. The adjusted debt/equity ratio (adjusted financial net debt (x 7)/equity) has improved by 149 percentage points since 2003 to 142%.

The SAS Group's goal is for the adjusted debt/equity ratio to be less than 100%.

Financial net debt
MSEK



Ten-year financial overview

Financial key figures and return requirements

SAS Group [1]	**2007**	2006	2005	2004 [2]	2003 [2,4]	2002 [2,4]	2001 [4]	2000 [4]	1999 [4]	1998 [4]
Income and capital concepts included in CFROI, MSEK										
Income before depreciation, EBITDA, in continuing and discontinued operations	2,646	3,663	2,984	1,779	597	3,463	743	3,710	2,731	4,101
+ Operating lease costs, aircraft	3,472	3,527	3,133	2,689	2,935	3,747	2,425	1,898	1,346	1,027
EBITDAR	6,118	7,190	6,117	4,468	3,532	7,210	3,168	5,608	4,077	5,128
– Operating lease revenue, aircraft	–174	–194	–155	–163	–145	–85	–16	–15	–66	–161
Adjusted EBITDAR in continuing and discontinued operations	5,944	6,996	5,962	4,305	3,387	7,125	3,152	5,593	4,011	4,967
Adjusted average capital employed, MSEK										
+ Total shareholders' equity	16,687	12,706	11,921	11,823	13,655	14,914	17,105	16,369	15,393	14,549
+ Surplus value, aircraft	–208	371	–161	–674	167	1,318	4,638	5,420	4,911	4,073
+ Capitalized leasing costs, net (x7)	23,191	22,567	18,967	18,130	22,844	21,766	14,818	10,840	7,670	5,383
– Equity in affiliated companies	–1,054	–1,132	–853	–676	–519	–803	–1,087	–895	–1,126	–1,102
+ Financial net debt	2,447	11,136	16,119	18,592	19,031	16,905	8,661	4,465	3,720	1,026
Adjusted capital employed	41,063	45,648	45,993	47,195	55,178	54,100	44,135	36,199	30,568	23,929
Cash Flow Return On Investments CFROI, %	14.5	15.3	13.0	9.1	6.1	13.2	7.1	15.5	13.1	20.8
Other financial data, MSEK										
Financial income	787	585	492	357	1 096	1,150	618	518	868	634
Financial expenses	–1,045	–1,367	–1,465	–1,399	–1,684	–2,291	–1,129	–729	–713	–684
Interest-bearing liabilities	12,042	16,478	26,337	27,280	28,866	29,782	26,124	14,563	11,802	10,277
Operating leasing capital	23,086	23,331	20,846	17,682	19,530	25,634	16,863	13,181	6,960	6,062
Net debt	–8,265	–4,671	5,865	9,956	11,466	11,574	7,652	794	–107	484
Financial net debt	1,231	4,134	14,228	17,377	18,122	17,872	12,824	4,372	2,336	1,707
Debt/equity ratio [3]	0.07	0.25	1.18	1.57	1.40	1.17	0.81	0.25	0.14	0.11
Adjusted financial net debt (NPV)/equity	0.80	1.03	2.21	2.53	2.18	2.01	1.37	0.45	0.35	0.25
Adjusted financial net debt (x7)/equity	1.42	1.68	2.90	3.17	2.91	2.85	1.89	1.00	0.73	0.58
Interest expenses/average gross debt, %	7.8	6.1	5.2	4.3	6.5	6.9	4.4	5.2	5.4	6.13
Interest coverage ratio	1.8	4.4	1.3	–0.3	0.0	0.7	0.0	5.0	3.6	5.3

1 Pertains to the SAS Group pro forma 1998-2000. 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 the recommendations of the Swedish Financial Accounting Standards Council. For differences between IFRS and previous accounting policies see the SAS Group's 2005 Annual Report.
Definitions and concepts, see back flap.

Star Alliance™ key figures for 2007

	Passengers/ year(mill.)	Desti- nations	Countries	Aircraft	Daily departures	RPK (bill.)	Yearly oper. rev. (USD bill.)	Employees
Air Canada	32	174	40	335	1,354	72.5	9.3	32,000
Air New Zealand	12	49	16	96	570	24.6	2.5	10,829
ANA - All Nippon Airways	51	75	10	209	899	60.7	12.8	22,170
Asiana Airlines	14	74	17	59	256	22.0	3.6	7,867
Austrian	11	130	66	104	440	23.4	3.4	8,468
bmi	5	33	14	42	300	5.0	1.7	4,077
LOT Polish Airlines	4	61	32	53	230	6.7	0.9	3,250
Lufthansa	53	192	78	430	1,957	110.3	25.0	94,510
Scandinavian Airlines	25	126	34	185	822	27.3	5.9	7,597
Singapore Airlines	18	65	35	92	220	89.1	9.3	13,924
South African Airways	8	34	26	58	166	25.5	2.9	11,000
Spanair	10	39	10	63	283	9.4	1.6	3,415
Swiss	11	69	42	69	370	22.1	3.3	7,200
TAP	7	48	26	48	200	16.6	2.1	5,664
THAI	19	73	34	85	121	54.0	4.6	26,435
United Airlines	69	210	28	460	3,600	188.6	19.3	55,000
US Airways	36	> 225	28	358	4,000	59.7	11.6	35,995
Regional members:								
Adria Airways	1	24	18	12	30	1.0	0.2	592
Blue1	2	27	11	13	74	1.4	0.3	506
Croatia Airlines	1	29	19	11	65	1.0	0.2	1,022
Alliances:								
Star Alliance™	389	883	155	2,782	15,957	821.1	120.6	351,521
SkyTeam™	364	751	151	2,189	14,100	765.9	93.1	279,133
oneworld™	321	688	142	2,339	9,297	711.4	68.7	263,350

Source: Airline Business magazine September 2007, alliance websites.

Key figures - world's biggest airline alliances in 2007

Percentage of world total	ASK	RPK	Passengers	Oper. rev. per year
Star Alliance™	20.8%	19.8%	17.0%	25.2%
SkyTeam™	15.6%	18.5%	16.0%	19.1%
oneworld™	18.2%	17.2%	14.1%	14.1%
Total	54.6%	55.5%	47.1%	58.4%

Source: Airline Business magazine September 2007.

Loyalty programs

SAS Scandinavian Airlines EuroBonus , thousands	2007	2006	Change
Total number of members	**2,692**	2,642	1.9%
in Denmark	**486**	462	5.2%
in Norway	**855**	863	–1.0%
in Sweden	**708**	683	3.7%
international	**643**	633	1.5%
Proportion of Gold members	**2.6%**	2.7%	–0.1 pts.*
Proportion of Silver members	**5.9%**	6.0%	–0.1 pts.*

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

SAS Individually Branded Airlines EuroBonus , thousands	2007	2006	Change
Finland (EuroBonus)	**194**	181	8%
Estonia (EuroBonus)	**25**	21	19%
Latvia (EuroBonus)	**21**	18	16%
Lithuania (EuroBonus)	**10**	8	22%
Total	**250**	**228**	**9,8%**

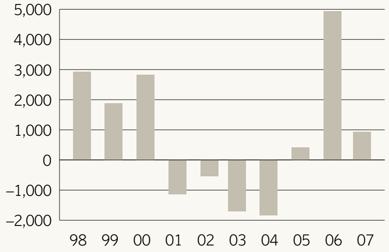
Approvals and certifications

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.

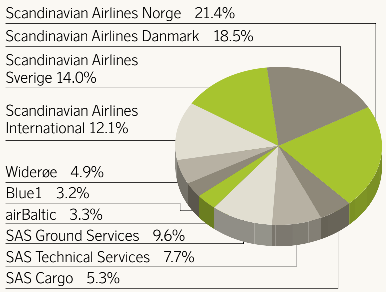
SAS Cargo holds ISO 14001 and ISO 9001 certification.

All consolidated airlines in the Group are IOSA certified through IATA. SAS Technical Services Maintenance Organization and SAS Maintenance Training were approved during the year as EASA Part 145 and 147 organizations, respectively. These units were previously JAA-approved.

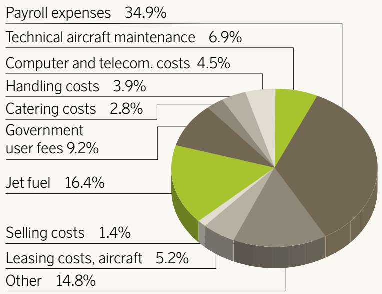
SAS Group's income before tax, 1998-2007
MSEK



SAS Group's revenue breakdown in 2007



SAS Group's breakdown of costs in 2007



Annual Report

▶ Corporate Identity Number 556606-8499

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 2007.

MARKET PERFORMANCE

2007 was a good year for the entire airline industry. Growth was very healthy, which in combination with moderate capacity increases resulted in higher passenger load factors and unit revenues (yields). The SAS Group performed well during the first three quarters of 2007, with good passenger load factors and stable yield. The fourth quarter saw a weakening primarily due to the problem with the Q400 fleet. The deployment of replacement aircraft gave rise to additional capacity in certain markets, which led to lower passenger load factors.

CHANGE IN GROUP STRUCTURE

SAS Flight Academy was divested in February 2007 to STAR Capital Partners for MSEK 550. The capital gain amounted to MSEK 359. The Group's remaining shareholding in Rezidor Hotel Group was sold in May, whereby a gain of MSEK 513 was realized. An agreement regarding the final purchase price in the divestment of SAS Component in 2005 was concluded during the second quarter and was charged to earnings in the amount of MSEK 445. At the end of June, the Group acquired a 5.1% stake in Spanair S.A. As a result, the SAS Group owns 100% of the shares in Spanair S.A. In September the ground handling company Newco was sold for MSEK 322, with a capital gain of MSEK 169.

During the fourth quarter, preparations were initiated to sell Spanair S.A. and Aerolineas de Baleares. Accordingly, the companies' assets and liabilities are reported as assets held for sale. Income after tax is reported among discontinued operations. Impairment testing of goodwill was conducted for both companies. On the basis of a market value assessment an impairment charge of MSEK 300 was recognized. The sale is expected to be concluded during the second quarter of 2008.

EUROPEAN COOPERATION AGREEMENT (ECA)

The European Cooperation Agreement was a collaboration between Scandinavian Airlines, Lufthansa and British Midland International that began in January 2000. Scandinavian Airlines' share of any losses is 45%. The agreement was approved by the European Commission for a period of eight years and expired on December 31, 2007.

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

Due to continued competition and weak earnings performance, the ECA's negative impact on SAS Group earnings continued in 2007, with MSEK –652 (–415).

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 and interest rate exposure. See Note 29.

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, constitutes 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 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 85% and the share of non-Scandinavian shareholders came to approximately 15% 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 number of loan agreements in which the lending banks and financial institutions have been given certain rights and powers, including the right to require immediate 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.

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 4 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.

All Board members were reelected at the Annual General Shareholders' Meeting on April 17, 2007. Egil Myklebust was elected Chairman of the Board. The composition of the Board of Directors in 2007 appears on page 92.

At the Annual General Shareholders' Meeting on April 9, 2008, the nomination committee of SAS AB will recommend that Fritz H. Schur be elected the new Chairman of the Board of SAS AB. At the same time the nomination committee will propose that Dag Mejdell be elected to the Board.

Working closely with the President, the Chairman of the Board monitors the company's performance, plans Board meetings, and ensures that the other members of the Board always receive high-quality information about the Group's finances and performance, and that the Board evaluates its work and that of the President each year.

In 2007 the Board held 11 meetings, of which 10 were ordinary and one 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 Q400 accidents, strategic plan for 2007-2011, sale of SAS Flight Academy and Newco, strikes and industrial disputes, environmental and sustainability issues, competition law investigations involving SAS Cargo, investment in aircraft and continued cost-saving and streamlining measures.

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 duty of the Board's two committees is to prepare business for the Board's decision. The remuneration committee consists of three members elected by the shareholders' meeting and the audit committee of four members elected by the shareholders' meeting. In 2007 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 eight recorded meetings in addition to a large 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 recruitment of new Group management members.

The fees paid to Board members and remuneration for serving on Board committees are reported on page 66.

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 proposal 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 2007 Annual General Shareholders' Meeting are presented in Note 3 and page 89. There were no deviations from these guideline during the year.

The guidelines to be proposed to the Annual General Shareholders' Meeting on April 9, 2008, are unchanged in relation to the remuneration policies adopted at the 2007 Annual General Shareholders' Meeting.

SAFETY WORK

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 flight safety level of the SAS Group in 2007 is considered normal in relation to current industry standards.

After three accidents with the Dash 8 Q400 on September 9, September 11 and October 27, 2007, the Board of SAS AB decided to permanently ground the entire fleet consisting of 27 Dash 8 Q400s. Landing gear were involved in all three cases. The preliminary investigations by the accident investigation boards, regarding the first two accidents, point to a design flaw.

SAS Group maintenance operations are largely performed by SAS Technical Services (STS). Along with the airlines they perform quality work that is analyzed and evaluated on the basis of reported incidents, inspections and audits. Other suppliers' maintenance is performed under similar contract terms, which are checked and monitored separately. Maintenance programs, agreements and related issues are approved by the authorities.

In 2007 several Group airlines reported various types of technical deficiencies. An action program has been initiated to correct these deficiencies.

On the basis of experience and new requirements there is a particular focus on quality control in maintenance work, changes and improvements. Scandinavian Operations Management (SOM) has an action plan intended to improve its management in accordance with the airworthiness directive. The action plan was approved by the OPS Committee* at its meeting in February and was implemented in 2007.

LEGAL ISSUES

On February 14, 2006, the European Commission and the U.S. Department of Justice each made public investigations into possible price fixing in the air cargo industry. SAS is one of several air cargo carriers involved in the investigations. In addition, a number of class-action civil lawsuits brought against SAS and other air cargo carriers in the United States, alleging civil damages and seeking monetary compensation, are pending in a consolidated civil case in New York.

* *Denmark's, Norway's and Sweden's civil aviation authorities' cooperation committee, primarily tasked with coordinating national regulations and oversight responsibility regarding the airline operations conducted by the SAS Consortium.*

SAS is continuing to cooperate with the authorities in the investigations and to defend itself in the civil litigation. SAS also continues to conduct its own internal review.

In the U.S., no formal charges have been filed against SAS to date. As part of its cooperation with the U.S. authorities, SAS is engaged in discussions with them concerning a possible resolution of the investigation.

In the EU, the European Commission issued a Statement of Objections on December 20, 2007 to a large number of air carriers, including SAS Cargo. In the Statement of Objections, the Commission alleges that certain investigated practices in the air cargo sector constituted infringements of EU competition rules. Due to the complexity of international air transportation rules and the existence of alliances, a full analysis and understanding of the Commission's allegations requires access to the Commission's underlying comprehensive documentation. Not until SAS has had an opportunity to go through the documentation will SAS be able to make further comments.

It is not possible at this time to predict the outcomes of either investigation by the authorities or of the civil lawsuits. Taking the nature of the allegations into account, adverse outcomes are likely to have a substantial negative financial impact on SAS.

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. In 2007 new environmental targets and strategies were drawn up to bolster SAS's focus on environmental protection.

Since 1996 the SAS Group has measured its eco-efficiency 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 2007 this index was restructured so that all subsidiaries have 2005 as their base year in the environmental index. In addition, a Group-wide climate index covering the airlines' greenhouse emissions has been prepared. Environment targets have been 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 climate index for 2007 was 92 (94). This is the first time operations have ever achieved such a relatively low environmental impact.

The goal of the Group's airlines is to lower their relative fuel consumption by 6-7% by 2011. Consumption fell during the year by 1-2 (0.5)%, which is equivalent to a decrease of 60-120 tonnes of carbon dioxide emissions and savings of MSEK 80-160.

Overall, Group companies reported an improvement in the PULS employee satisfaction index compared with the previous year. Of the Group's 20 companies, 15 showed an improvement and 5 a deterioration compared with the previous year. The response rate was 72 (70)%.

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.

SAS Group subsidiaries 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 2007, the average sick leave in the SAS Group increased to 6.4%, from 6.1% the year before. The number of occupational injuries with subsequent absence decreased from 782 to 670 within the entire SAS Group. No serious incidents or occupational injuries occurred during the year. Sick leave costs in the SAS Group amounted to approximately MSEK 1,100 in 2007.

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. One of the ways this is being addressed in both internal and external recruiting for vacant positions where the genders are unevenly represented is to encourage members of the underrepresented gender to apply for the position. Women make up 23% of the SAS Group's top executives. As part of SAS Scandinavian Airlines' work on diversity and equal opportunity issues, SAS Sverige identified in 2007 a number of focus areas for which surveys are being conducted and action plans are being developed to deal with issues such as working and parenting, working conditions, harassment and victimization, skills enhancement, advancement and pay.

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). The total training cost for the SAS Group amounted to MSEK 370 (326) in 2007.

Following extensive dialog between Group and company executives and union representatives in Scandinavia, intensive work focusing on a cultural turnaround was carried out in 2007 to strengthen cooperation with the unions. The first half of 2007 saw some labor disputes that impacted traffic. Scandinavian Airlines Sverige had a notified four-day strike in May and Scandinavian Airlines Danmark had two wildcat strikes in March and April. The net estimated impact of the conflicts on the SAS Group's earnings is approximately MSEK 200.

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 takeoff and landing, as well as of acidification and eutrophication of soil and water. The greatest potential for environmental improvements lies in continuous renewal of the aircraft fleet, which means always choosing the best 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 stricter environmental framework conditions 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.

On January 1, 2007, Norway introduced a nitrogen oxides tax, which entailed a cost increase of MSEK 12. Furthermore, the carbon tax in Norway was increased by just over 20%, to NOK 0.65/kg carbon dioxide, starting January 1, 2008. In 2007 the cost of the carbon tax in Norway came to MSEK 165 (160). In the U.K., the environment-related passenger charge was nearly doubled, pushing up costs by MSEK 80, to MSEK 154. The Danish environment-related passenger charge was eliminated in 2006. 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.

At the end of 2006 the European Commission announced a draft directive regarding aviation's entry into emissions trading. The goal is to incorporate aviation into the system in 2011. The comprehensive proposal is largely in line with SAS's view. In 2007 the proposal was discussed by the Parliament. In November a reworked proposal representing a considerable tightening of the Commission's proposed directive was announced. As a ceiling for emissions the European Parliament set 90% of the average for 2004–2006. The Parliament's proposal also involves a multiplier whereby aviation is to relinquish twice as many emissions credits in relation to the amount of carbon dioxide it emits. The system will include all traffic within, to and from the EU. Emissions credit trading represents a cost increase which will largely be reflected in fares. Under the original proposal it was assumed the costs would average out to an increase of 2-3% of fuel costs. Under the Parliament's proposal, the increase will be considerably higher, up to 10–20% in relation to fuel costs.

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 Technical Services (STS) submits an annual environmental report to Sigtuna Municipality. The permit at Oslo Airport covers water from a treatment plant connected to hangars and maintenance bases. STS submits an annual environmental report to Ullensaker Municipality and to the County Governor of Akershus. Copenhagen Airport has maintenance bases and hangars requiring environmental permits that primarily concern the use of chemicals in maintenance work and treatment plants. 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. All environmental permits for operations conducted on the properties that SAS Facility Management (SFM) manages have been transferred to SFM. The terms of the licenses remain unchanged. In general, the SAS Group's airline operations are totally dependent on the licensed maintenance base, vehicle workshop and hangar operations performed by SGS and STS 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. On the other hand, in 2008 Copenhagen Airport will renew its environmental permit, which will have a major impact on the operations of the SAS Group. During the year the Group did not receive any injunctions from the issuing authorities.

In 2007, aircraft operated by SAS Group airlines sometimes deviated from local approach and takeoff rules. In 2007 Spanair was fined on a few occasions by the Spanish authorities. Scandinavian Airlines Danmark and Blue1 were also fined on a few occasions for approaches and takeoffs. The majority of these fines are being negotiated. In total, the fines may amount to MSEK 3-5. None of the incidents had any major environmental consequences. Airline operations has a dispensation for using halons and submits an annual report to the authorities on consumption and stocks. In 2007 a few kilograms of halons leaked out. In 2006 SAS identified two minor ground pollution incidents at Copenhagen Airport caused by the leakage of oil and diesel on an area covering 1,100 sq. m. In 2007 dialog continues with the airport owners and the authorities on the clean-up of the site. 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 similar. Other parts of the annual and sustainability report contain more complete descriptions of the SAS Group's efforts to contribute to sustainable development.

DIVIDEND 2007

The Board is proposing to the Annual General Shareholders' Meeting that no dividend be paid to SAS AB's shareholders for the 2007 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	10,322
Group contribution received, net	19
Net income for the year	–752
Total nonrestricted equity	**9,589**

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

	MSEK
Amount retained by Parent Company	9,589
Total	**9,589**

The position of the Group and Parent Company at year-end 2007 and the earnings of operations for fiscal year 2007 are stated in the following statement of income, balance sheet, cash flow statement, changes in shareholders' equity, comments on the financial statements and notes.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On February 5, the Board of SAS AB made a decision on the future structure of SAS Ground Services, SAS Technical Services and Spirit Air Cargo Handling. For the time being, SAS Ground Services will remain a subsidiary in the Group, provided it meets quality improvement and profitability requirements. The changes in the operations of SAS Technical Services mean that heavy maintenance of the Boeing 737 Classic will take place outside Scandinavia. Spirit Air Cargo Handling, part of SAS Cargo, will be sold.

FULL-YEAR 2008

The year 2007 was characterized by very positive growth and favorable market conditions in the SAS Group's home market of Northern Europe. General economic growth is expected to be lower in the SAS Group's home markets in 2008 compared with 2007. Official forecasts have gradually been revised downwards, especially during the recent period, and we will probably see signs of an economic downturn in the not too distant future. As a result of this, the market's passenger growth is expected to be lower in 2008.

In addition, there is uncertainty relating to the price trend for fuel, for which the degree of compensation could become a growing challenge if demand declines and the oil price continues to rise.

The year 2008 will be favorably impacted by the fact that the ECA agreement has now expired, at the same time as the negative earnings effect of the Q400 is expected to amount to about MSEK 700-800 for full-year 2008.

SAS Group statement of income

MSEK	Note	2007	2006
Revenue	2	52,251	50,152
Payroll expenses	3	–17,271	–16,229
Other operating expenses	4	–29,669	–28,824
Leasing costs for aircraft		–2,578	–2,481
Depreciation, amortization and impairment	5	–1,478	–1,757
Share of income in affiliated companies	6	9	59
Income from the sale of aircraft and buildings	7	41	85
Operating income		**1,305**	**1,005**
Income from other holdings of securities	8	5	–46
Financial income	9	787	585
Financial expenses	9	–1,045	–1,367
Income before tax		**1,052**	**177**
Tax	10	–286	35
Net income for the year from continuing operations		**766**	**212**
Income from discontinued operations	11	–130	4,528
Net income for the year		**636**	**4,740**
Attributable to:			
Parent Company shareholders		637	4,622
Minority interest		–1	118
Earnings per share (SEK) [1]		3.87	28.10
Earnings per share (SEK) from continuing operations [1]		4.62	1.11

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

Income before capital gains and nonrecurring items

MSEK	2007	2006
Income before tax in continuing operations	1,052	177
Impairments	0	126
Restructuring costs	216	328
Capital gains	–46	–88
Other nonrecurring items	20	184
Income before capital gains and nonrecurring items in continuing operations	**1,242**	**727**

Comments on the statement of income

During the fourth quarter, the divestment process commenced for Spanair S.A. and Aerolineas de Baleares. Accordingly, the companies' assets and liabilities are reported as assets held for sale. Income after tax is reported among discontinued operations. Impairment testing of goodwill was conducted for both companies. On the basis of a market value assessment an impairment charge of MSEK 300 was recognized.

SAS Flight Academy was divested in February 2007 and is reported as a discontinued operation. The remaining 6.7% of the shares in Rezidor Hotel Group were divested in May. An agreement regarding the final purchase consideration in the divestment of SAS Component in 2005 was concluded during the second quarter and was charged to earnings from discontinued operations in an amount of MSEK –445. At the end of June, the Group acquired the remaining 5.1% stake in Spanair S.A. As a result, the SAS Group holds 100% of the shares in Spanair S.A. In September, the ground handling company Newco was divested.

Continuing operations

The net effect of currency fluctuations between the January-December periods of 2006 and 2007 was MSEK 619. The effect is MSEK –587 on revenues, MSEK 1,193 on operating expenses and MSEK 13 on net financial items.

The SAS Group's revenue amounted to MSEK 52,251 (50,152), an increase of MSEK 2,099 or 4.2%. Taking into account currency effects, revenue increased by 5.4%. Passenger traffic (RPK) rose by 1.9% for the Group.

The Group's costs for jet fuel amounted to MSEK 8,104 (7,953). Adjusted for positive currency effect owing to a weaker USD, fuel costs rose by MSEK 811 due to higher prices and increased volume. In addition, operating expenses rose due to growth in the number of passengers, expanded capacity and higher costs for technical maintenance.

The earnings effect related to the ECA collaboration amounted to MSEK –652 (–415) for the full year.

Operating income before depreciation and leasing costs, EBITDAR, was MSEK 5,311 (5,099).

Leasing costs and depreciation, with regard to the currency effect, remain at the same level as during the previous year.

The Group's income from the sale of aircraft and buildings amounted to MSEK 41 (85) for the full year. During the year, a deHavilland Q100 was sold and the sale and leaseback of three Boeing 737s and three Airbus 319/321s was implemented. Income from other shares and participations of MSEK 5 (–46), comprises profit from the sale of shares in OMX. In the preceding year, a valuation was made at fair value of the shares in Aeroexchange amounting to MSEK –50.

The Group's net financial items before capital gains amounted to MSEK –258 (–782). Net interest was MSEK –231 (–740). The currency effect was MSEK 13 (0). Other net financial expenses were MSEK –40 (–42).

Income before capital gains and nonrecurring items in continuing operations amounted to MSEK 1,242 (727).

Discontinued operations

Income from discontinued operations amounted to a total of MSEK –130 (4,528). SAS Flight Academy was sold in February 2007 to STAR Capital Partners for MSEK 550. The capital gain attributable to SFA amounted to MSEK 359. Income after tax in SAS Flight Academy was MSEK 5 until the date of the sale. See Note 11.

The SAS Group's remaining shareholding in Rezidor Hotel Group after the stock-exchange listing in 2006 was sold at the end of May, generating a gain of MSEK 513. Additionally, a dividend of MSEK 6 was received.

The earnings effect of an agreement on the purchase price for the divestment of 67% of the shares in SAS Component in 2005 amounted to MSEK –445. In the third quarter, Newco was divested for MSEK 322, with a capital gain of MSEK 169. Income after tax was MSEK 22 in Newco until the time of divestment. Income after tax and the impairment of goodwill in Spanair and Aerolineas de Baleares amounted to MSEK –713.

For full-year 2006, income after tax for Rezidor Hotel Group, Norwegian Aviation College, SAS Flight Academy, Newco and Spanair and Aerolineas de Baleares was reported in a total of MSEK 274. Added to this is a capital gain of MSEK 4,254 from the stock-exchange listing of Rezidor Hotel Group.

CURRENCY EFFECTS ON SAS GROUP'S EARNINGS

Operating revenue as well as operating expenses and financial items are affected significantly by exchange rate fluctuations. Only approximately 18% of operating revenue and 15% of operating expenses are in Swedish kronor.

The aggregate effect of changed exchange rates on the SAS Group's operating income for 2007 compared with 2006 was MSEK 606 (30). The currency effect is mainly due to the weaker U.S. dollar.

The difference between the years in the effect of exchange rate differences on the financial net debt was MSEK 13 (9), plus MSEK 264 (6) in discontinued operations.

Comparing 2007 with 2006, the total currency effect on income before tax was therefore MSEK 883 (45).

Change MSEK	2006/07	2005/06
Revenue	–587	4
Payroll expenses	82	–19
Other expenses	1,309	48
Translation of working capital	74	152
Income from hedging of commercial flows	–272	–155
Operating income	**606**	**30**
Net financial items	13	9
Income before tax in continuing operations	**619**	**39**
Discontinued operations	264	6
Income before tax	**883**	**45**

Currency effects on net income for the year, MSEK	2007	2006
Translation of working capital	81	2
Income from hedging of commercial flows	–229	42
Operating income	**–148**	**44**
Currency effect on the Group's financial net debt	13	0
Income before tax in continuing operations	**–135**	**44**
Discontinued operations	–105	–41
Income before tax	**–240**	**3**

Statement of income – Quarterly breakdown

MSEK	2006					2007				
	Jan-Mar	Apr-Jun	Jul-Aug	Oct-Dec	Full year Jan-Dec	Jan-Mar	Apr-Jun	Jul-Aug	Oct-Dec	Full year Jan-Dec
Revenue	10,999	13,366	12,955	12,832	50,152	11,887	13,496	13,484	13,384	52,251
Payroll expenses	–4,173	–4,292	–3,812	–3,952	–16,229	–4,127	–4,304	–4,234	–4,606	–17,271
Other operating expenses	–6,738	–7,493	–7,461	–7,132	–28,824	–6,750	–7,344	–7,789	–7,786	–29,669
Leasing costs for aircraft	–616	–617	–624	–624	–2,481	–642	–641	–659	–636	–2,578
Depreciation, amortization and impairment	–421	–465	–409	–462	–1,757	–364	–378	–371	–365	–1,478
Share of income in affiliated companies	–2	19	46	–4	59	10	38	7	–46	9
Income from the sale of aircraft and buildings	27	12	16	30	85	–2	–44	20	67	41
Operating income	**–924**	**530**	**711**	**688**	**1,005**	**12**	**823**	**458**	**12**	**1,305**
Income from other holdings of securities	0	1	0	–47	–46	0	0	5	0	5
Net financial items	–187	–191	–219	–185	–782	–108	–84	–30	–36	–258
Income before tax	**–1,111**	**340**	**492**	**456**	**177**	**–96**	**739**	**433**	**–24**	**1,052**
Tax	241	–18	–113	–75	35	55	–212	–78	–51	–286
Income from continuing operations	**–870**	**322**	**379**	**381**	**212**	**–41**	**527**	**355**	**–75**	**766**
Income from discontinued operations	–194	231	225	4,266	4,528	–6	80	346	–550	–130
Net income for the period	**–1,064**	**553**	**604**	**4,647**	**4,740**	**–47**	**607**	**701**	**–625**	**636**
Attributable to:										
Parent Company shareholders	–1,034	489	559	4,608	4,622	–18	584	667	–596	637
Minority interest	–30	64	45	39	118	–29	23	34	–29	–1

SAS Group balance sheet

ASSETS, MSEK	Note	2007	2006
Fixed assets			
Intangible assets	12	1,226	2,932
Tangible fixed assets	13		
Land and buildings		568	684
Aircraft		10,766	11,330
Spare engines and spare parts		1,211	1,383
Workshop and aircraft servicing equipment		226	215
Other equipment and vehicles		308	634
Construction in progress		172	378
Prepayments relating to tangible fixed assets	14	185	317
		13,436	**14,941**
Financial fixed assets	15		
Equity in affiliated companies	16	1,063	1,012
Long-term receivables from affiliated companies	17	170	189
Other holdings of securities		5	601
Pension funds, net	18	9,496	8,805
Deferred tax receivable	10	690	1,378
Other long-term receivables		577	1,331
		12,001	**13,316**
Total fixed assets		**26,663**	**31,189**
Current assets			
Expendable spare parts and inventories	19	849	993
Prepayments to suppliers		1	3
		850	**996**
Current receivables	20		
Accounts receivable		1,951	3,918
Receivables from affiliated companies	21	510	357
Other receivables		2,637	2,767
Prepaid expenses and accrued income	22	1,070	1,134
		6,168	**8,176**
Short-term investments	23	7,308	9,117
Cash and bank balances		1,583	1,686
Assets held for sale	11	6,198	-
Total current assets		**22,107**	**19,975**
TOTAL ASSETS		**48,770**	**51,164**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	2007	2006
Shareholders' equity			
Share capital		1,645	1,645
Other contributed capital		170	170
Reserves	24	1,466	1,312
Retained earnings		13,849	13,239
Total shareholders' equity attributable to Parent Company owners		**17,130**	**16,366**
Minority interests		19	22
Total shareholders' equity		**17,149**	**16,388**
Long-term liabilities	25		
Subordinated loans	26	693	716
Bond issues	27	2,079	7,135
Other loans	28	3,936	5,685
Pensions and similar commitments		59	57
Deferred tax liability	10	3,755	3,473
Other provisions	30	691	603
Other liabilities		61	178
		11,274	**17,847**
Current liabilities			
Current portion of long-term loans		1,615	841
Short-term loans	31	421	2,043
Prepayments from customers		20	181
Accounts payable		2,108	3,350
Liabilities to affiliated companies	32	94	169
Tax payable		5	43
Unearned transportation revenue	33	3,842	3,395
Current portion of other provisions	30	190	318
Other liabilities		1,580	1,845
Accrued expenses and prepaid income	34	5,149	4,744
Liabilities attributable to assets held for sale	11	5,323	-
		20,347	**16,929**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**48,770**	**51,164**
Book equity per share (SEK) [1]		104.13	99.49

Information about the Group's pledged assets, contingent liabilities and leasing commitments is given in Notes 35, 36 and 37.

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

Comments on the balance sheet

In light of the classification of Spanair and Aerolineas de Baleares as discontinuing operations, the assets of both companies including acquired goodwill and liabilities are recognized on a line in the Group's balance sheet. See also Note 11.

Assets
The SAS Group's total assets decreased in 2007, from MSEK 51,164 to MSEK 48,770.

The decrease in intangible assets by MSEK 1,706 is mainly due to Spanair's goodwill and other intangible assets totaling MSEK 1,797. In addition, MSEK 124 was deducted for divested operations. Depreciation for the year amounted to MSEK 73. MSEK 127 was invested in systems development during the year. Currency effects etc. came to MSEK 163.

The book value of aircraft decreased by MSEK 564. Investment in three Boeing 737s, two Airbus 319s and an Airbus 321 amounted to MSEK 1,310. Utilization of prepayments to aircraft manufacturers and modifications came to MSEK 839. Depreciation for the year amounted to MSEK 1,111 and the residual value of sold aircraft etc. was MSEK 1,602.

Long-term prepayments to suppliers of flight equipment decreased during the year by MSEK 132. For deliveries, MSEK 434 was utilized. Prepayments of MSEK 293 were made for future deliveries. Capitalized financial expenses amounted to MSEK 17, and translation differences due to a weaker USD decreased the value by MSEK 8.

Equity in affiliated companies increased by MSEK 51 to MSEK 1,063. Share of income for the year was MSEK 9. Investments in affiliated companies amounted to MSEK 44. In addition, equity shares decreased, net, by MSEK 2 from positive currency effects and deduction for dividends received.

Other holdings of securities decreased from MSEK 601 to MSEK 5 following the divestment in 2007 of the remaining shareholding in Rezidor Hotel Group.

For all defined benefit pension plans, the pension commitments are calculated and all funded assets are taken into account. At December 31, 2007, book net pension funds totaled MSEK 9,496 (8,805) (see also Note 18).

At year-end, short-term liquid assets totaled MSEK 8,891 (10,803), or 18% (21%) of total assets.

Shareholders' equity
Equity including minority interests increased by MSEK 761, to MSEK 17,149 (16,388), of which MSEK 636 is the net income for the year. The change in value of cash flow hedges amounted to MSEK 587. Changes in accounting principles in affiliated companies represented a negative impact of MSEK –27. The sale of the remaining shareholding in the Rezidor Hotel Group negatively affected equity by MSEK –508. The remaining MSEK 73 consists of translation differences in foreign subsidiaries and affiliated companies. At year-end the equity/assets ratio was 35% (32%), and the return on book equity was 4% (38%).

Liabilities
MSEK 12,042 (16,478) of total liabilities was interest bearing. The change is mainly because revenue from releasing capital made early amortization possible.

The current portion of long-term loans totaled MSEK 4,361 primarily due to the maturation of three bond issues in 2008, see Note 27. Part of the amount, MSEK 2,746, is recognized as a liability attributable to assets held for sale.

At December 31, 2007, the interest-bearing net debt amounted to MSEK 8,265 (4,671). The SAS Group's average net debt during the year was MSEK –6,697 (2,537). Financial net debt excluding net pension funds amounted to MSEK 1,231 (4,134). The debt/equity ratio calculated on the financial net debt at December 31, 2007, was 0.07 (0.25).

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 495 (551) at December 31, 2007.

Total capital employed amounted to MSEK 29,191 (32,866) at year-end. Average capital employed during the year was MSEK 30,280 (35,185). Return on capital employed was 7% (18%).

Changes in shareholders' equity

	Shareholders' equity attributable to Parent Company shareholders						
MSEK	Share capital[1]	Other contributed capital[2]	Reserves	Retained earnings[3]	Total equity attributed to. Parent Company owners	Minority interests	Total equity
Opening equity at January 1, 2006	**1,645**	**658**	**918**	**8,283**	**11,504**	**577**	**12,081**
Divestment, Rezidor Hotel Group						–650	–650
Transition to IFRS in affiliated companies				–154	–154		–154
Transfer of equity		–488		488			
Change in translation reserve for the year			–1		–1	–24	–25
Change in fair value reserve for the year			508		508		508
Change in hedge reserve for the year			–158		–158	2	–156
Tax charged directly to equity			45		45	–1	44
Total changes in assets recognized directly against equity, excl. transactions with the company's owners	**0**	**–488**	**394**	**334**	**240**	**–673**	**–433**
Net income for the year				4,622	4,622	118	4,740
Closing equity at Dec. 31, 2006	**1,645**	**170**	**1,312**	**13,239**	**16,366**	**22**	**16,388**
Changed accounting principle in affiliated companies				–27	–27		–27
Change in translation reserve for the year			–38		–38	–2	–40
Change in fair value reserve for the year			–508		–508		–508
Change in hedge reserve for the year			815		815		815
Tax charged directly to equity			–115		–115		–115
Total changes in assets recognized directly against equity, excl. transactions with the company's owners	**0**	**0**	**154**	**–27**	**127**	**–2**	**125**
Net income for the year				637	637	–1	636
Closing equity at Dec. 31, 2007	**1,645**	**170**	**1,466**	**13,849**	**17,130**	**19**	**17,149**

[1] The share capital in SAS AB is divided into 164,500,000 shares with a nominal value of 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 2005 and 2006.

SAS Group cash flow statement

MSEK	Note	2007	2006
OPERATING ACTIVITIES			
Income before tax		1,052	177
Depreciation, amortization and impairment		1,478	1,757
Income from the sale of aircraft, buildings and shares		–46	–88
Income before tax in discontinued operations, excl. capital gain	11	–718	523
Depreciation and impairments in discontinued operations	11	464	389
Adjustment and impairments for items not incl. in the cash flow, etc.	38	–15	–149
Paid tax		–38	–65
Cash flow from operating activities before changes in working capital		**2,177**	**2,544**
Change in:			
Expendable spare parts and inventories		11	–51
Operating receivables		–397	–439
Operating liabilities		1,075	48
Cash flow from changes in working capital		**689**	**–442**
Cash flow from operating activities		**2,866**	**2,102**
INVESTING ACTIVITIES			
Aircraft		–1,310	–846
Spare parts		–127	–71
Buildings, equipment and other facilities		–782	–1,139
Shares and participations, intangible assets, etc.		–171	–118
Prepayments for flight equipment		–293	–125
Acquisition of subsidiaries	39	–225	-
Total investments		**–2,908**	**–2,299**
Disposal of subsidiaries	40	549	5,725
Sale of aircraft, buildings and shares		2,039	4,018
Sale of other fixed assets, etc.		107	41
Cash flow from investing activities		**–213**	**7,485**
FINANCING ACTIVITIES			
Change in long-term loans		–3,280	–7,268
Change in short-term loans		–1,121	–1,058
Change in interest-bearing receivables and liabilities		–91	888
Cash flow from financing activities		**–4,492**	**–7,438**
Cash flow for the year		**–1,839**	**2,149**
Translation difference in liquid assets		29	–30
Liquid assets reclassified to assets held for sale		–102	-
Liquid assets at beginning of the year	41	10,803	8,684
Liquid assets at year-end	41	**8,891**	**10,803**

Comments on the cash flow statement

Earnings of continuing operations improved in 2007 while the earnings of discontinued operations showed a loss compared with 2006. The SAS Group's cash flow from operating activities before changes in working capital therefore decreased during the year to MSEK 2,177 (2,544). Working capital decreased during the year by MSEK 689 (–442), largely due to increased current liabilities. Compared with the previous year, cash flow from operating activities improved by MSEK 764 and amounted to MSEK 2,866 (2,102).

Total investments including prepayments to aircraft suppliers amounted to MSEK 2,908 (2,299). Investment in aircraft in 2007 consists of two Boeing 737s, two Airbus A319s and one Airbus A321. A Boeing 737 previously on an operating lease was also purchased. In June, the minority owner's five percent holding in Spanair and Aerolineas de Baleares was acquired, making the companies wholly owned subsidiaries in the SAS Group.

In February, SAS Flight Academy was divested and in September, the Spanish Newco Airport Services. The total purchase price of the divested subsidiaries amounted to MSEK 872. As a result of the principle agreement regarding the purchase price for the 2005 divestment of SAS Component Group, MSEK 193 was paid out in August. Liquid assets in the divested companies and selling costs impacted the Group's liquid assets by MSEK 549.

Sales of aircraft, buildings and shares generated MSEK 2,039 (4,018), of which MSEK 1,484 (3,692) refers to disposals of aircraft. Sale and leaseback transactions were carried out for three Boeing 737s, two Airbus A319s and one Airbus A321 during the year and one Dash 8 Q100 was sold. In May, SAS's remaining shares in Rezidor Hotel Group were divested for MSEK 584.

In all, short and long-terms loans decreased by MSEK 4,401, which mainly consisted of amortization and redemption of loans totaling approximately MSEK 4,700.

Overall, the SAS Group's liquid assets decreased by MSEK 1,810 (–2,119). After MSEK 102 was transferred to assets held for sale, liquid assets in continuing operations amounted to MSEK 8,891 (10,803).

Notes to the financial statements

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

Note 1 • Significant accounting policies

General

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, 2007. 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 Accounting Standards Council recommendation RR 30:06, "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 Accounting Standards Council recommendation RR32:06 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 value 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. In reference to the Group's current assets and current liabilities, the Group's operating cycle coincides with 12 months.

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.

Accounting estimates in the financial statements

Preparing the 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 assessments.

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.

Estimates by management related to the application of IFRS that have a significant impact on the financial statements and estimates that may entail significant adjustments in the financial statements of subsequent years are described in greater detail in Note 46.

Significant accounting policies that have been applied

The accounting policies presented below have been consistently applied to all periods presented in the Group's financial statements, unless otherwise stated below. Furthermore, the Group's accounting policies have been consistently applied by Group companies.

In addition, the comparative statement of income has been represented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative year.

New standards and interpretations

In 2005 the International Accounting Standards Board (IASB) issued IFRS 7 Financial Instruments: Disclosures, which has been applied in the preparation of the 2007 financial statements. The standard has only entailed changes in the disclosure requirements regarding financial instruments. A new standard, IFRS 8 Operating Segments, which replaces the current standard concerning segment reporting (IAS 14), will be applied starting in 2009.

The International Financial Reporting Interpretations Committee (IFRIC) has issued the interpretations IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives and IFRIC 10 Interim Financial Reporting and Impairment, which were applied starting in 2007 but have not had any effects on the consolidated financial statements. IFRIC 11 IFRS 2 Group and Treasury Share Transactions and IFRIC 12 Service Concession Arrangements, and IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, will be applied starting in 2008.

None of the above new standards or interpretations are judged as affecting the SAS Group's reported earnings or financial position, but will affect disclosure requirements in future financial statements.

IFRIC 13 Customer Loyalty Programmes, was issued in 2007 and is effective for annual periods beginning on or after July 1, 2008. Earlier application is permitted. In the present situation this standard will not have a quantifiable effect on the Group's financial statements.

In addition, changes have been made in a number of standards that are to be applied effective January 1, 2009 or later. The affected standards are IFRS 2 Share-based Payment, IAS 1 Presentation of Financial Statements, IAS 23 Borrowing Costs, IAS 32 Financial Instruments: Presentation, IFRS 3 Business Combinations, IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, and IAS 31 Interests in Joint Ventures.

Consolidated financial statements

The SAS Group's accounts comprise the Parent Company SAS AB and all companies in which SAS directly or indirectly owns more than 50% of the voting rights or otherwise has a controlling influence.

Revenues and expenses in companies acquired or sold during the year are included in the SAS Group's statement of income only with the values relating to the ownership period.

Holdings in affiliated companies where the SAS Group's ownership is at least 20% and no more than 50% or where the SAS Group has significant influence are accounted for using the equity method.

Principles of consolidation

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

SAS AB's acquisition of SAS Danmark A/S, SAS Norge AS and SAS Sverige AB in 2001 is consolidated according to the principle for companies under joint control. The inclusion of these three companies in the consolidated financial statements is therefore carried out through a consolidation of all assets and liabilities at the value at which they are stated in the respective unit.

Minority interests in non-wholly owned subsidiaries are calculated on the basis of the subsidiaries' shareholders' equity as it is included in the Group and are recognized in the consolidated balance sheet as a separate item in shareholders' equity.

The minority share of the net income for the year is stated on a line in the statement of income.

All intra-Group receivables and liabilities, intra-Group sales and intra-Group profits are eliminated entirely.

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

The Group's share of the net income for the year after tax in the affiliated company is recognized in the SAS Group's statement of income as share of income. Any impairments of equity are also reported as share of income from affiliated companies.

Intra-Group profits are eliminated based on the Group's participation in the affiliated company.

Discontinued operations

Classification as a discontinued operation is done when a separate major line of business has been sold or at the time the business meets the criteria for being classified as held for sale. Said criteria include that a decision has been made by the group management and board, an active sales process has commenced, the price is reasonable in relation to fair value and that it is probable that the sale will take place within one year.

Income after tax in discontinued operations as well as capital gain and, where appropriate, impairment at fair value, are reported on a line in the statement of income. Assets held for sale and liabilities attributable to these assets are disclosed in the balance sheet.

Translation of financial statements of foreign subsidiaries

All of the SAS Group's subsidiaries are classified as independent. The financial statements of foreign subsidiaries are translated into Swedish kronor using the current method. This means that all assets and liabilities including goodwill of subsidiaries and other consolidated surplus or deficit values are translated at the closing rate and all items in the statement of income are translated at the average rate. Translation differences are recognized directly in SAS Group's shareholders' equity as a translation reserve.

Hedging of net investments in foreign operations
The SAS Group hedges to a certain extent investments in foreign net assets including goodwill. Hedging is accomplished through both foreign currency loans and forward contracts, which are measured at the closing rate. Like exchange differences in translating net assets, the effective portion of exchange differences on hedging transactions is recognized directly in shareholders' equity. The ineffective portion of changes in value is immediately recognized in the statement of income.

Receivables and liabilities in foreign currency
Current and long-term receivables and liabilities in currencies other than the reporting currency (SEK) are stated in the balance sheet translated at closing rates. Both realized and unrealized foreign exchange gains and losses on receivables and liabilities are reported in the statement of income. In those cases where the debt in foreign currency meets the requirements for hedge accounting and makes up part of a cash flow hedge or hedge of net investment, the change in value is recognized in shareholders' equity.

Exchange rates			**Closing rate**		**Average rate**	
			2007	**2006**	**2007**	**2006**
Denmark	DKK	100	127.05	121.35	123.84	124.42
Norway	NOK	100	118.75	109.45	115.02	115.63
U.S.	USD		6.47	6.87	6.77	7.42
U.K.	GBP		12.90	13.49	13.53	13.58
Switzerland	CHF	100	569.85	563.10	562.25	590.09
Japan	JPY	100	5.72	5.78	5.73	6.40
EMU countries	EUR		9.47	9.05	9.23	9.28

Financial assets and liabilities
Financial instruments are stated at amortized cost or fair value depending on their initial classification according to IAS 39. Foreign currency was translated to SEK at the quoted rate on the closing date.

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 of short-term investments is set entirely by reference to official market quotes. Official market quotes on the closing date are used when determining fair value for derivative financial instruments and borrowings. In those cases where there are none, the measurement is done using generally accepted methods such as discounting future cash flows at the quoted market rate for the respective maturity.

Long-term receivables in affiliated companies
Long-term receivables in affiliated companies, i.e., receivables with a term longer than one year, are categorized as loans and receivables, which are measured at amortized cost.

Other holdings of securities
Other holdings of securities are categorized as available-for-sale financial assets, with changes in fair value recognized in shareholders' equity. Impairment loss due to a long-term decline in value is recognized in the statement of income.

Other long-term receivables
Other long-term receivables, i.e., receivables with a term longer than one year, are categorized as loans and receivables, which are measured at amortized cost.

Accounts receivable
Accounts receivable are categorized as loans and receivables, with measurement at amortized cost. Since the terms of accounts receivable are expected to be short, the value of each receivable is carried at its nominal amount with no discount, which corresponds with fair value. Doubtful accounts receivable are assessed individually and any impairment losses are charged under operating expenses.

Current receivables in affiliated companies
Short-term receivables in affiliated companies, i.e., receivables with a term shorter than one year, are categorized as loans and receivables, which are measured at amortized cost.

Liquid assets
Short-term investments are measured at fair value through the statement of income. Deposits and blocked deposits are categorized as loans and receivables. Other investments are categorized as financial assets held for trading. The investments have a maximum term of three months, are readily convertible to a known amount of cash and are only subject to an insignificant risk of change in value. Short-term investments are reported as of the settlement date.

Cash and bank balances consist of cash on hand in a financial institution and are stated at their nominal amount, and certificates of deposit that are carried at fair value.

Long-term 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. The liabilities are categorized as other liabilities, with recognition at amortized cost on the settlement date. Long-term liabilities subjected to hedge accounting according to the fair value hedge method are carried at fair value concerning the hedged risk.

Short-term borrowings
Short-term borrowings comprise the current portion of interest-bearing long-term borrowings, i.e., the portion of the loans that is amortized in the coming fiscal year, as well as other current interest-bearing liabilities with a term shorter than one year. These liabilities are categorized as other liabilities and are recognized at amortized cost. Current liabilities subjected to hedge accounting according to the fair value hedge method are carried at fair value concerning the hedged risk.

Accounts payable
Accounts payable are categorized as other liabilities, with recognition at amortized cost. Since the terms of accounts payable are expected to be short, the liabilities are carried at nominal amounts with no discount, which corresponds with fair value.

Derivatives
All derivatives are carried at fair value in the balance sheet, and the reporting of changes in value in the statement of income depends on whether or not the derivative meets the requirements for hedge accounting. For derivatives with positive market value long-term derivatives are reported as "Other long-term receivables" and short-term derivatives as "Other current receivables." For derivatives with negative market value long-term derivatives are reported as "Other long-term loans" and short-term derivatives as "Other short-term loans."

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 forecast flows is that it is highly likely that the forecast event will occur.

For hedge-accounted derivatives reported according to the cash flow hedge method, the effective portion of changes in value is recognized in shareholders' equity pending the recognition of the hedged item in the statement of income. The ineffective portion of the changes in value is immediately recognized in the statement of income. The SAS Group applies cash flow hedging to currency derivatives used to hedge forecast commercial flows and future sales of aircraft. The SAS Group also applies cash flow hedging to interest rate derivatives whose interest rate exposure changes from variable to fixed rate and for fuel derivatives that hedge future purchases of fuel.

For hedge-accounted derivatives reported according to the fair value hedge method, the change in the value of the derivative financial instrument and the change in the value of the hedged item are netted in the statement of income. The SAS Group applies fair value hedging to interest rate derivatives whose interest rate exposure changes from fixed to variable rate.

For derivatives not subject to hedge accounting, all changes in value are recognized in the statement of income. Derivatives that do not correspond with the accounting policies used for the underlying hedged position and do not meet the IAS 39 requirements are not subject to hedge accounting. These derivatives are categorized as financial instruments held for trading.

Tangible fixed assets
Tangible fixed assets are carried at cost less accumulated depreciation and any impairment. Depreciation is straight-line over the estimated useful life of the assets beginning when the asset is ready to be put to use. For aircraft a number of essential components have been identified. The useful life of the various components has been determined and all components apart from engine components have the same useful life. In accordance with official requirements, aircraft engines must be maintained and significant engine components changed after a specific number of takeoffs and landings and flight hours. This maintenance occurs on average every eighth year depending on type of aircraft. Completed maintenance is capitalized and depreciated over a relevant period for each aircraft type.

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

Costs for routine aircraft maintenance as well as repair costs are expensed as incurred. Extensive modifications and improvements to fixed assets are capitalized and written off together with the asset to which the work is related over its remaining useful 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 *
Reserve engines and spare parts	20 *
Engine components (average)	8
Workshop and aircraft servicing equipment	5
Other equipment and vehicles	3-5
Buildings	5-50

** Estimated residual value after a useful life of 20 years is 10%. Through 1998 the estimated useful life was 15 years with an estimated residual value of 10%.*

Leasing - Finance and Operating

As a lessee, SAS has entered into finance and operating leasing contracts. Leasing contracts where SAS in principle takes over all the risks and benefits of the asset are reported as finance leasing contracts. At the beginning of the leasing period, finance leasing contracts are recognized at fair value. Assets held under finance leases are stated in the balance sheet as a fixed asset and the future commitment to the lessor as a liability. Assessment of leased assets' useful life corresponds to the principles SAS applies to acquired assets.

Leasing agreements where in principle all risks and benefits remain with the lessor are reported as operating lease contracts. The leasing cost for operating lease contracts is expensed on an ongoing basis during the contract period.

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

For aircraft under operating leases, the contracts stipulate that the aircraft must be in a certain specified condition when they are returned. To meet this commitment, SAS carries out maintenance of these aircraft, both regularly and at the expiration of the leasing period. Costs are expensed as incurred.

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. In regard to goodwill in acquisitions that took place before January 1, 2004, the Group has not applied IFRS retroactively, which means that going forward, the carrying amount on that date will constitute the Group's acquisition value after impairment testing. 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 during the year.

Should an acquisition cause the fair value of acquired assets, liabilities and contingent liabilities to exceed the acquisition value, the excess is recognized immediately as revenue in the statement of income.

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 item depreciation 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 losses

At least once a year tests are performed to look for the existence of impairment in intangible assets including goodwill with an indefinite useful life. At each balance sheet date (quarterly), a review is conducted to look for any indication that the company's tangible assets are impaired and if this is the case, the recoverable amount of the individual assets (or the cash-generating unit to which they belong) is measured to determine whether impairment exists.

The recoverable amount is defined as the higher of an asset's fair value less selling costs and value in use (VIU). The best indicator of an asset's sales value is the price in a binding arm's length sale agreement adjusted for costs directly attributable to the sale of the asset. A market price is applied in the absence of such an agreement. A best estimate is used unless a binding agreement or a market price is available.

Regarding the Group's aircraft fleet, a recoverable amount is calculated each quarter for the portion of the aircraft fleet owned by the Group. The principle for calculating this recoverable amount is that the present value of the current market leasing revenue for each aircraft is calculated, assuming that the aircraft generates market leasing revenue until it reaches an age of 25 years. The present value of these future leasing revenues is the value defined as the recoverable amount for the owned portion of the aircraft fleet.

With respect to spare equipment and spare parts for aircraft, the recoverable amount is preferably calculated by estimating the fair value at the end of each reporting period.

In calculating value in use for other assets, the estimated cash flow is discounted to a present value by applying a risk-adjusted discount rate to the asset's expected future pre-tax cash flow. The cash flow projection is based on reasonable assumptions that represent management's best estimate of the set of economic conditions that will exist over the remaining useful life of the asset. The cash flow projections are based on the most recent financial plan that management has approved. Projections beyond three years have been done by extrapolating using a steady or declining growth rate. The projections are based on the asset's current use and condition and exclude any future capital expenditure that will improve or enhance the asset in excess of its originally assessed standard of performance.

If the recoverable amount for the asset (or the cash-generating unit) is estimated to be lower than its book value, the book value of the asset (or the cash-generating unit) is reduced to the recoverable amount. Recognition of impairment in a cash-generating unit to which goodwill has been allocated is done first to this goodwill and then to other assets on a pro-rata basis.

At each balance sheet date, a review is conducted to look for indications that the grounds for earlier impairments of assets other than goodwill no longer exist or have improved. When such indications exist, the recoverable amount is recalculated. Earlier impairment losses are reversed if changes have taken place in the assumptions used to determine the recoverable amount since the last impairment loss. If that is the case the carrying amount is increased to the lower of the recoverable amount and the carrying amount that the asset would have had if the previous impairment 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 lower of cost or market value principle collectively with the aircraft concerned. Appropriate deduction is made for obsolescence.

Provisions and contingent liabilities

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

Provisions for restructuring costs are made when the decision is made and announced. These costs arise primarily for employees idled under notice.

Remuneration of employees

Pensions

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

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

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

Pension costs for the year comprise the present value of pension earnings for the year, plus interest on the obligation at the beginning of the year, less return on funded assets. Amortization of actuarial gains and losses and plan amendments is added to this total for certain pension plans. Plan amendments and deviations between anticipated and actual results for estimated pension commitments and funded assets are amortized over the average remaining working lives of the employees participating in the pension plan. Cumulative actuarial gains and losses of up to 10% of the greater of pension obligations and pension assets are included in the so-called corridor and are not amortized. When the cumulative actuarial gains and losses exceed this 10% limit, the excess amount is amortized over a 15-year period, which corresponds to the average remaining employment period. The Parent Company reports current pension premiums as costs.

Termination benefits
Termination benefits are payable when employment is terminated by the Group 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.

Variable salary and earnings-based salary
Variable salary and earnings-based salary paid to senior executives are reported in Note 3 on pages 65-67. The cost of variable salary and earnings-based salary is expensed annually and a provision for this is made in the consolidated balance sheet.

Revenue recognition
Passenger revenue: Ticket sales are reported as traffic revenue when the air transport has been carried out.

The value of tickets sold and still valid but not used by the balance sheet date is reported as unearned transportation revenue. This item is reduced either when SAS or another airline completes the transport or when the passenger requests a refund. A portion of unearned transportation revenue covers tickets sold that are expected to remain unutilized. An estimate of unutilized tickets' expected share of the unearned transportation liability is produced annually. This reserve is reported as revenue the following year in accordance with established principles.

Freight revenue: SAS Cargo's transport services are recognized as revenue when the air transport is completed.

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

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

Borrowing costs
Borrowing costs that arise in operations are expensed in the period in which they are incurred. Borrowing costs for prepayments attributable to aircraft not yet delivered are described in the section "Tangible fixed assets."

Taxes
Current tax for the period is based on earnings for the period, adjusted for nontax 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 receivable or deferred tax liability. A deferred tax liability is reported for all temporary differences liable to tax, while a deferred tax receivable is reported to the extent it is probable that a taxable surplus will be created 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 in the period the tax is realized. Deferred tax is reported in the statement of income.

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

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

The primary segment comprises the SAS Group's three business areas (SAS Scandinavian Airlines, SAS Individually Branded Airlines and SAS Aviation Services), group-wide 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 intra-Scandinavian. Other traffic revenues are allocated to the geographical area where the destination is located.

Other revenues are allocated to a geographical area based on:

- the customer's geographical location 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 annual financial statements according to the Annual Accounts Act and Swedish Financial Accounting Standards Council recommendations RR32:06 "Accounting for Legal Entities" and applicable statements from the Council's "Akutgruppen." Under RR32:06, the Parent Company, in preparing the annual financial statements for the legal entity, shall apply all EU-approved IFRS and statements in so far 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 • Operating revenue

	2007	2006
Traffic revenue:		
Passenger revenue	38,601	36,740
Charter	1,951	1,772
Mail and freight	1,732	2,102
Other traffic revenue	1,539	1,684
Other operating revenue:		
In-flight sales	514	493
Ground services	1,417	1,213
Technical maintenance	976	1,147
Terminal and forwarding services	1,592	1,513
Sales commissions and charges	834	820
Other operating revenue	3,095	2,668
	52,251	**50,152**

Not 3 • Payroll expenses

Average number of employees
In 2007, the average number of employees in the SAS Group's continuing operations was 21,898 (21,753). A breakdown of the average number of employees by country is provided in the table below.

Average number of employees in Denmark totaled 6,105 (6,007), in Norway 6,839 (7,258), and in Sweden 5,454 (5,366).

	2007		2006	
	Men	Women	Men	Women
Denmark	3,812	2,294	3,985	2,022
Norway	4,511	2,328	4,506	2,752
Sweden	3,103	2,351	3,252	2,114
U.K.	261	388	148	283
Finland	385	411	404	369
Estonia	135	104	120	94
Latvia	380	346	303	331
U.S.	73	129	80	143
Other countries	300	588	278	569
Total	**12,960**	**8,939**	**13,076**	**8,677**
Total men and women	**21,898**		**21,753**	

Average number of employees in divested operations totaled 4,640 (10,015).

Gender breakdown among senior executives in the Group

	2007		2006	
	Total on closing date	of which men	Total on closing date	of which men
Board members	130	72%	135	80%
President and other senior executives	116	72%	127	81%

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses in continuing operations amounted to 16,759 (15,101), of which social security expenses comprised MSEK 1,931 (1,796) and pensions MSEK 2,124 (1,631).

	2007		2006	
	Salaries & other remun-eration	Soc. sec. (of which pension cost)	Salaries & other remun-eration	Soc. sec. (of which pension cost)
SAS AB	216	100 (46)	193	107 (55)
SAS Consortium	1,015	339 (91)	1,116	246 (–8)
Other subsidiaries	11,473	3,616 (1,987)	10,365	3,074 (1,584)
SAS Group total	**12,704**	**4,055 (2,124)**	**11,674**	**3,427 (1,631)**

* *The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 35 (18).*

Payroll expenses in discontinued operations amounted to MSEK 1,701 (13,579), of which social security expenses comprised MSEK 278 (574) and pensions MSEK - (53). A breakdown of the salaries and other remuneration of Board members, CEOs, other senior executives and other employees is provided in the table below.

	2007		2006	
	Board, CEO & senior executives (of which vari-able salary)	Other em-ployees	Board, CEO & senior executives (of which vari-able salary)	Other em-ployees
SAS AB	42 (8)	174	41 (5)	152
SAS Consortium	- (-)	1,015	- (-)	1,116
SAS Scandinavian Airlines Danmark	6 (1)	1,628	15 (2)	1,334
SAS Scandinavian Airlines Sverige	15 (2)	1,014	14 (1)	771
SAS Scandinavian Airlines Norge	17 (4)	2,260	15 (2)	2,096
SAS Ground Services	64 (4)	2,879	52 (2)	2,588
SAS Technical Services	13 (1)	1,350	9 (1)	1,318
Blue1	7 (0)	216	5 (0)	213
Widerøes Flyveselskap	9 (1)	924	8 (1)	882
SAS Cargo	11 (2)	603	9 (1)	606
Other subsidiaries	30 (4)	427	17 (1)	413
SAS Group total	**214 (27)**	**12,490**	**185 (16)**	**11,489**

Sick leave in the Parent Company SAS AB

	2007	2006
Total sick leave	0.9%	2.1%
Long-term sick leave >59 days	0.2%	1.5%
Sick leave for women	0.9%	1.0%
Sick leave for men	0.9%	2.9%
Sick leave employees <30 years	0.0%	0.9%
Sick leave employees 30-49 years	1.1%	2.8%
Sick leave employees >49 years	0.8%	1.7%

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	2007	2006
Defined benefit pension plans	1,161	841
Defined contribution pension plans	963	790
Total	**2,124**	**1,631**

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 17, 2007, the fees paid to directors and remuneration for serving on board committees was set as follows:

Board chairman	TSEK 600
Board vice chairman	TSEK 400
Other board members (8 persons)	TSEK 300 per member
Employee deputies (6 persons)	TSEK 1 study fee/board meeting TSEK 3.5 fee/board meeting
Chairman of audit committee	TSEK 100
Other members of audit committee	TSEK 50
Chairman of remuneration committee	TSEK 75
Other members of remuneration committee	TSEK 25

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in 2007. 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.

Principles

The following remuneration principles have been applied in 2007 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.
- 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 six months in the event the President resigns and 12 months if the termination of employment is by SAS AB. Severance pay is payable to the President in the event 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. The amount corresponds 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

The SAS Group has two deputy presidents, Gunilla Berg, CFO, and John S. Dueholm, deputy CEO and COO.

Gunilla Berg has the following remuneration components in her employment contract:

- An annual fixed base salary of TSEK 3,700, which refers to the salary set in June 2007 and is subject to salary revision in January of each year.
- 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 1,200 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.

John S. Dueholm has the following remuneration components in his employment contract:

- An annual fixed base salary of TSEK 5,717, which refers to the salary set in June 2007 and is subject to salary revision in January of each year.
- 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 six months if Gunilla Berg resigns and 12 months if the termination of employment is by SAS AB. The notice period is six 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 assignment totals a maximum of one fixed annual salary.

Severance 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

Of the other members of the Group Management, three persons, one has been employed since June and two since October 2007. During the year three other persons were members of the Group Management for part of the year, one from January to October, one from January to September and one from January to May. Of the three present 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. Of the officers who were members of the Group Management for part of the year but not as of the closing date, one is employed in Sweden with a defined benefit pension plan with a retirement age of 60 years. The other two are employed in Norway, and one has a defined contribution pension plan (premium of 21.6% of annual salary) and retirement age of 60 years and the other has a defined benefit pension plan with a retirement age of 67 years. In the defined benefits plans, earnings are on a straight-line basis until retirement age. The pension level in Sweden with fully earned entitlement amounts to 70% of pensionable salary up to 30 base amounts and 35% of pensionable salary in excess of that amount and in Norway is 66% of 25G (2007 Norwegian basic pension amount = NOK 68,812).

The notice period is 12 months if the termination of employment is by SAS AB and six months if the employee resigns.

Severance pay for these senior executives is mainly set according to the same principles for the two senior vice presidents, with, however, the difference that the severance pay totals an amount equivalent to one fixed annual salary with full reconciliation against income from another appointment or assignment.

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.

Other

Other typical managers' contracts in the SAS Group are based on the principles outlined under the "Principles" heading above.

Name	Fixed base salary (TSEK)	Variable remuneration (TSEK) 2006	Variable remuneration (TSEK) 2007	Other benefits (TSEK)	Pension cost (TSEK)	Financial instruments etc.	Nonrecurring payments (TSEK)	Insurance (TSEK)	Total (TSEK)	Pension-commitments [1] (TSEK)
Mats Jansson	10,000	-	[3]	160	2,400	-	-	26	12,586	-
Gunilla Berg	3,482	1,221	[3]	136	2,500	-	471	6	7,816	-
John S. Dueholm	5,405	1,943	[3]	2	2,105	-	2,695	10	12,160	-
Other [2]	11,233	4,323	288 [3]	485	3,035	-	321	112	19,797	-

[1] *All retirement benefits are insured and vested.*

[2] *Remuneration under "Other" includes remuneration of three (3) present Group Management members and three (3) members serving only in acting capacities for part of the year.*

[3] *Variable salary for 2007 has yet to be determined for all. Payment will take place after the SAS Group's annual report has been adopted by the Annual General Shareholders' Meeting. Stated amount refers to variable salary paid to previous members of Group Management.*

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 Board has 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.

Note 4 • Other operating expenses

	2007	2006
Selling costs	705	641
Jet fuel	8,104	7,953
Government user fees	4,574	4,396
Catering costs	1,399	1,388
Handling costs	1,931	1,893
Technical aircraft maintenance	3,404	3,164
Computer and telecommunications costs	2,234	2,727
Other	7,318	6,662
Total	**29,669**	**28,824**

Note 5 • Depreciation, amortization and impairment

	2007	2006
Other intangible assets	43	83
Aircraft	1,045	1,216
Spare engines and spare parts	135	120
Workshop and aircraft servicing equipment	71	74
Other equipment and vehicles	95	124
Buildings and fittings	89	89
Write-downs	-	51
Total	**1,478**	**1,757**

Note 6 • Share of income in affiliated companies

	2007	2006
British Midland PLC [1]	33	60
Skyways Holding AB [2]	11	–22
Air Greenland A/S [3]	33	31
Go Now AS [4]	–18	-
AS Estonian Air [5]	–20	–26
ST Aerospace Solutions (Europe) A/S	–23	–50
Commercial Aviation Leasing Ltd	–11	20
Reversal of intra-group profit for Commercial Aviation Leasing Ltd.	-	40
Malmö Flygfraktterminal AB	5	8
Other	–1	–2
Total	**9**	**59**
Total revenue in affiliated companies	17,738	17,713
Income after tax in affiliated companies	133	207
SAS Group's share of income	9	59

1 *The share of income includes adjustment of last year's income figure by MSEK 1 (1).*
2 *The share of income for 2006 includes a goodwill impairment charge of MSEK 25.*
3 *The share of income includes adjustment of last year's income figure by MSEK 10 (6).*
4 *Go Now AS was included as an affiliated company in the SAS Group beginning March 2007.*
5 *The share of income includes adjustment of last year's income figure by - (–2).*

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

Note 7 • Income from the sale of aircraft and buildings

	2007	2006
Airbus A319/321	29	51
Boeing 737	–30	1
Boeing 767 [1]	42	–40
Douglas MD-80	-	25
Fokker F50	-	13
deHavilland Q100	12	-
Properties	–12	35
Total	**41**	**85**

1 *Pertains to corrected selling costs for previous year's disposal.*

Note 8 • Income from other holdings of securities

	2007	2006
Capital gains from the sale of shares and participations	5	3
Impairment of shares	-	–50
Dividends	-	1
Total	**5**	**–46**

Note 9 • Net financial items

Financial income	**2007**	**2006**
Interest income on financial assets not measured at fair value	41	32
Interest income on financial assets measured at fair value	743	537
Other financial income	3	16
Total	**787**	**585**
Financial expenses		
Interest on financial liabilities not measured at fair value	–847	–1,261
Interest on financial liabilities measured at fair value	–236	–258
Other financial expenses	–43	–58
Exchange rate differences, net	13	-
Net profit/loss on financial instruments categorized as:		
Held for trading	76	172
Other liabilities	–8	38
Total	**–1,045**	**–1,367**
Hedge accounting		
Fair value hedge	0	0
of which change in fair value of hedging instrument	–16	–30
of which change in fair value of hedged item	16	30
Inefficiency of cash flow hedge	0	0
Inefficiency of hedging net investments in foreign operations	0	0
Total	**0**	**0**

Note 10 • Tax

The following components are included in the Group's tax expense:

	Continuing operations		Discontinued operations		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Current tax	–28	–10	–12	–68	–40	–78
Deferred tax	–258	45	5	–163	–253	–118
Tax attributable to the parent company and its subsidiaries	**–286**	**35**	**–7**	**–231**	**–293**	**–196**

Current tax is calculated based on the tax rate in each country. The tax rate in Denmark changed in 2007 from 28% to 25%. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

The tax expense for the financial year can be reconciled against income before tax as follows:

	2007	2007 (%)	2006	2006 (%)
Income before tax	929		4,936	
Tax according to rate in Sweden	–260	–28.0	–1,382	–28.0
Tax effect of income in affiliated companies	10	1.1	60	1.2
Tax effect of non-deductible costs	–142	–15.3	–137	–2.8
Tax effect of income not liable to tax	174	18.7	1,207	24.5
Tax attributable to previous year	-		59	1.2
Tax effect of loss carryforward	–166	–17.8	-	
Tax effect of changed tax rate	91	9.8	–78	–1.6
Tax effect of changes in Group structure	-		75	1.5
Tax expense and effective tax rate for the fiscal year	**–293**	**–31.5**	**–196**	**–4.0**

Deferred tax liability/tax receivable:	**2007**	**2006**
Deferred tax liability	3,755	3,473
Deferred tax receivable	–690	–1,378
Deferred tax liability, net	**3,065**	**2,095**

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:	**2007**	**2006**
Fixed assets	1,955	2,222
Provisions	–49	–148
Cash flow hedges	439	204
Other temporary differences	1,678	1,688
Fiscal loss carryforward	–268	–493
Total	**3,755**	**3,473**

Deferred tax receivable in the balance sheet:	**2007**	**2006**
Fiscal loss carryforward	1,254	1,434
Fixed assets	–25	–59
Provisions/receivables	15	3
Assets held for sale	–554	-
Total	**690**	**1,378**

Reconciliation of deferred tax liability, net:	**2007**	**2006**
Opening balance	2,095	2,093
Assets held for sale	554	-
Change for the year for cash flow hedges	228	–44
Net tax liability in sold companies	–35	–14
Change according to statement of income	253	118
Deferred tax recognized in equity	–90	-
Exchange differences etc.	60	–58
Deferred tax liability, net, at year-end	**3,065**	**2,095**

On the closing date the Group had unutilized loss carryforwards in continuing operations, excluding Spanair in 2007, amounting to a total of MSEK 4,289 (8,239). Based on these loss carryforwards, the Group recognizes a deferred tax receivable of MSEK 968 (1,927). Deferred tax receivables 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 Norway. For the loss carryforward amounting to MSEK 727 (1,318), no deferred tax receivable is recognized due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 282 expires in 2015 or earlier. There are no expiration dates for the remaining loss carryforwards.

No provision has been made for deferred tax on temporary differences related to non-distributed profits in subsidiaries and affiliated companies, since these profits will not be distributed within the foreseeable future; alternatively a distribution can be made without the profits being subject to tax.

Taxes recognized directly in equity regarding cash flow hedges reported according to IAS 39 amounted to MSEK 365 (137).

Note 11 • Discontinued operations

In 2007 the SAS Flight Academy and Newco companies were sold along with the remaining shareholding in Rezidor Hotel Group. Spanair and Aerolineas de Baleares are in the process of being sold and are recognized as discontinued operations. As a result of the sale of the shares in Rezidor Hotel Group, MSEK 495 was transferred from equity to the statement of income.

In the previous year the Rezidor Hotel Group was floated on the stock exchange, whereby SAS divested 91% of its shareholding. Norwegian Aviation College was also divested.

Net income for the year from discontinued operations	**2007**	**2006**
Net income for the year in discontinued operations	–745	295
Income from sale of subsidiaries	609	4,233
Dividends from discontinued operations	6	-
Income from discontinued operations	**–130**	**4,528**
Net income for the year in discontinued operations		
Revenue	11,109	17,519
Payroll expenses	–1,991	–3,981
Other operating expenses	–8,133	–11,345
Leasing costs for aircraft	–1,072	–1,148
Depreciation, amortization and impairment	–164	–386
Share of income in affiliates	-	47
Income from the sale of shares in subsidiaries and affiliated companies	59	–11*
Income from the sale of aircraft and buildings	–14	3
Operating income	**–206**	**698**
Income from other holdings of securities	-	–1
Net financial items	–173	–179
Income before tax	**–379**	**518**
Tax	–7	–231
Net income for the year	**–386**	**287**
Impairment of goodwill	–300	–3
Group elimination	–59	-
Net income for the year after group adjustments	**–745**	**284**

* *Stock flotation costs reduced the Group's capital gain by MSEK 11.*

Assets held for sale and related liabilities	**2007**
Goodwill	1,711
Other intangible assets	86
Tangible fixed assets	535
Financial fixed assets	1,159
Total fixed assets	**3,491**
Current assets	147
Current receivables	2,458
Cash and bank balances	102
Total current assets	**2,707**
Assets held for sale	**6,198**
Long-term liabilities	53
Current liabilities	5,270
Liabilities attributable to assets held for sale	**5,323**
Interest-bearing assets	329
Interest-bearing liabilities	3,240

Net cash flow from discontinued operations recognized as assets held for sale

	2007	**2006**
Cash flow from operating activities	–362	246
Cash flow from investing activities	–173	–109
Cash flow from financing activities	526	–226
Net cash flow	**–9**	**–89**

Note 12 • Intangible assets

	Goodwill		Other assets		Total intangible assets	
	2007	2006	2007	2006	2007	2006
Opening acquisition value	2,880	3,217	1,439	1,997	4,319	5,214
Investment	266	-	126	79	392	79
Sales/disposals	-	–27	–9	–76	–9	–103
Sales of companies [1]	–116	–165	–64	–586	–180	–751
Reclassifications to assets held for sale [1]	–2,103	-	–260	-	–2,363	-
Reclassifications	38	-	3	59	41	59
Exchange rate differences	176	–145	14	–34	190	–179
Closing accumulated acquisition value	**1,141**	**2,880**	**1,249**	**1,439**	**2,390**	**4,319**
Opening amortization	–198	–235	–1,189	–1,117	–1,387	–1,352
Amortization for the year in continuing operations	-	-	–43	–83	–43	–83
Amortization for the year in discontinued operations	-	-	–30	–42	–30	–42
Impairments in continuing operations	-	-	-	–51	-	–51
Impairments in discontinued operations	–300	–20	-	-	–300	–20
Sales/disposals	-	27	-	76	-	103
Sales of companies [1]	11	28	45	23	56	51
Reclassifications to assets held for sale [1]	392	-	174	-	566	-
Reclassifications	-	-	-	-	-	-
Exchange rate differences	–15	2	–11	5	–26	7
Closing accumulated amortization	–110	–198	–1,054	–1,189	–1,164	–1,387
Closing planned residual value	**1,031**	**2,682**	**195**	**250**	**1,226**	**2,932**

[1] *SAS Flight Academy and Newco Airport Services were sold during the year. Spanair and Aerolineas de Baleares are in the process of being sold and are recognized as discontinued operations. In the previous year the Rezidor Hotel Group was floated on the stock exchange, whereby SAS divested 91% of its shareholding. Norwegian Aviation College was also divested.*

The SAS Group is not engaged in activities relating to research and development (R&D).

Breakdown of planned residual value:

	2007	2006
Goodwill	1,031	2,682
Capitalized system development costs	195	239
Other	0	11
Total residual value	**1,226**	**2,932**

Goodwill:

	2007	2006
Spanair	-	1,608
SAS Scandinavian Airlines Norge	756	697
Widerøe	156	144
Newco	-	103
airBaltic	65	62
Air Maintenance Estonia	25	24
Aerolineas de Baleares	-	15
Blue1	14	14
SAS Cargo	15	15
Total goodwill	**1,031**	**2,682**

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 recoverable amount, which is the higher of market value and estimated value in use. The calculations have consistently been based the respective cash-generating unit's value in use and are based on the cash flows in the respective unit's budget and or business plan, which covers four years.

Important parameters in business plans are volume performance, unit revenue and operating margins. The assumption beyond the plan period is an annual growth rate of 4% with maintained margins. Based on historical results and forecasts in line with the above, general reasonable assumptions have been made for the affiliated companies whose budgets/business plans are not available.

Based on a weighted average cost of capital after tax, the forecast cash flows have been discounted by 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.

For all other companies it is the management's assessment that reasonably likely changes in each of the assumptions in the business plans would not have such major effects so as to reduce the recoverable amount to a value lower than the carrying amount. 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.

In the financial statements Spanair has been reclassified because the company will be sold in the year ahead. Its value has therefore been impaired by MSEK 300 to the lower of acquisition value and estimated market value.

Note 13 • Tangible fixed assets

	Buildings & land		Aircraft [1,2]		Spare engines & spare parts		Workshop & aircraft servicing equipment	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Opening acquisition value	1,717	3,046	18,358	23,157	1,755	2,306	1,310	1,369
Investment	24	46	1,310	846	127	71	97	108
Capitalized interest [3]	-	-	-	-	-	-	-	-
Sales/disposals	–23	–578	–1,510	–6,021	–33	–418	–39	–108
Sales of companies [4]	–35	–828	-	-	-	-	-	-
Reclassifications to assets held for sale [4]	–175	-	–515	-	–289	-	–80	-
Reclassifications	17	88	877	452	181	–170	–4	-
Exchange rate differences	55	–57	146	–76	50	–34	66	–59
Closing accumulated acquisition value	1,580	1,717	18,666	18,358	1,791	1,755	1,350	1,310
Opening depreciation	–1,033	–1,789	–7,028	–8,476	–372	–780	–1,095	–1,159
Depreciation for the year in continuing operations	–89	–89	–1,045	–1,216	–135	–120	–71	–74
Depreciation for the year in discont. operations	–10	–59	–66	–51	–15	–14	–7	–10
Sales/disposals	22	285	71	2,685	14	370	37	94
Sale of companies [4]	26	585	-	-	-	-	-	-
Reclassifications to assets held for sale [4]	103	-	293	-	89	-	66	-
Reclassifications	-	2	–17	6	–142	167	4	-
Exchange rate differences	–31	32	–108	24	–19	5	–58	54
Closing accumulated depreciation	–1,012	–1,033	–7,900	–7,028	–580	–372	–1,124	–1,095
Closing planned residual value	**568**	**684**	**10,766**	**11,330**	**1,211**	**1,383**	**226**	**215**

	Other equipment & vehicles		Construction in progress		Prepayment fixed assets		Total tangible assets	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Opening acquisition value	3,472	4,879	378	148	317	422	27,307	35,327
Investment	293	261	368	722	293	127	2,512	2,181
Capitalized interest [3]	-	-	-	-	17	24	17	24
Sales/disposals	–224	–167	-	-	-	-	–1,829	–7,292
Sales of companies [4]	–1,607	–1,367	–71	–93	-	–2	–1,713	–2,290
Reclassifications to assets held for sale [4]	–79	-	-	-	-	-	–1,138	-
Reclassifications	19	–32	–505	–398	–434	–207	151	–267
Exchange rate differences	79	–102	2	–1	–8	–47	390	–376
Closing accumulated acquisition value	1,953	3,472	172	378	185	317	25,697	27,307
Opening depreciation	–2,838	–3,666	-	-	-	-	–12,366	–15,870
Depreciation for the year in continuing operations	–95	–124	-	-	-	-	–1,435	–1,623
Depreciation for the year in discont. operations	–36	–193	-	-	-	-	–134	–327
Sales/disposals	220	158	-	-	-	-	364	3,592
Sales of companies [4]	1,136	903	-	-	-	-	1,162	1,488
Reclassifications to assets held for sale [4]	52	-	-	-	-	-	603	-
Reclassifications	–4	-	-	-	-	-	–159	175
Exchange rate differences	–80	84	-	-	-	-	–296	199
Closing accumulated depreciation	–1,645	–2,838	-	-	-	-	–12,261	–12,366
Closing planned residual value	**308**	**634**	**172**	**378**	**185**	**317**	**13,436**	**14,941**

At the beginning of 2007, seven Boeing737s, four Airbus A321s and five Airbus A340/340s were acquired, formally through finance lease contracts, 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 leasing contracts (particularly pertaining to SAS's call options during the contract period and at the expiration of the leasing contract, as well as the economic risk SAS has regarding the value of the aircraft) are such that the agreements, from SAS's point of view, are comparable to a purchase.

The 16 (16) finance-leased aircraft are recognized in the balance sheet in the amount of MSEK 6,468 (6,745). In addition to these, owned aircraft include 3 (12) aircraft valued at MSEK 551 (1,747) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 234 (1,349), which are to be viewed as finance-leased.

The SAS Group's aircraft holdings can be specified as follows:

	2007	**2006**
Owned	4,298	4,585
Finance leased	6,468	6,745
Book value	**10,766**	**11,330**

Finance leasing

The SAS Group has finance lease contracts for aircraft with remaining terms of up to nine 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 643 (804). Contingent rents impacted lease payments for the year by MSEK 113 (158).

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		Machinery & equipment	
	2007	**2006**	**2007**	**2006**
Acquisition value	8,656	8,575	-	57
Less accum. depreciation	–2,188	–1,830	-	–12
Book value of finance lease assets	**6,468**	**6,745**	**-**	**45**

1 *The insured value of aircraft at December 31, 2007 amounted to MSEK 46,041. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 35,994.*
2 *Modifications of aircraft under operating leases is included in planned residual value in the amount of MSEK 259 (217).*
3 *Capitalizing of interest was done at an average interest rate of 6.0% (6.0%).*
4 *During the year SAS Flight Academy and Newco Airport Services were divested. Spanair and Aerolineas de Baleares are in the process of being sold and are recognized as discontinued operations. In the previous year the Rezidor Hotel Group was floated on the stock exchange, whereby SAS divested 91% of its shareholding. Norwegian Aviation College was also divested.*

Note 13, continued

Future minimum lease payments and their present value for finance leasing contracts applying on closing date.

Due date:	2007 Future minimum lease pmts.	2007 Present value of future minimum lease pmts.	2006 Future minimum lease pmts.	2006 Present value of future minimum lease pmts.
Within one year	518	506	619	599
1-5 years	3,070	2,668	2,843	2,408
Over 5 years	1,141	827	2,273	1,613
Total	**4,729**	**4,001**	**5,735**	**4,620**

Operating leasing

SAS Group leases out owned assets with book values that on the closing date amounted to:

	Aircraft		Machinery & equipm.	
	2007	**2006**	**2007**	**2006**
Acquisition value	907	1,153	12	8
Less accumulated depreciation	–436	–648	–4	–1
Book value of assets leased out on operating leases	**471**	**505**	**8**	**7**

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 57 (57). Leasing revenues for the year did not contain any contingent rent. Future leasing revenues for operating lease contracts on the closing date:

	2007	2006
Within one year	134	145
1-5 years	232	323
Over 5 years	125	175
Total	**491**	**643**

Contractual purchase commitments

On the closing date the Group had the following commitments relating to future acquisition of tangible fixed assets.

	2007
Aircraft	1,139
Other purchase commitments	46
Total	**1,185**

On the basis of external valuations, the SAS Group is of the opinion that the contractual future acquisitions are in line with the expected market value.

Tax value

Buildings:	2007	2006
Sverigehuset, part of Arlanda 2:1	51	33
Flight Academy, part of Arlanda 2:1	190	134
Night Stop, part of Arlanda 2:1	-	9
Total	**241**	**176**

Note 14 • Prepayments relating to tangible fixed assets

	2007	2006
Airbus	-	149
Boeing	175	166
Other	10	2
Total	**185**	**317**

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.	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Opening acquisition value	1,012	1,214	189	228	329	344	8,805	8,363	2,709	3,195	13,044	13,344
Contributions	44	32	-	-	1	7	485	748	254	554	784	1,341
Share of income	9	106	-	-	-	-	-	-	-	-	9	106
Sales	-	-	-	-	–89	-	-	-	-	-	–89	-
Sales of companies [1]	-	–90	-	-		–13	–35	–116	–25	–362	–60	–581
Reclassifications to assets held for sale [1]	-	-	-	-	-	-	-	-	–1,159	-	–1,159	-
Amortization	-	-	–8	–9	-	-	-	-	–550	–514	–558	–523
Dividend	–14	–29	-	-	-	-	-	-	-	-	–14	–29
Reclassifications	–3	–148	-	-	–183	2	-	-	–7	–49	–193	–195
Exchange rate differences	15	–73	–11	–30	-	–11	241	–190	45	–115	290	–419
Closing accumulated acquisition value	1,063	1,012	170	189	58	329	9,496	8,805	1,267	2,709	12,054	13,044
Opening revaluation	-	-	-	-	508	63	-	-	-	-	508	63
Revaluation for the year	-	-	-	-	–13	508	-	-		-	–13	508
Sales [1]	-	-	-	-	–495	-	-	-	-	-	–495	-
Sales of companies [1]	-	-	-	-	-	–63	-	-	-	-	-	–63
Closing accumulated revaluation	-	-	-	-	-	508	-	-	-	-	-	508
Opening impairments	-	-	-	-	–236	–193	-	-	-	–94	–236	–287
Impairments in continuing operations	-	-	-	-	-	–50	-	-	-	-	-	–50
Impairments in discontinued operations	-	-	-	-	-	–1	-	-	-	-	-	–1
Sales of companies [1]	-	-	-	-	-	-	-	-	-	94	-	94
Reclassifications	-	-	-	-	183	-	-	-	-	-	183	-
Exchange rate differences	-	-	-	-	-	8	-	-	-	-	-	8
Closing impairments	-	-	-	-	–53	–236	-	-	-	-	–53	–236
Closing residual value	**1,063**	**1,012**	**170**	**189**	**5**	**601**	**9,496**	**8,805**	**1,267**	**2,709**	**12,001**	**13,316**

[1] *During the year SAS Flight Academy and Newco Airport Services were divested along with the remaining shareholding in Rezidor Hotel Group. Spanair and Aerolineas de Baleares are in the process of being sold and are recognized as discontinued operations. In the previous year the Rezidor Hotel Group was floated on the stock exchange, whereby SAS divested 91% of its shareholding. Norwegian Aviation College was also divested.*

Note 16 • Equity in affiliated companies

	Corporate ID No.	Domicile	Share of equity %	Share of equity 2007	2006
British Midland PLC	2107441	Derby, U.K.	20.0	95	96
Skyways Holding AB	556021-5872	Stockholm, Sweden	25.0	57	53
Air Greenland A/S	30672	Nuuk, Greenland	37.5	218	177
AS Estonian Air	10076042	Tallinn, Estonia	49.0	189	200
ST Aerospace Solutions (Europe) A/S	28501048	Copenhagen, Denmark	28.7	412	382
Commercial Aviation Leasing Ltd	IE6328550R	Dublin, Ireland	49.0	179	201
Elimination of intra-group profit for Commercial Aviation Leasing Ltd				–119	–119
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40.0	8	7
Travel AS	987096985	Fredrikstad, Norway	25.3	6	7
SIA Baltijas Kravu Centers	40003458674	Riga, Latvia	45.0	5	4
Go Now AS	989867873	Oslo, Norway	41.7	10	-
Other				3	4
Total				**1,063**	**1,012**
Total assets in affiliated companies				12,303	12,156
Total liabilities in affiliated companies				9,436	9,622
Equity in affiliated companies				2,867	2,534
SAS Group's share of equity in affiliated companies				1,063	1,012

Participations in affiliated companies are reported by the owner company through application of the equity method. Consolidated shareholders' equity on the closing date, December 31, 2007, amounted to MSEK 17,130. If participations in affiliated companies had been reported according to the acquisition cost method, consolidated shareholders' equity would have amounted to MSEK 17,106.

Equity in affiliated companies includes acquired surplus value of MSEK 34 (35) in British Midland PLC, MSEK 39 (39) in Skyways Holding AB, MSEK 148 (141) in AS Estonian Air, MSEK 7 (6) in Travel AS and MSEK 8 (-) in Go Now AS.

Note 17 • Long-term receivables from affiliated companies

	2007	2006
Commercial Aviation Leasing Ltd	170	189
Total	**170**	**189**

Note 18 • Pension funds, net

	2007	2006
Pension funds, net, funded plans	11,441	10,367
Pension funds, net, unfunded plans	–1,945	–1,562
Total	**9,496**	**8,805**

Most pension plans in Scandinavia are defined benefit. The majority are placed with insurance companies. The group pension plans for salaried employees in Sweden and for employees in Norway are secured through defined benefit pension plans with insurance companies. In Sweden, pension plans are mainly placed with Alecta and 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. Alecta has specifically certified that the information regarding the basic data is correct and reliable. 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. With this support SAS can apply the main rule in IAS 19 regarding defined benefit pension plans that cover many employers.

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 insured at 65, but once they reach the age of 50 the retirement age is reduced to 60. The estimated present value of all these obligations is included in SAS's 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 trend. The following long-term economic assumptions represent a weighted average for the SAS Group:

	2007	2006	2005
Discount rate	5.8%	5.2%	5.2%
Long-term rate of return	6.2%	7.4%	7.4%
Inflation	1.7%	1.7%	1.7%
Future salary adjustments	3.2%	2.6%	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	5.5% (5.0%) in Sweden and 6.0% (5.5%) in Norway
Long-term rate of return	6.5% (7.5%) in Sweden and 6.0% (7.5%) 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.

The amortization period for actuarial gains and losses exceeding the higher of 10% of commitments or funded assets is 15 years, which corresponds to average remaining employment period.

Defined benefit pension plans	2007	2006
Pension earned during the year	–1,008	–1,034
Interest on pension provisions	–1,488	–1,340
Expected return on funded assets for the year	1,841	1,981
Amortization of actuarial gains and losses and plan amendments for year	–506	–448
Impact on income for the year, net, pertaining to defined benefit pension plans in continuing operations	**–1,161**	**–841**

The above cost is recognized in its entirety as a payroll expense.

Overfunding exists in several of SAS's pension plans. This means the return on funded assets for the year will exceed the cost of pension earnings.

In the financial statements the commitments of the SAS Group are included as specified in the table below. Plan amendments are amortized over the average remaining working lives of employees covered by the plan and actuarial gains and losses are amortized over fifteen years when they exceed 10% of the greater of pension obligations or pension assets.

Status at year-end	2007	2006
Funded assets	30,585	27,954
Pension commitments	–29,069	–27,307
Difference between funded assets and commitments	1,516	647
Unrecognized actuarial gains and losses and plan amendments [1]	7,980	8,158
Book assets	**9,496**	**8,805**

[1] *Of which actuarial gains and losses MSEK 7,716 (7,872)*

Changes in present value of commitment for defined benefit pensions	2007	2006
Commitment for defined benefit pensions at beginning of year	27,307	25,702
Pensions paid	–1,250	–1,218
Cost of earning	1,008	1,034
Interest expenses	1,488	1,340
Actuarial gains and losses (–/+)	–670	1,885
Effects of sold companies	–67	–376
Exchange rate differences	1,252	–1,060
Commitment for defined benefit pensions at year-end	**29,069**	**27,307**

Change of plan assets' fair value	2007	2006
Plan assets' fair value at beginning of year	27,954	26,734
Paid-in premiums	1,535	1,484
Pensions paid	–971	–883
Expected return on plan assets	1,841	1,981
Actuarial gains and losses (+/–)	–433	349
Utilization of company funds in Alecta	–273	–385
Effects of sold companies	–102	–401
Exchange rate differences	1,034	–925
Fair value of changes at year-end	**30,585**	**27,954**

Plan assets consist of the following Group	2007	2006
Equities	31%	35%
Fixed-income securities	57%	55%
Properties	9%	9%
Other	3%	1%
	100%	**100%**

Only an intangible 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 7.2% in 2006 and 10.2% in 2005. While the final calculations for 2007 are not yet ready, the return is expected to be approximately 6%.

The difference between funded assets/commitments and net book assets is shown below:

	Funded assets	Commitments (PBO)	Difference funded assets/commitments	Pensions funds, net
Pension plans in Sweden	13,737	9,000	4,737	5,708
Pension plans in Norway	11,895	14,382	–2,487	2,759
Pension plans in other countries	4,953	5,687	–734	1,029
Total	**30,585**	**29,069**	**1,516**	**9,496**

"Pension funds, net" includes unfunded plans funded via operating income in the amount of MSEK 328 in Sweden and MSEK 1,234 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:

	2007	2006
Opening balance	8,805	8,363
Impact on income for the year in continuing and discontinued operations	–1,161	–855
Paid-in premiums	1,535	1,484
Pensions paid	279	335
Utilization of company funds in Alecta	–273	–385
Pension funds in divested operations	–35	–116
Change in actuarial gains and losses	105	169
Currency effect	241	–190
Closing balance	**9,496**	**8,805**

Of total pension commitments of MSEK 29,069 (27,307), MSEK 25,962 (24,637) was funded and MSEK 3,107 (2,670) was unfunded.

In 2008 paid-in premiums are expected to amount to approximately MSEK 1,400.

	2007	2006
Present value of defined benefit plan commitment	–29,069	–27,307
Fair value of plan assets	30,585	27,954
Surplus	1,516	647
Experience-based adjustment pertaining to plan assets	289	19
Experience-based adjustment pertaining to defined benefit plan commitments	610	286

Note 19 • Expendable spare parts and inventories

	2007	2006
Expendable spare parts, flight equipment	610	740
Expendable spare parts, other	171	151
Inventories	68	102
Total	**849**	**993**

	2007	2006
Measured at historical cost	835	982
Measured at net realizable value	14	11
Total	**849**	**993**

Not 20 • Current receivables

Impairment of accounts receivable and recovered accounts receivable, net, in continuing operations came to MSEK 27 (64), charged against income. In discontinued operations the corresponding amount was MSEK 107 (–9).

Impairment of other current receivables in continuing operations came to MSEK 1 (12), charged against income.

The Group's combined accounts receivable amount to 3,733 (3,918) of which 1,782 (-) is recognized as assets held for sale.

Age analysis of accounts receivable that are not impaired	2007	2006
Accounts receivable not yet due	1,613	2,791
Due < 31 days	223	472
Due 31-90 days	61	271
Due 91-180 days	29	124
Due>180 days	25	260
Total	**1,951**	**3,918**

Provision for doubtful accounts receivable	2007	2006
Provision at beginning of the year	215	143
Reclassification to assets held for sale	–93	-
Provision for expected losses	33	101
Reversed provisions	–13	–5
Actual losses	–8	–18
Exchange rate differences	1	–6
Total	**135**	**215**

Note 21 • Current receivables from affiliated companies

	2007	2006
ST Aerospace Solutions (Europe) A/S	365	234
Commercial Aviation Leasing Ltd	128	113
Skyways Holding AB	8	0
Other companies	9	10
Total	**510**	**357**

Note 22 • Prepaid expenses and accrued income

	2007	2006
Prepaid expenses	548	604
Accrued income	522	530
Total	**1,070**	**1,134**

Note 23 • Short-term investments

	2007	2006
Treasury bills	1,990	1,997
Housing bonds	2,379	3,539
Deposits	1,754	2,641
Commercial paper	945	747
Blocked deposits in tax deduction account in Norway	240	193
Total	**7,308**	**9,117**

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 financial instruments are classified as held for trading.

Note 24 • Reserves

Translation reserve	2007	2006
Opening translation reserve	286	287
Translation differences for the year	273	–327
Less: Hedging of exchange risk in foreign operations	–314	368
Tax pertaining to hedging of exchange risk in foreign operations [1]	113	
Less: Translation differences attributed to divested operations	3	–42
Closing translation reserve	361	286
Fair value reserve		
Opening fair value reserve	508	0
Available-for-sale financial assets:		
- Revaluations recognized directly in equity	–13	508
- Recognized in statement of income when divested	–495	
Closing fair value reserve	0	508
Hedging reserve		
Opening hedging reserve	518	631
Cash flow hedges:		
- Recognized directly in equity	583	698
- Change in statement of income	232	–856
- Tax attributed to year's change in hedging reserve	–228	45
Closing hedging reserve	1,105	518
Total reserves		
Opening reserves	1,312	918
Change of reserves for the year:		
- Translation reserve	75	–1
- Fair value reserve	–508	508
- Hedging reserve	587	–113
Closing reserves	1,466	1,312

[1] *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 not yet terminated.

Note 25 • Long-term liabilities

Long-term liabilities that fall due more than five years after the closing date.

	2007	2006
Subordinated loans	693	716
Other loans	1,055	2,115
Total	**1,748**	**2,831**

Note 26 • 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. SAS has an exclusive right to call in this loan every fifth year. The interest rate is fixed for 10-year periods and amounts to 2.375% from January 2006. In previous years SAS repurchased MCHF 73 of the bonds, after which the balance of the loan is MCHF 127, equivalent to MSEK 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 693 on the closing date.

The loan is listed and on the closing date its total market value (including credit risk) amounted to MCHF 61 (67), equivalent to MSEK 348 (376).

Note 27 • Bond issues

SAS's bond issues amounted to MSEK 2,079 (7,135).

Specification of individual loans:

Original issued amount	Interest rate	Maturity	Outstanding debt currency	Book value in MSEK
MJPY 5,500.0	1.305%	2001/2008	MJPY 2,700.0	154
MCZK 750.0	4.460% [1]	2001/2008	MCZK 376.3	134
MEUR 500.0 [2]	6.000%	2001/2008	MEUR 394.0	3,730
MEUR 108.0	9.476% [1]	2003/2010	MEUR 108.0	965
MSEK 200.0	6.828% [1]	2005/2010	MSEK 200.0	200
MNOK 454.0	8.970% [1]	2005/2010	MNOK 454.0	536
MNOK 265.5 [3]	7.000%	2005/2010	MNOK 265.5	300
MNOK 50.0 [3]	7.000%	2005/2010	MNOK 50.0	56
MNOK 17.0 [3]	7.000%	2005/2010	MNOK 17.0	19
MNOK 213.0	8.970% [1]	2006/2010	MNOK 10.5	3
Total				**6,097**
Less amortization in 2008				–4,018
Total				**2,079**

Book value in MSEK corresponds with amortized cost with the exception of the loans carried at fair value[3]. In 2007 repurchases amounted to a countervalue of MSEK 1,350 of which MSEK 1,100 pertains to loans maturing in 2008.

To manage the currency exposure the loans have to some extent been switched to other currencies. The interest rate exposure is managed by entering into interest-rate swap contracts to adjust the fixed-interest term.

Bond issues maturing in 2008 are recognized as the current portion of long-term loans.

[1] *Interest rate on closing date. The loan has a floating interest rate set every three months.*
[2] *The loan is listed and on the closing date the fair value amounted to MEUR 394.5, equivalent to MSEK 3,737.4.*
[3] *The loan comprises part of a fair value hedge and is carried at fair value with respect to the hedged risk.*

Note 28 • Other loans

	2007 Book value	2007 Fair value	2006 Book value	2006 Fair value
Finance leasing	3,818	3,954	4,470	4,572
Other loans, swap transactions	514	520	1,940	2,000
Total before amortization	**4,332**	**4,474**	**6,410**	**6,572**
Less amortization in 2008 and 2007	–343	–510	–725	–960
Total after amortization	**3,989**	**3,964**	**5,685**	**5,612**
Liabilities attributable to assets held for sale	–53	–53	-	-
Total other loans	**3,936**	**3,911**	**5,685**	**5,612**

Maturity profile of other loans:

	2008	2009	2010	2011	2012	2013>	Total
Finance leases	306	364	388	836	926	998	3,818
Other loans	90	115	197	27	28	57	514
Total	**396**	**479**	**585**	**863**	**954**	**1,055**	**4,332**

Other loans are categorized as other liabilities, recognized at amortized cost.

Note 29 • Financial risk management and financial derivatives

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

Currency risks

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 with the help of 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 40-60% of the book value of the aircraft fleet.

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 foreign subsidiaries' equity through borrowing and derivatives.

Interest rate risks

The SAS Group is exposed to interest rate risk when the market value of the financial net debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). To manage the interest rate risk, interest rate derivatives are used to change the fixed-interest term of the underlying financial net debt. 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 3.8 (3.5) years. At the end of 2007 the fixed-interest term was 2.5 (4.8) years.

Sensitivity analysis

Market risk	Change	Earnings impact MSEK	Equity impact MSEK
Market interest rates	+1%	–14	20
Market interest rates	–1%	14	–21
Currency	+10%	0	–427
Currency	–10%	2	447
Fuel price	+10%	0	260
Fuel price	–10%	0	–305

Beyond the above effect on equity, a 10% change in currency will impact equity by MSEK 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.

In the sensitivity analysis concerning the earnings impact of interest rate changes the simulation has been based on a 1% parallel shift in the yield curve. The sensitivity analysis for currency is based on a 10% gain or loss for the Swedish krona against all currencies to which SAS is exposed. In the sensitivity analysis concerning earnings impact for fuel derivatives the simulation is based on a 10% parallel shift in the price curve for underlying fuel.

Credit risks

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill his contractual obligations. The financial policy prescribes that transactions may be signed only with counterparties with high creditworthiness, defined as category A3/P-1 or better according to Moody's.

Limits are set for each counterparty and are continually revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. Approximately 71% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 19% in the rest of Europe and 10% in the rest of the world. The maximum credit exposure for derivative instruments is matched by book value, see the table below under the heading financial derivatives. For short-term investments the size of the credit risk is the book value and is distributed as follows:

Rating (Moody's)	Book value MSEK
Aaa/P-1	1,990
Aa1/P-1	2,882
Aa2/P-1	595
Aa3/P-1	744
A1/P-1	799
A2/P-1	298
A3/P-1	0
Total	**7,308**

Concerning the SAS Group's accounts receivable 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 risks

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic.

The 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 liquid assets. At December 31, 2007, financial preparedness amounted to MSEK 15,091, with liquid assets amounting to MSEK 8,993 and total unutilized credit facilities amounting to MSEK 6,098. Of the liquid assets MSEK 102 is classified as assets held for sale. This provides a level of financial preparedness of 24%. The SAS Group's liquid assets 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.

Contracted credit facilities

Facility	Total facility	Utilized facility	Unutilized facility	Maturity date
Revolving credit facility MEUR 366	3,467	0	3,467	2010
Revolving credit facility MNOK 98	116	0	116	2011
Revolving credit facility MUSD 156	1,008	0	1,008	2011
Bilateral bank facilities	500	0	500	2011
Bilateral bank facilities	500	0	500	2009
Bilateral bank facilities	250	0	250	2010
Other facilities	504	247	257	2008-2009
Total	**6,345**	**247**	**6,098**	

At December 31, 2007, the Group's interest-bearing liabilities amounted to MSEK 12,042 (16,478). 0% (0%) of the interest-bearing liabilities requires the fulfillment of special requirements for financial key figures such as cash flow, debt/equity and liquidity ratios. The term of the interest-bearing gross debt amounted to approximately 2.7 (3.1) years at year-end.

Liquidity risk

December 31, 2007	Up to 3 mos.	3-12 mos.	1-5 years	Over 5 years
Subordinated loans	17	0	69	794
Bond issues	15	4,359	2,343	0
Other loans	22	–8	464	63
Finance leases	108	437	3,443	1,314
Short-term loans	1	1	0	0
Interest rate swaps	89	–106	–23	9
Accounts payable	3,550	0	0	0
Total	**3,802**	**4,683**	**6,296**	**2,180**

December 31, 2006	Up to 3 mos.	3-12 mos.	1-5 years	Over 5 years
Subordinated loans	17	0	68	802
Bond issues	37	538	7,801	0
Other loans	72	277	2,251	84
Finance leases	116	529	3,040	2,594
Short-term loans	1,136	0	0	0
Interest rate swaps	97	107	–37	8
Accounts payable	3,350	0	0	0
Total	**4,825**	**1,451**	**13,123**	**3,488**

The above table shows the remaining contractual terms for SAS's financial liabilities including operations held for sale. The amounts disclosed are the contractual undiscounted cash flows for the financial liabilities, based on the earliest date on which they could become payable by SAS. The above table contains both interest and nominal amounts.

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 FRA (forward rate agreements), futures, interest-rate swap contracts and currency interest swap contracts.

At December 31, 2007, the fair value of the SAS Group's outstanding derivative instruments totaled MSEK 409 (–81), broken down according to the table below.

	2007				2006	
		Fair value				
	Outstanding volume	Assets	Liabilities	Net	Outstanding volume	Fair value, net
Currency derivatives	11,839	71	–261	–190	18,951	129
Interest rate derivatives	10,309	1	51	52	14,867	–46
Fuel derivatives	5,835	547	0	547	9,532	–164
Total	**27,983**	**619**	**–210**	**409**	**43,350**	**–81**

As of December 31, 2007, 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 619 (177), MSEK 1 (55) is shown as other long-term receivables and the remaining MSEK 618 (122) as other receivables.

The liabilities' total book value of MSEK –210 (–258) consists of long and short-term loans. Of the book value of the above derivatives, MSEK 322 (56) refers to cash flow hedges, MSEK –32 (–233) to fair value hedges, MSEK –81 (54) to hedging of net investment, and MSEK 200 (42) 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 represents hedging transactions since it is the payment flow in foreign currency in the event of a future sale 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 booked against equity. At December 31, 2007, the accumulated currency effect on cash-flow hedged loans and derivatives relating to future aircraft sales was recognized in shareholders' equity in the amount of MSEK 952 (740).

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, 2007, the accumulated currency effect of these cash flow-hedged currency derivatives was recognized in equity in the amount of MSEK –159 (58).

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, 2007, the accumulated effect on these cash flow-hedged interest derivatives was recognized in equity in the amount of MSEK 1 (40).

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 projected fuel need. At December 31, 2007, the accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK 393 (–250).

All together, MSEK 1,187 (588) relating to cash flow hedges was recognized in equity as of December 31, 2007 and is expected to affect the statement of income in the following years:

	2008	2009	2010	2011	2012	2013>	Total
Aircraft	258	483	339	177	9	56	1,322
Commercial flows	–221						–221
Interest rate derivatives				–1	2		1
Fuel derivatives	546						546
Deferred tax	–163	–135	–95	–49	–3	–16	–461
Effect on equity	**420**	**348**	**244**	**127**	**8**	**40**	**1,187**

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. The currencies where hedging of net investments takes place are DKK, EUR and NOK.

Derivatives not subject to hedge accounting

The value of other currency derivatives not subject to hedge accounting is translated on a current 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 translated currently at their fair value.

Categorization of financial assets and liabilities

							Continuing operations and operations held for sale			
December 31, 2007	Held for trading	Loans and receivables	Financial assets available for sale	Other liabilities	Hedging instruments *	Non-financial items	Total book value	Total fair value **	Assets and liabilities held for sale	Total book value
	Fair value	Amortized cost	Fair value	Amortized cost	Fair value					
ASSETS										
Long-term receivables from affiliated companies		170					170	170		170
Other holdings of securities			5				5	5		5
Other long-term receivables		1,181			1		1,182	1,182	–605	577
Accounts receivable		3,733					3,733	3,733	–1,782	1,951
Receivables from affiliated companies		510					510	510		510
Other receivables	26				593	2,592	3,211	3,211	–574	2,637
Short-term investments	5,314	1,994					7,308	7,308		7,308
Cash and 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		693
Bond issues				1,133	946		2,079	2,086		2,079
Other loans				1,462	2,527		3,989	3,964	–53	3,936
Current portion of long-term loans				4,147	214		4,361	4,368	–2,746	1,615
Short-term loans	–174			698	333		857	857	–436	421
Accounts payable				3,550			3,550	3,550	–1,442	2,108
Total	**–174**	**0**	**0**	**11,683**	**4,020**	**0**	**15,529**	**15,173**	**–4,677**	**10,852**

December 31, 2006	Held for trading	Loans and receivables	Financial assets available for sale	Other liabilities	Hedging instruments *	Non-financial items	Total book value	Total fair value **
ASSETS								
Long-term receivables from affiliated companies		189					189	189
Other holdings of securities			601				601	601
Other long-term receivables		1,276			55		1,331	1,331
Accounts receivable		3,918					3,918	3,918
Receivables from affiliated companies		357					357	357
Other receivables	91				32	2,644	2,767	2,767
Short-term investments	6,283	2,834					9,117	9,117
Cash and bank balances	819	867					1,686	1,686
Total	**7,193**	**9,441**	**601**	**0**	**87**	**2,644**	**19,966**	**19,966**
SHAREHOLDERS' EQUITY AND LIABILITIES								
Subordinated loans				716			716	376
Bond issues				6,041	1,094		7,135	7,036
Other loans				3,032	2,653		5,685	5,612
Current portion of long-term loans				583	258		841	841
Short-term loans	49			1,820	174		2,043	2,040
Accounts payable				3,350			3,350	3,350
Liabilities to affiliated companies				169			169	169
Total	**49**	**0**	**0**	**15,711**	**4,179**	**0**	**19,939**	**19,424**

* *Loans in foreign currency, which are dedicated as a hedging instrument in a hedging of net investments in foreign operations, are measured at amortized cost.*

** *Fair value for 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 to quoted interest rates.*

Note 30 • Other provisions

	Restructuring		Loyalty program		Other provisions		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Opening balance, January 1, 2007	162	290	551	606	208	74	921	970
Provisions	216	267	272	230	137	252	625	749
Utilized provisions	–143	–383	–308	–284	–195	–112	–646	–779
Currency effect	4	–12	1	–1	–3	–6	2	–19
Liabilities attributable to assets held for sale	-	-	–21	-	-	-	–21	-
Closing balance, December 31, 2007	**239**	**162**	**495**	**551**	**147**	**208**	**881**	**921**

Breakdown in balance sheet:	2007	2006
Long-term liabilities	691	603
Current liabilities	190	318
	881	**921**

Other provisions include provisions for leasing costs relating to unused premises and maintenance costs for leased aircraft according to the leasing contract.

Note 31 • Short-term loans

	2007	2006
Issued commercial paper	0	1,108
Bank loans	7	26
Overdraft facilities, utilized portion	436	377
Accrued interest	255	309
Derivatives	159	223
Total	**857**	**2,043**
Liabilities attributable to assets held for sale	–436	-
Total	**421**	**2,043**

Note 32 • Liabilities to affiliated companies

	2007	2006
ST Aerospace Solutions (Europe) A/S	93	168
Other companies	1	1
Total	**94**	**169**

Note 33 • Unearned transportation revenue (net)

Unearned transportation revenue consists of tickets sold and still valid but unused, see Note 1, Significant accounting policies - Revenue recognition page 65.

On December 31, 2007, the estimated reserve in the unearned transportation revenue liability amounted to MSEK 482 (399).

Note 34 • Accrued expenses and prepaid income

	2007	2006
Vacation pay liability	1,608	1,634
Other accrued payroll expenses	493	299
Fuel costs	577	122
Selling costs	229	245
Technical aircraft maintenance	109	80
Other accrued expenses	1,613	1,815
Prepaid income	520	549
Total	**5,149**	**4,744**

Note 35 • Pledged assets

	2007	2006
Related to long-term liabilities to credit institutions:		
Real estate mortgages	125	115
Aircraft mortgages	328	779
Company mortgages	26	27
Other mortgages	-	-
Shares in subsidiaries	0	0
Related to deposits:		
Blocked bank accounts	86	70
Total	**565**	**991**

Outstanding liability at December 31, 2007, relating to aircraft mortgages was MSEK 154 (288).

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 36 • Contingent liabilities

	2007	2006
Contingent liabilities	137	288
Total	**137**	**288**

The SAS Group is involved in disputes, some of which will be settled in court. Provisions are made in cases where a probable and quantifiable risk of loss is judged to exist.

Note 37 • Leasing commitments

The different business areas in the SAS Group have entered into the following leasing commitments, with specification of the total annual rent for:

	2008	2009	2010	2011	2012	2013>
Aircraft	2,378	2,163	1,554	1,208	965	3,379
Properties	927	890	852	829	819	4,913
Machinery and equipment	53	25	20	13	11	11
Total	**3,358**	**3,078**	**2,426**	**2,050**	**1,795**	**8,303**

Leasing contracts with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs for continuing operations in 2007 amounted to MSEK 3,908 (3,942), of which MSEK 11 (10) 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 2007 payments received for assets subleased to a third party amounted to MSEK 83 (103). The value of future fixed payments for these assets subleased to a third party amounts to MSEK 139 (252).

The above table includes the following major items:

At the end of 2007 the SAS Group aircraft fleet totaled 310 aircraft, of which 243 are leased. In 2007 sale and leaseback transactions were effected for five aircraft, corresponding to an annual leasing cost of approximately MSEK 94. Terms of the leases vary between two 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 280. 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 204 in 2008.

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 164 in 2008.

Note 38 • Adjustment for items not included in cash flow, etc.

	2007	2006
Share of income in affiliated companies	–9	–106
Dividends from affiliated companies	14	29
Impairments	-	51
Capitalized interest on prepayments to aircraft manufacturers	–17	–24
Earnings impact from measuring financial derivatives according to IAS 39	–22	–124
Other	19	25
Total	**–15**	**–149**

Note 39 • Acquisition of subsidiaries

In 2007 Teinver's five percent holding in Spanair and Aerolineas de Baleares was acquired, making the companies wholly owned subsidiaries in the SAS Group.

No subsidiaries were acquired in 2006.

According to acquisition analyses the value of acquired assets and liabilities was as follows:

	2007	2006
Fixed assets	-	-
Current assets	-	-
Minority interests	–38	-
Long-term liabilities	-	-
Current liabilities	-	-
Total	**–38**	**-**
Goodwill	304	-
Purchase price paid	**266**	**-**
Redemption of Teinver's loan payable to SAS	–41	-
Effect on the Group's liquid assets	**225**	**-**

Note 40 • Disposal of subsidiaries

In 2007 the SAS Flight Academy and Newco companies were sold. An adjustment was also made in the purchase price regarding the 2005 divestment of 67% of the shares in SAS Component Group.

In the previous year the Rezidor Hotel Group was floated on the stock exchange, whereby SAS divested 91% of its shareholding. Norwegian Aviation College was also divested.

The value of the sold assets and liabilities was the following:

	2007	2006
Intangible assets	124	700
Tangible fixed assets	551	802
Financial fixed assets	40	550
Current assets	3	52
Current receivables	726	1,059
Liquid assets	141	365
Minority interests	–38	–650
Long-term liabilities	–241	–213
Current liabilities	–742	–1,745
Total	**564**	**920**
Capital gain excluding selling costs	321	4,406
Purchase price paid	**885**	**5,326**
Purchase price paid pertaining to 2005 divestment of SAS Component, received in 2006	-	877
Selling costs	–214	–173
Unpaid selling costs	19	60
Liquid assets in divested companies	–141	–365
Effect on the Group's liquid assets	**549**	**5,725**

Note 41 • Liquid assets

	2007	2006
Short-term investments	7,308	9,117
Cash and bank balances	1,685	1,686
Cash and bank balances reclassified to assets held for sale	–102	-
Liquid assets at year-end	**8,891**	**10,803**

Disclosure of interest paid:

During the year, interest received in continuing operations amounted to MSEK 542 (463), of which MSEK 167 (201) pertains to forward premiums for currency derivatives. During the year, interest paid in continuing operations amounted to MSEK 1,202 (1,533), of which MSEK 193 (235) pertains to forward premiums for currency derivatives. In discontinued operations the interest received came to MSEK 7 (12) and paid interest to MSEK 29 (33).

Note 42 • 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:

	2007	2006
Deloitte		
Audit services	21	20
Other services	15	8
Total Deloitte	**36**	**28**
Other audit firms		
Audit services	1	1
Total	**37**	**29**

Note 43 • Transactions with affiliated companies

Revenue from sales to affiliated companies amounted to MSEK 302 (200). Costs of purchases from affiliated companies was MSEK 1,579 (1,771).

Note 44 • **Segment reporting**

Income by business area

STATEMENT OF INCOME	SAS Scandinavian Airlines 2007	SAS Scandinavian Airlines 2006	SAS Individually Branded Airlines 2007	SAS Individually Branded Airlines 2006	SAS Aviation Services 2007	SAS Aviation Services 2006	Group-wide and eliminations 2007	Group-wide and eliminations 2006	SAS Group 2007	SAS Group 2006
External sales	38,827	37,201	7,103	6,427	5,189	5,414	1,132	1,110	52,251	50,152
Sales between business segments	1,328	1,430	87	104	9,003	8,894	–10,418	–10,428	0	0
Revenue	40,155	38,631	7,190	6,531	14,192	14,308	–9,286	–9,318	52,251	50,152
Payroll expenses	–8,510	–7,844	–1,678	–1,597	–6,380	–6,197	–703	–591	–17,271	–16,229
Other expenses	–26,541	–25,711	–4,541	–4,266	–8,136	–8,221	9,549	9,374	–29,669	–28,824
Operating income before depreciation and leasing costs	**5,104**	**5,076**	**971**	**668**	**–324**	**–110**	**–440**	**–535**	**5,311**	**5,099**
Leasing costs for aircraft	–2,156	–2,102	–474	–411	0	0	52	32	–2,578	–2,481
Operating income before depreciation	**2,948**	**2,974**	**497**	**257**	**–324**	**–110**	**–388**	**–503**	**2,733**	**2,618**
Depreciation	–984	–1,187	–176	–174	–257	–316	–61	–80	–1,478	–1,757
Share of income in affiliated companies	–31	58	57	43	–17	–40	0	–2	9	59
Capital gains	41	58	12	0	0	0	–12	27	41	85
Operating income	**1,974**	**1,903**	**390**	**126**	**–598**	**–466**	**–461**	**–558**	**1,305**	**1,005**
Unallocated income items:										
Income from other shares and participations									5	–46
Net financial items									–258	–782
Tax									–286	35
Net income for the year for continuing operations									**766**	**212**

OTHER DISCLOSURES	SAS Scandinavian Airlines 2007	SAS Scandinavian Airlines 2006	SAS Individually Branded Airlines 2007	SAS Individually Branded Airlines 2006	SAS Aviation Services 2007	SAS Aviation Services 2006	Group-wide and eliminations 2007	Group-wide and eliminations 2006	Total continuing operations 2007	Total continuing operations 2006	Discontinued operations 2007	Discontinued operations 2006	Total 2007	Total 2006
Assets	27,071	18,351	3,720	4,677	7,429	8,216	9,487	13,396	47,707	44,640	0	5,512	47,707	50,152
Equity shares	76	89	558	526	425	393	4	4	1,063	1,012	0	0	1,063	1,012
Total assets	27,147	18,440	4,278	5,203	7,854	8,609	9,491	13,400	48,770	45,652	0	5,512	48,770	51,164
Total liabilities	17,875	9,791	2,226	1,789	6,954	6,971	4,566	10,511	31,621	29,062	0	5,714	31,621	34,766
Investment for the year	1,604	1,412	244	186	368	222	295	–8	2,511	1,812	438	487	2,949	2,299

Geographic breakdown

	Domestic 2007	Domestic 2006	Intra-Scandinavian 2007	Intra-Scandinavian 2006	Europe 2007	Europe 2006	Intercontinental 2007	Intercontinental 2006	Total 2007	Total 2006
Passenger revenue	12,471	11,370	4,002	3,601	9,573	9,558	12,555	12,211	38,601	36,740
Freight and mail revenue	163	303	77	70	296	275	1,196	1,454	1,732	2,102
Charter revenue	45	28	0	0	1,906	1,744	0	0	1,951	1,774
Other traffic revenue	638	526	71	54	571	835	259	269	1,539	1,684
Total traffic revenue	13,317	12,227	4,150	3,725	12,346	12,412	14,010	13,932	43,823	42,298

	Denmark 2007	Denmark 2006	Norway 2007	Norway 2006	Sweden 2007	Sweden 2006	Europe 2007	Europe 2006	Other 2007	Other 2006	Total 2007	Total 2006
Other operating revenue, continuing operations	1,377	1,093	2,029	1,872	2,281	2,324	2,193	1,974	548	591	8,428	7,854
Other operating revenue, discontinued operations	1	689	2	1,543	14	685	605	3,109	0	0	622	6,026
	1,378	1,782	2,031	3,415	2,295	3,009	2,798	5,083	548	591	9,050	13,880

OTHER DISCLOSURES	Denmark 2007	Denmark 2006	Norway 2007	Norway 2006	Sweden 2007	Sweden 2006	Europe 2007	Europe 2006	Other 2007	Other 2006	Not broken down 2007	Not broken down 2006	Total 2007	Total 2006
Assets [1]	2,977	3,012	3,933	3,395	11,623	12,856	4,383	6,099	142	189	4,311	3,039	27,169	28,590
Investment for the year in continuing operations [1]	71	123	78	83	1,040	155	371	242	5	6	946	1,426	2,511	2,035

[1] *Aircraft and spare parts are not broken down, see Note 1, Significant accounting policies - Segment reporting, page 65.*
For a description of the activities of the different segments see page 3.

Note 45 • Subsidiaries in the SAS Group

	Domicile	Corporate ID No.	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	4,095
SAS Norge AS	Bærum	811176702	47,000,000	100	628	3,555
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	571	2,889
Widerøes Flyveselskap AS	Bodø	917330557	364,196	100	1,440	521
Spanair Holding	Palma de Mallorca	B83180851	5,862,593	100	894	–864
Spanair S.A.	Palma de Mallorca	EA07225154	11,122,248	100	772	
SAS Ground Services AB	Stockholm	556063-8255	610,000	100	716	395
SAS Technical Services AB	Stockholm	556137-6764	940,000	100	650	334
Nordair A/S	Tårnby	24176711	10,000	100	526	314
Linjeflyg AB	Stockholm	556062-8454	2,000,000	100	237	212
airBaltic Corporation A/S	Riga	40003245752	224,453	47.2	123	17
OY Nordair AB	Vantaa	525.232	150	100	72	263
SAS Facility Management Sweden AB	Stockholm	556663-7004	45,000	100	45	59
Aerolineas de Baleares	Palma de Mallorca	A07988728	60,000	100	44	28
SAS Human Resources Sweden AB	Stockholm	556664-1485	30,000	100	30	18
SAS Accounting Services Sweden AB	Stockholm	556664-1493	16,000	100	21	13
SAS Revenue Information Services A/S	Tårnby	28098766	13,200	100	16	40
SAS Business Opportunities AB	Stockholm	556657-7358	8,000	100	8	8
SAS Trading AB	Stockholm	556406-9390	50,200	100	3	3
Other					0	0
					7,533	**11,900**
Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:						
SAS Consortium	Solna	902001-7720	–	100	13,695	13,695
Owned by SAS Consortium:						
SAS Scandinavian Airlines Norge AS	Bærum	962308449	150,000	100	3,851	1,823
SAS Scandinavian Airlines Danmark A/S	Tårnby	10156858	1,290,500	100	1,570	1,507
SAS Scandinavian Airlines Sverige AB	Stockholm	556235-5908	710,000	100	1,010	1,694
SAS Investments A/S	Copenhagen	25578104	300,000	100	488	423
Linjeflyg Leasing HB	Stockholm	916644-1080	–	79	283	322
Cherrydean Ltd	Dublin	310983	12,633,198	100	113	81
SAS Ejendom SOLA AS	Ullensaker	971125977	145	100	102	68
SAS Investments Denmark A/S	Tårnby	427110814	9,000	100	45	15
SAS Media Partner AB	Stockholm	556175-9183	5,000	100	15	7
SAS Ejendom A/S	Tårnby	78752513	20,000	100	11	40
SAS Capital B.V.	Rotterdam	167071	501	100	8	63
Other					1	12
					7,497	**6,055**
Owned by Nordair A/S:						
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	255	241
Owned by SAS Investments Denmark A/S:						
RampSnake A/S	Copenhagen	24202941	10,500	100	0	–33
SAS Trading Denmark A/S	Tårnby	42710814	700	100	1	1
					1	**–32**

Note 46 • Significant accounting estimates

The preparation of financial statements and application of accounting policies are often based on the management's assessments or on estimates and assumptions deemed as reasonable. 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.

Goodwill is tested for impairment annually. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be measured by discounting the unit's cash outflows. When applying this method, the company relies on a number of factors, including historic results, business plans, forecasts and market data. This is further described in Note 12 and as can be seen here, changes in the conditions for these assumptions and estimates can significantly affect the assessed value of goodwill.

Actuarial assumptions are important ingredients in the actuarial methods used to measure pension commitments and they can significantly affect the reported pension commitment and the annual pension cost. Two critical assumptions - the discount rate and expected return on plan assets - are essential for the measurement of both the pension cost for the year and the present value of the defined benefit commitments. These assumptions are reviewed annually for each pension plan in each country. The actual outcome often differs from the actuarial assumptions for economic or other reasons.

The discount rate shall be determined by reference to market yields at the balance sheet date 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.

Estimates are made to determine deferred tax liabilities and assets, not least the value of deferred tax assets. The Group then must determine the possibility that deferred tax receivables will be utilized and offset against future taxable profits.

Regarding the investigations of the European Commission and the U.S. Justice Department into alleged illegal price fixing in the air cargo industry SAS continues to cooperate with the U.S. authorities. No formal charges have been filed. On December 20, 2007 the Commission issued a Statement of Objections. It was accompanied by extensive documentation that requires a complete analysis. While SAS is unable at this time to assess the outcome of the ongoing investigations an unfavorable outcome for SAS would likely entail a significant adverse financial effect.

Provisions are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist.

Parent Company, SAS AB

Statement of income

MSEK	Note	2007	2006
Revenue		244	246
Payroll expenses	1	–326	–313
Other operating expenses		–306	–256
Operating income before depreciation		**–388**	**–323**
Depreciation		0	0
Operating income		**–388**	**–323**
Income from participations in Group companies	2	–816	6,432
Income from participations in affiliated companies	2	–30	-
Income from other participations	2	451	-
Interest income and similar income items		209	25
Interest expenses and similar income items		–176	–195
Exchange rate differences		–128	155
Income before tax		**–878**	**6,094**
Tax	3	126	89
Net income for the year		**–752**	**6,183**

Balance sheet

ASSETS, MSEK	Note	2007	2006
Fixed assets			
Intangible assets	4	8	6
Tangible fixed assets			
Equipment	5	3	3
Financial fixed assets			
Shares in subsidiaries	6	7,533	8,384
Participations in affiliated companies	7	230	198
Other long-term holdings of securities	8	2	138
Long-term receivables from Group companies		462	464
Deferred tax receivable		365	246
Other long-term receivables		14	11
Total fixed assets		**8,617**	**9,450**
Current assets			
Current receivables			
Accounts receivable		2	10
Receivables from Group companies		7,632	5,642
Receivables from affiliated companies		13	
Other receivables		18	26
Prepaid expenses and accrued income		3	2
		7,668	**5,680**
Cash and bank balances		258	301
Total current assets		**7,926**	**5,981**
TOTAL ASSETS		**16,543**	**15,431**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	2007	2006
Shareholders' equity			
Restricted equity			
Share capital		1,645	1,645
Statutory reserve		306	306
Unrestricted equity			
Retained earnings		10,341	4,139
Net income for the period		–752	6,183
Total shareholders' equity		**11,540**	**12,273**
Long-term liabilities			
Long-term liabilities to Group companies		4,669	2,855
Pensions and similar commitments		5	1
Other liabilities		27	4
Total long-term liabilities		**4,701**	**2,860**
Current liabilities			
Liabilities to Group companies		65	32
Accounts payable		59	31
Other liabilities		75	103
Accrued expenses and prepaid income		103	132
Total current liabilities		**302**	**298**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**16,543**	**15,431**
Pledged assets and contingent liabilities			
Pledged assets		-	-
Contingent liabilities	9	312	376

Cash flow statement

MSEK	2007	2006
Operating activities		
Income before tax	–886	6,094
Depreciation	0	0
Income from the sale of shares, etc.	408	–3,774
Adjustment for items not included in the cash flow	–7	–2
Cash flow from operating activities before changes in working capital	**–485**	**2,318**
Change in:		
Operating receivables	38	69
Operating liabilities	–23	136
Cash flow from changes in working capital	**15**	**205**
Cash flow from operating activities	**–470**	**2,523**
Investing activities		
Purchase of equipment	–2	–6
Purchase of shares and participations	–896	–103
Sale of shares	1,463	5,169
Cash flow from investing activities	**565**	**5,060**
Financing activities		
Change in long-term receivables	–3	-
Change in current receivables	–2,187	–5,061
Change in long-term loans	1,819	–2,418
Change in interest-bearing liabilities	35	–10
Group contribution received, net	198	206
Cash flow from financing activities	**–138**	**–7,283**
Cash flow for the year	**–43**	**300**
Liquid assets at beginning of year	301	1
Liquid assets at year-end	**258**	**301**

Changes in shareholders' equity

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total equity
Opening balance at Jan. 1, 2006	1,645	306	3,933	5,884
Group contribution received			286	286
Tax effect of group contribution			–80	–80
Net income for the period			6,183	6,183
Shareholders' equity at Dec. 31, 2006	**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**

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 164 (182). A breakdown of the average number of employees by country is provided in the table below.

	2007		2006	
	Men	Women	Men	Women
Denmark	9	5	9	5
Norway	8	7	8	7
Sweden	78	57	88	65
Total	**95**	**69**	**105**	**77**
Total men and women	**164**		**182**	

For salaries, remuneration, social security expenses and sick leave, see SAS Group Note 3 – Payroll expenses, page 66.

Note 2 • Income from financial items

	Income from participations in Group companies		Income from participations in affiliated companies		Income from other participations	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Dividend	-	2,658	7	-	6	-
Capital gain from disposal of participations	43	3,774	-	-	445	-
Impairments	–859	-	–37	-	-	-
	–816	**6,432**	**–30**	**-**	**451**	**-**

Note 3 • Tax

	2007	2006
Tax income for the year	121	89
Adjustment of tax attributable to previous year	5	0
Deferred tax	**126**	**89**

Note 4 • Intangible assets

Other assets	2007	2006
Opening acquisition value	6	-
Acquisition value for the period	2	6
Closing accumulated acquisition value	**8**	**6**
Opening depreciation	-	-
Depreciation for the period	-	-
Closing accumulated depreciation	**-**	**-**
Book value	**8**	**6**

Note 5 • Tangible fixed assets

Equipment	2007	2006
Opening acquisition value	9	17
Disposals/sales	0	–9
Acquisition value for the period	0	1
Closing accumulated acquisition value	**9**	**9**
Opening depreciation	–6	–12
Disposals/sales	0	6
Depreciation for the period	0	0
Closing accumulated depreciation	**–6**	**–6**
Book value	**3**	**3**

Note 6 • Shares in subsidiaries

See SAS Group Note 45 – Subsidiaries in the SAS Group, page 82.

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
Travel AS	Fredrikstad	987096985	511	25.27%	0
Go Now AS	Oslo	989867873	589	41.65%	0
Skyways Holding AB	Stockholm	556021-5872	1 548 000	25%	41
					230

Note 8 • Other holdings of securities

	2007	2006
Rezidor Hotel Group	-	138
Incorporated Cell Company	2	-
Total	**2**	**138**

Note 9 • Contingent liabilities

Other contingent liabilities benefiting:	2007	2006
Blue1	131	139
Widerøes Flyveselskap	60	100
Spanair	114	137
Go Now	7	-
Total	**312**	**376**

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 11 (10) for audit services and MSEK 6 (4) 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 RR 32:06 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 3, 2008

Egil Myklebust
Chairman of the Board

Jacob Wallenberg
Vice Chairman

Jens Erik Christensen
Board Member

Berit Kjøll
Board Member

Timo Peltola
Board Member

Fritz H. Schur
Board Member

Anitra Steen
Board Member

Ulla Gröntvedt
Board Member

Olav H. Lie
Board Member

Verner Lundtoft Jensen
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 3, 2008. The Group's statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be submitted for adoption to the Annual General Shareholders' Meeting on April 9, 2008.

Our auditors' report was submitted on March 3, 2008

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Auditors' Report

To the Annual General Shareholders' 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 2007. The company's Annual Report is included in the printed version of this document on pages 52-85. These accounts, the administration of the company, the application of the Annual Accounts Act in preparing the annual financial statements and the application of International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act in preparing the consolidated financial statements are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual financial statements, 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 assurance with high but not absolute certainty that the annual financial statements and 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 or the President and significant estimates made by the Board of Directors and the President when preparing the annual financial statements and 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 and 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 earnings financial position. The Report by the Board of Directors is consistent with the other parts of the annual financial statements and the consolidated financial statements.

We recommend to the Annual General Shareholders' Meeting that the statements of income and balance sheets of the Parent Company and the Group be adopted, that the profit in the Parent Company be dealt with in accordance with the proposal in the Report by the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Stockholm, March 3, 2008

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Chairman's comments

When I assumed the post of Chairman in November 2001, SAS was facing numerous challenges, the events in the U.S. on September 11, the horrible accident in Milan and the radically altered market and competitive conditions due to the new business models of low-cost airlines and changes in travel patterns. We were also in a recession, and as a consequence saw a substantial deterioration in earnings. Comprehensive action plans followed and were collected under the Turnaround 2005 program. These cost reductions, as well as sales of assets, were vital for SAS's survival, and I am pleased to note that we succeeded in creating a new platform and reducing unit costs by 30%. All of the improvement has benefited customers in the form of lower fares. Now that we face a possible downturn, and earnings levels for the Group are at just over SEK 1 billion, further cost reductions and streamlining will regrettably be required to ensure our continued ability to invest and capacity to develop operations. We cannot continue to sell off assets to stay in business, but cash flow must be generated from operations. It is a sad fact that cost reductions at SAS will be harder to implement. This is because SAS's remaining potential is largely locked in old contractual structures. The rigidity of agreements makes it very challenging to implement with full force the cost-cutting and streamlining measures included in Strategy 2011.

The Q400

During the year, SAS experienced a number of negative events, in particular the Q400 incidents. This has also raised a discussion of flight safety at SAS and customer confidence in SAS, which we take very seriously. While the accident investigation boards have not released their final reports, the preliminary investigations from the first two incidents point to a design flaw in the landing gear. Flight safety is SAS's top priority, and SAS's candor is vital if our customers are to have complete confidence in us. At this juncture I would like to commend Group Management and all personnel involved on the way they handled the Q400 situation.

The share and owners

The SAS Group has an ongoing dialog with the capital market on issues concerning the Group's performance, strategic position and opportunities for growth. No big changes were made in the principles of owner control in 2007. During the year most airlines in the market have seen a substantial decline in share value. This has hit the SAS share in particular, which also reached its all-time high in June but which then fell sharply like all the other shares in the market. Trading volume in the SAS share was substantially higher than in the previous year, while institutional ownership remained stable.

Sustainability

In 2007 the climate debate focused increasingly on air transport. In the past 12 years SAS has been an airline industry leader in the environmental area and takes its sustainability work very seriously. This effort intensified in early 2008, when a new and ambitious environmental strategy was adopted with a vision of zero greenhouse emissions by 2050. The plan contains a number of specific measures for meeting these targets. SAS is also revising and improving its Code of Conduct, its guidelines for ethics work.

Change

SAS has, as I said, successfully brought about big changes, and that journey is not over. Necessary cost-cutting measures remain, above all in SAS's airline operations. It is vital to bolster competitiveness, and numerous issues need to be resolved without adversely affecting customer confidence in SAS. Still, much will be required of owners, unions, the Board, management and employees moving forward to ensure a strong, profitable and independent SAS.

Now that I am stepping down at the Annual General Shareholders' Meeting after seven years as Chairman, I would like at this time to thank all employees and especially SAS's owners and customers for their trust, which enables the SAS Group to move forward and meet stiffening competition.

Stockholm, March 2008
Egil Myklebust
Chairman of the Board, SAS AB

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.

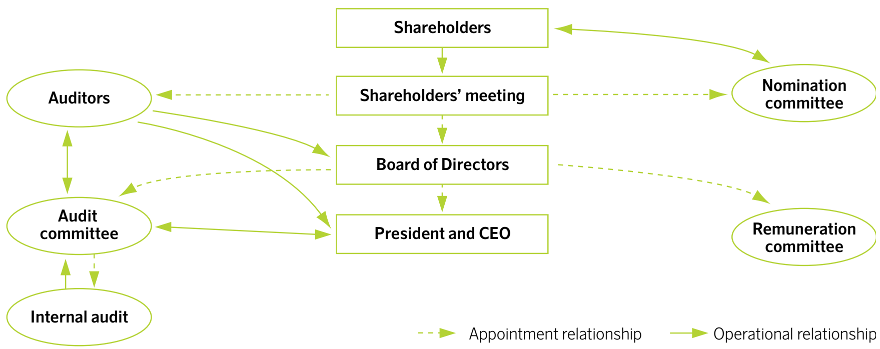
SAS AB is a Swedish public limited company headquartered in Stockholm, Sweden. The company is the parent company in the SAS Group. Corporate governance in the SAS Group is based on Swedish legislation, primarily the Swedish Companies Act, the Articles of Association, the Swedish Code of Corporate Governance, and the listing agreement with the Nordic Exchange in Stockholm, 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 will be revised, which the SAS Group will follow and make adjustments if necessary.

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 2007 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 1.4.3 states that the Shareholders'



Corporate Governance, accountability and decision process

The SAS Group has 29,053 shareholders on December 31, 2007. The biggest shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, SEB Funds, Handelsbanken Funds and the State of New Jersey Common Pension Fund.

Meetings in 2007

The Board had 11 recorded meetings. The audit committee had four recorded meetings and the remuneration committee had eight recorded meetings. The nomination committee had eight recorded meetings since the 2007 Annual General Shareholders' Meeting.

Meeting is to be conducted in Swedish and that the material presented is to be 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 and Norway, 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 Annual General Shareholders' 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 immediately after the meeting in a press release, and the minutes of the meeting are published on the company's website.

- 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, 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 an Annual General 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.

2007 Annual General Shareholders' Meeting

In 2007 the Annual General Shareholders' Meeting was held on April 17, 2007, in the company's head office in Solna. At the 2007 Annual General Shareholders' Meeting the Board members were reelected. Egil Myklebust was also reelected Chairman of the Board. 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 2008 Annual General Shareholders' Meeting. The meeting approved the Board's recommendation not to pay a dividend for 2006.

Board of Directors

The Board consists of seven members elected by the Annual General 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 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. 92. The average age of members is 55.5 years and two of the seven members elected by the Annual General Shareholders' Meeting are women. All Annual General Shareholders' Meeting-elected members are independent of the company and company management. Moreover, except for Anitra Steen, all Annual General Shareholders' Meeting-elected members are independent of the company's major shareholders. Thus, SAS AB meets the Stockholm Stock Exchange Listing Requirements 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

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, eight recorded meetings

Björn Mikkelsen,
Ministry of Industry, Employment and Communications, for the Swedish government, chairman
Peter Brixén,
Danish Ministry of Finance
Morten Kallevig,
Norwegian Ministry of Trade and Industry
Peter Wallenberg, Jr.,
Knut and Alice Wallenberg Foundation
Henrik Michael Normann,
Danske Bank
Conny Karlsson,
SEB Funds

Recommendations to be decided by the 2008 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
- Nomination committee for 2009 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 2008 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 2007

	7/2	15/3	17/4	18/4	2/5	12-13/6	8/8	26/9	28/10	7/11	17/12
Egil Myklebust	●	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg	●	●	●	●	●	●	○	●	○	●	●
Berit Kjøll	●	●	●	●	●	●	●	●	●	●	●
Timo Peltola	●	●	●	●	●	●	●	●	●	●	●
Fritz H. Schur	●	●	●	●	●	●	●	●	●	●	●
Anitra Steen	○	●	●	●	●	●	●	●	●	●	○
Jens Erik Christensen	●	●	●	●	●	●	●	●	●	●	●
Verner L. Jensen	●	●	●	●	○	●	●	●	●	●	●
Ulla Gröntvedt	●	●	●	●	●	●	●	●	●	●	●
Olav H. Lie	●	●	●	●	●	●	●	●	●	●	●

● Present ○ Absent

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 2007

In 2007 the Board held 11 meetings, of which 10 were ordinary and one 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. In fall 2007 the Board had an extraordinary meeting when it decided to permanently remove the aircraft type Q400 from the SAS aircraft fleet after three accidents and recurring problems with regularity. Other essential matters and business considered during the year included:

- Adopting, implementing and following up the Strategic Plan for 2007-2011 (Strategy 2011).
- Monitoring and dealing with the antitrust investigations of SAS Cargo's possible participation in illegal price fixing in the air freight business.
- Sale of the subsidiary SAS Flight Academy and the Spanish ground handling company Newco,
- Strikes and labor conflicts.
- Settlement of the sale of SAS Component.
- The Q400 accidents and flight safety work in the SAS Group.
- Investment in aircraft.

The Board also discussed sustainability-related information of material importance and quarterly changes in sick leave. The Board studied 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 Board meetings

7/2	SAS Group Year-end Report for 2006.
15/3	SAS Annual Report and notice of Annual General Shareholders' Meeting.
17/4	Strategy work, Strategy 2011.
18/4	Statutory meeting.
2/5	Approval of the first quarter report.
12-13/6	Adoption of Strategy 2011.
8/8	Approval of the second quarter report.
26/9	The Q400 accidents and evaluation of Board work.
28/10	Decision to permanently withdraw the Q400s from SAS's aircraft fleet (Extraordinary meeting).
7/11	Approval of the third quarter report and the auditor's review of the "hard close" and internal control.
17/12	Review of financial plans for 2008, implementation of parts of Strategy 2011, the SAS Cargo case and review of compliance work as well as revising the Board's work plan and committee instructions.

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 p. 66

Fees decided at the 2007 Annual General Shareholders' Meeting

TSEK	*Board rem.*	*Aud.-com.-rem.*	*Rem.-com.-rem.*	*Total*
Egil Myklebust	600		75	675
Jacob Wallenberg	400		25	425
Berit Kjøll	300	50		350
Timo Peltola	300	100		400
Fritz H. Schur	300		25	325
Anitra Steen	300	50		350
Jens Erik Christensen	300	50		350
Verner L. Jensen	300			300
Ulla Gröntvedt	300			300
Olav H. Lie	300			300
Total	3,400	250	125	3,775

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 2007 in accordance with the decision of the Annual General Shareholders' Meeting. p. 66

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.

The principal auditor met with the Board on three occasions in 2007, presenting the program for his

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, eight recorded meetings

	Number of meetings attended
Egil Myklebust (chairman)	*8*
Jacob Wallenberg	*7*
Fritz H. Schur	*8*

All members are independent in relation to the company, company management, and major shareholders.

- In 2007 the committee made recommendations to the Board on the previous and current President's salary and other terms of employment and overall remuneration policies and other terms for other members of Group Management.
- The committee also discussed and drafted a Board resolution on the President's target contract for 2007, the previous President's fulfillment of his target contract for 2006 and discussed general matters involving guidelines and policies for compensation to SAS senior executives.
- The committee assisted the President in the process of recruiting new members to Group Management.
- Prior to the 2008 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.

auditing work, reporting his observations from auditing the year-end report, examining the interim report as of September 30, and assessing the company's 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 three 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 38, of which MSEK 15 pertains to 2007. The auditor receives a fee for his work in accordance with a decision of the Annual General Shareholders' Meeting. For information about the auditor's fee in 2007, Note 42 p. 80

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 certain corporate functions report to the President. In its instructions to the President the Board has laid down detailed rules for the President's authority and obligations. Within the framework of the current work plan and instructions to the President, which regulate *inter alia* the relationship between the President and the Board, Group Management is responsible for business control, financial reporting, acquisitions and disposals of companies, 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 p. 93

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 currently comprises five members, named by the President in consultation with the Board. Composition of Group Managment p. 93

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 business 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,

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 2007, 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 accounting of the Swedish ITP pensions placed with Alecta, the work and function of internal auditing, special focus areas for auditing work, risk analyses, and internal control, including revised instructions for the whistleblower function in the SAS Group, as well as assessing the auditors' work and follow-up of the European Cooperation Agreement.

Remuneration policies and other terms of employment for company management

For 2007, 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:

- base salary, which may be 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.

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 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 2007, see Note 3 p. 66-67

Financial reporting
According to Clause 5.1.3 of the Code, 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 2007 the Board adopted an updated information/IR policy aimed at ensuring sound and fair provision of information to all capital market players.

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 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).

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 and intra-Group business relations. 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. 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. 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 2007 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 inter alia on internal control at Estonian Air as well as contract management at SAS Ground Services and SAS Cargo.

In addition, an audit was done of British Midland's reported results in the European Cooperation Agreement.

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 2007 a review was done of SAS Cargo Group. Reviews are planned in 2008 for two subsidiaries. Companies were chosen on the basis of a risk analysis.

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. The external and internal audits perform follow-up audits until all recommended measures are implemented.

The SAS Group's areas of responsibility

March 3, 2008

Board of Directors

Group Management

President & CEO
SAS Group
Mats Jansson

SAS Scandinavian Airlines
John S. Dueholm

CFO
Gunilla Berg

SAS Individually Branded Airlines
Mats Jansson

Corporate Communications
Claus Sonberg

Human Resources
Henriette Fenger Ellekrog

Structural Affairs & Strategy
Benny Zakrisson

Corporate Functions
Corporate Public Affairs & Environment
Hans Ollongren
SAS Group Legal Affairs
Mats Lönnkvist

Corporate Functions
SAS Airline Commercial
Robin Kamark
SAS Group IT
Mats Fagerlund
Corporate Industrial Relations
Lena-Liisa Tengblad
Scandinavian Operations Management
Tomas Linden (acting)

Shared Services
SAS Human Resources Services
Patric Dahlqvist-Sjöberg

Corporate Functions
Corporate Business Control
Arnfinn Utne
SAS Group Finance & Asset Management
Johan Törngren
Corporate Accounting
Ulla Edlund
SAS Group Purchasing
Patrik Knutsson
Corporate Internal Audit
Peter Toft Berg

Shared Services
SAS Facility Management
Bjørn Frivold
SAS Revenue Information
Steen Wulff
SAS Accounting Services
Sara Jinnerot

Corporate Investor Relations
Sture Stølen

Corporate Advisory & Strategy
Björn Nordgren

SAS Scandinavian Airlines	*SAS Individually Branded Airlines*	*SAS Aviation Services*
Scandinavian Airlines Danmark [1] *Susanne Larsen*	**Blue1** *Stefan Wentjärvi*	**SAS Ground Services** *Björn Alegren*
Scandinavian Airlines Norge *Ola H. Strand*	**Widerøe** *Per Arne Watle*	**SAS Cargo** *Kenneth Marx*
Scandinavian Airlines Sverige [1] *Anders Ehrling*	**airBaltic** *Bertolt Flick*	**SAS Technical Services** *Peter Möller*
Scandinavian Airlines International [1] *Lars Sandahl Sørensen*	**Estonian Air** *Andrus Aljas (acting)*	
	Spanair [2] *Marcus Hedblom*	

1 *Joint Air Operator Certificate (AOC)*
2 *Discontinuing operation*

Shareholdings
Reporting of shareholdings in SAS AB among senior executives (including immediate families):
Sture Stølen, Vice President, Head of Investor Relations, 2,200 shares.
Steen Wulff, CEO, SAS Revenue Information, 1,137 shares.
Kenneth Marx, CEO, SAS Cargo, 1,500 shares.
Shareholdings of Group Management, see p. 93

The SAS Group's legal structure

March 3, 2008

SAS AB

Subsidiaries	
Spanair S.A.	100%
SAS Ground Services AB	100%
SAS Technical Services AB	100%
SAS Cargo Group A/S	100%
Widerøe's Flyveselskap AS	100%
Oy Blue1 AB	100%
SAS Business Opportunities AB	100%

SAS Danmark A/S * | **SAS Norge AS *** | **SAS Sverige AB ***

Consortium
SCANDINAVIAN AIRLINES SYSTEM
Denmark - Norway - Sweden

Subsidiaries	
SAS Scandinavian Airlines Norge AS	100%
SAS Scandinavian Airlines Danmark A/S	100%
SAS Scandinavian Airlines Sverige AB	100%

Affiliated companies	
AS Estonian Air	49%
airBaltic Corporation A/S **	47,2%
air Greenland	37,5%
Skyways Holding AB	25%
bmi British Midland	20%

* *Parent companies of the SAS Consortium and income tax entities for the SAS Consortium's results.*

** *Consolidated as a subsidiary since the SAS Group has a convertible loan.*

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.

In the period 2001-2004, the SAS Group 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.

The SAS Group's labor union structure within Scandinavia

Denmark

Dansk Pilotforening, DPF (pilots)
Danish Cabin Attendants Union, (CAU)
LFF (white-collar employees)
HK (white-collar employees)
LH (white-collar employees)
SALDA (white-collar employees)
Prosa (white-collar employees)
LFF-A (white-collar employees)
Klub 537 (aircraft mechanics)
Klub 222 (auto mechanics)
Craftsmen
Office workers, United Fed. of Danish Workers
Aircraft workers, United Fed. of Danish Workers
United Federation of Danish Workers, Cargo
SISAS (white-collar employees)
Civing (white-collar employees)

Norway

SAS Pilots Association, Norway, NSF
Norsk Kabinforening, NKF (cabin)
SNF (former BU pilots)
SNK (former BU cabin)
SPK (white-collar employees)
PSP Parat (white-collar employees)
VKL, SAS Verkstadsklubb (mechanics)
NFO (aircraft engineers)
FLT, Norwegian Engineers and Managers Association
Norwegian Union of Commercial and Office Employees (white-collar employees)
SMF (white-collar employees)
Lederne (managers)
NITO
Tekna

Widerøe: WFF, pilots

Sweden

Swedish Airline Pilots Association, SweALPA
Scandinavian Cabin Crew Association, SCCA
SAS TF (white-collar employees at STO)
HTFSO (white-collar employees in rest of SE)
SAF (SAS Akademiker) (white-collar employees)
Ledarna (managers)
Svenska Transportarbetareförbundet (transportation workers)

Board of Directors

Chairman

Egil Myklebust

Born 1942
Chairman of the Board of SAS AB since 2001.
Directorships: University of Oslo and Sandvik AB.
Education: Cand.jur. degree
Shareholding: 3,000

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

Fritz H. Schur

Born 1951
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. Member of the Board of DE POST NV/LA POSTE SA, Belgium.
Education: Handelshøjskolens Afgangseksamen (HA) business degree.
Shareholding: 20,000

Berit Kjøll

Born 1955
Member of the Board of SAS AB since 2001.
Directorships: Aker Holding AS, Inter-Oil Exploration and Production ASA.
Education: B.A. in Travel and Tourism, Markedsøkonom degree, AMP, Insead Paris.
Shareholding: 1,600

Timo Peltola

Born 1946
Member of the Board of SAS AB since 2005.
Directorships: Chairman of AW Energy Oy, Neste Oil and Pension Insurance Company Ilmarinen (Supervisory Board). Vice Chairm. 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

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. Vice Chairman of P/F Føroya Banki. Member of the Board of Falck Holding A/S, Hugin Expert A/S, mBox A/S and member of the Danish Government's infrastructure commission.
Education: Cand. act. degree from the University of Copenhagen.
Shareholding: 0

Anitra Steen

Born 1949
Member of the Board of SAS AB since 2001.
President of Systembolaget AB.
Directorships: Member of the Board of Södersjukhuset AB, Almega and Kungsträdgården Park & Evenemang 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:
Sven-Erik Olsson, first deputy.
Shareholding: 0
Pär-Anders Gustafsson, second deputy.
Shareholding: 0

Employee representative

Olav H. Lie

Born 1963
Employed at SAS Ground Services Norway.
Member of the Board of SAS AB since 2005.
Shareholding: 0
Deputies:
John Lyng, first deputy.
Shareholding: 0
Asbjørn Wikestad, second deputy.
Shareholding: 0

Employee representative

Verner Lundtoft Jensen

Born 1955
Employed at Scandinavian Airlines Danmark.
Member of the Board of SAS AB and Board of Scandinavian Airlines Danmark A/S since 2005.
Shareholding: 866 (close relation)
Deputies:
Nicolas E. Fischer, first deputy.
Shareholding: 30,100.
Carsten Bardrup Nielsen, second deputy.
Shareholding: 0

All Shareholders' Meeting-elected members of the Board are independent in relation to the company and company management. All members of the Board are independent in relation to major shareholders with the exception of Anitra Steen, owing to her position in wholly Swedish-government owned Systembolaget AB. The SAS Group has not issued any share convertibles or options.

Auditors: Deloitte AB

Principal auditor:
Peter Gustafsson, born 1956
Authorized Public Accountant
Elected 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.

Share convertibles and options
The SAS Group has not issued any share convertibles or options.

Group Management

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.
No external directorships.
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. Responsible for the business area SAS Scandinavian Airlines. Previously responsible for 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

Gunilla Berg

Born 1960
Deputy President & CFO
Member of SAS Group Management since September 16, 2002. Responsible for corporate functions in the areas of accounting, and finance, asset management, purchasing and Shared Service units for Accounting, Revenue Information and Facility Management. Formerly Vice President and CFO of Kooperativa Förbundet. Experience from various executive positions in banking and industry.
External directorships: Alfa Laval AB and L E Lundbergföretagen AB.
Education: Civilekonom degree, Stockholm School of Economics.
Shareholding: 1,000

Benny Zakrisson

Born 1959
Executive Vice President, Structural Affairs & Strategy
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

Claus Sonberg

Born 1967
Executive Vice President, Corporate Communications
Member of SAS Group Management since November 1, 2007. Responsible for the SAS Group's external and internal communication and the corporate function Investor Relations. Previously a journalist and responsible for media contact at TV2 in Norway. Since 1996 various posts at Burson-Marsteller, including CEO for operations in Norway, 2000-2005, and the Nordic region, 2004-2007.
No external directorships.
Education: B.A. from Indiana University.
Shareholding: 0

Henriette Fenger Ellekrog

Born 1966
Executive Vice President, Corporate Human Resources
Member of SAS Group Management since October 1, 2007. Responsible for Human Resources. Since 2000 executive positions in TDC A/C, most recently HR & Chief of Staff, Senior Executive Vice President and Tele Danmark A/S 1998-2000. Prior to that, management and other posts at Mercuri Urval A/S and Peptech (Europe) A/S.
External directorships: Advisory board for women executives and company directors for the Confederation of Danish Industries and member of the University of Copenhagen's Kompetencepanel.
Education: Cand.ling.merc. degree from Copenhagen Business School from 1992.
Shareholding: 0

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 five members named by the President in consultation with the Board. Members of Group Management have divided among themselves the responsibilities for the Group's business management.

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

SAS aims to create responsible
and sustainable traffic growth, while
reducing environmental impact

Sustainability Report

For many years the SAS Group has been working systematically for sustainable development as part of its overarching strategy. This is further highlighted in the formulation of the new strategy document, Strategy 2011, which was presented in 2007.

During the year increased attention was paid to environmental and climate issues worldwide. The UN Climate Change Conference in Bali in December saw several breakthroughs where the EU and the U.S. both committed to far-reaching measures above all to cut carbon emissions. It is now plain that climate issues are on every government's agenda in the entire industrialized world.

The environmental and climate impact of air transport is also increasingly debated. Despite accounting for a relatively tiny fraction of total climate impacts, air transport is increasingly called into question, with calls for various forms of regulation, taxes and charges. On the other hand, air transport is a necessary part of a modern society's infrastructure.

At the end of 2007 the European Parliament offered a revised draft directive to include aviation in emissions trading, which involves a substantial tightening of the European Commission proposal from 2006. Portions of the proposal are controversial, and further consideration by EU bodies will follow in 2008.

Sustainability KPIs	2007	2006	2005
Operating revenue, MSEK	**52,251** [1]	50,152 [1,2]	55,501 [2]
Income before tax, MSEK	**1,052** [1]	177 [1,2]	–246 [2]
CFROI, %	**14.5** [1]	15.3 [1,2]	13.0 [2]
Average number of employees	**25,516** [4]	25,323 [2]	26,727
of which men/women, %	**59/41** [4]	60/40	60/40
Sick leave, %	**6.4** [3,4]	6.1	6.8
Carbon dioxide (CO_2), emissions, 1,000 tonnes	**6,295**	6,213	6,193
Nitrogen oxide (NO_x), emissions, 1,000 tonnes	**25.6**	25.3	24.6
Kg carbon dioxide (CO_2)/RPK	**0.130**	0.131	0.136
Total fuel consumption, 1,000 tonnes	**1,999**	1,969	1,964
Water consumption, 1,000 m^3	**208** [2]	4,269	3,442
Energy consumption, ground, GWh	**209** [2]	832	718
Unsorted waste, 1,000 tonnes	**1.0** [2]	13.5	13.0
External environment-related charges, MSEK	**414**	477	565
Number of passengers, 1 000 [5]	**44,772**	43,511	41,206

[1] *Excluding Spanair.* [2] *Excluding Rezidor Hotel Group.* [3] *Only employees in Sweden in corporate and shared functions.*
[4] *This information has not been examined by an independent party.* [5] *Including paying, bonus and charter passengers.*

Independent review
The Group's auditors have reviewed all material sustainability information in the annual and sustainability reports for 2007. The Assurance Report is on page 114.

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 2006 was published in March 2007.

Important events in 2007

- SAS reported the lowest emissions ever per unit produced.
- SAS formulated new targets and strategies for its performance until 2011. Sustainability issues gain in importance and long-term environmental targets are set for 2020.
- New targets set by IATA and adopted by SAS. All greenhouse emissions are to be eliminated by 2050.
- Disagreement in the EU on how to include aviation in emissions trading. Regardless of the scope of the decision, the costs to airlines will rise.
- SAS was one of the first airlines to offer its customers carbon offsets.
- The SAS Group's management and labor organizations held a joint conference to agree on key future issues and avoid conflicts.
- In a letter to management in August the SAS Group's Danish unions promise to work to eliminate strikes in violation of agreements.
- The SAS Group Annual Report & Sustainability Report was named by OMX as the best annual report and by FAR SRS as the best sustainability report in an annual report.
- Starting in 2007 SAS is reporting a climate index, with a base year of 2005, which covers climate impact excluding noise.

SAS Climate index

President and CEO
Mats Jansson

Initiatives to reduce air transport's climate impact

The current debate on climate change often ignores the benefits of aviation to society as a quick, inexpensive and efficient mode of transportation. Instead the focus is on emissions and noise.

Let me say now that a number of initiatives are being taken by the industry and individual airlines to reduce climate and environmental impacts. They involve everything from new aircraft types and engines to methods and operation. The goal is IATA's vision of zero emissions by 2050. The aim is for air transport to be a natural and accepted part of a future sustainable society.

The SAS Group was early in highlighting sustainability aspects of its operations, and we are working assiduously to improve our environmental performance in ways big and small. That we are taking the climate issue seriously is also clear in SAS's new strategic focus formulated in Strategy 2011. At the same time I would like to emphasize that big changes take a long time.

The biggest environmental effort is currently the replacement of the MD-80 fleet. Here environmental standards will play a key role for when and with what aircraft type this replacement will take place.

Our goal is for SAS's airlines to be at the forefront of environmental and climate adaptation. This is a fully reasonable demand from ourselves and all stakeholder groups in society. We will do our utmost to meet these demands.

Mats Jansson
President and CEO

About the SAS Sustainability Report 2007

The SAS Group Sustainability Report 2007 describes the most essential environmental and societal aspects its operations impact. It reports what is felt, after an ongoing dialog, to be of interest to its main target groups: shareholders, policymakers, financial analysts, authorities, employees, customers, and suppliers.

Due to the growing interest in climate issues the SAS Group has chosen to focus the report on how its operations work to reduce emissions of CO_2 and other greenhouse gases.

Reporting principles

The Sustainability Report is prepared on the basis of the SAS Group's accounting principles for sustainability reporting.

These principles are based in part on Deloitte's "Checklist for preparing and evaluating information about the environment, ethics, corporate social responsibility and corporate governance, September 19, 2005." In preparing the Sustainability Report the SAS Group has also taken into consideration the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, version 3.0, and all key principles of the UN Global Compact.

The SAS Group continuously improves its environment-related and social KPIs. Here the aim is also to link these indicators with the Group's financial performance.

- The Sustainability Report includes all sustainability information in the SAS Group Annual Report & Sustainability Report 2007 and the accounting principles, GRI cross-references and stakeholder dialogs. See the website under Sustainability. www.sasgroup.net
- 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. The accounting principles also include the table "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 2007.
- The Sustainability Report was approved by SAS Group Management in February 2008. The SAS Group Board of Directors submitted the annual report in March 2008, 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 Group'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.

Government policies and the costs of jet fuel, energy and waste management, for example, impact airline industry profitability. The entire industry is highly competitive as well as cyclical.

Vision of zero emissions

One of the biggest challenges facing the world's airlines, just like all other sectors, is limiting the environmental impacts of their operations. It is primarily emissions of carbon dioxide (CO_2) and nitrogen oxides (NO_X), as well as noise and water vapor, that constitute the problems.

The growing debate on and criticism of air transport and its environmental impact has recently prompted the International Air Transport Association (IATA) to outline a vision for 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
- coordinated action to improve the conditions under which air transport operates and its infrastructure.

Similarly, ACARE (the Advisory Council for Aeronautics Research in Europe) has set targets for reducing 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. www.acare4europe.org

Impact of air transport

Today, air transport accounts for around 2–3% of global CO_2 emissions and 12% of transportation sector emissions. The average growth of the airline industry is estimated at 5% per year. Industry and IPCC estimates indicate a possible reduction in emissions of an average of 2% per year, due to better technology and efficiency gains. This means that air transport's greenhouse emissions may increase by around 3% per year, if no further actions are taken.

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.

SAS's main market is the Nordic and Baltic countries, with emphasis on travel to, from and within Scandinavia. The Group share of total traffic in its main market is 40%. Norwegian domestic air transport is among the most intensive in Europe, but it accounts for 1.7% of the nation's CO_2 emissions. In relative terms, Group airlines account for less than one tenth of a percent of total global CO_2 emissions.

Environmental policies

Airline operations are highly 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 examples of ceilings for CO_2 and NO_X emissions, such as at Stocholm-Arlanda Airport, whose ceiling is not relative to production but set in absolute terms. Luftfartsverket has petitioned the Environmental Court either to postpone introducing the ceiling until 2016 – instead of 2011 as decided – or to have the ceiling reconsidered. In 2007 the Environmental Court rejected Arlanda's petition. Luftfartsverket has appealed the decision and at the same time begun efforts to apply for a new environmental permit. This is estimated to take up to three years.

In 2005 the environmental permit for Copenhagen Airport lowered the noise limit for night traffic from 85 to 80 dB(A). Traffic is growing, and in a few years, the airport may reach the limit for the highest permitted noise contour. This is the reason the SAS Group has considered measures to lower the noise level of its MD-80 aircraft. So far, this attempt has not had any satisfactory results.

Due to tightened noise standards, a growing number of airports have tougher restrictions requiring aircraft to stay in designated approach and takeoff corridors. Weather and rules in combination with navigation equipment may occasionally complicate use of these paths. Deviations generally result in fines on the airline.

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 give airlines an incentive 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 NO_X, water vapor and particulates are assumed to account for most of the balance.

According to 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 8%.

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. There are also rules to reduce buildings' energy use by 22% by 2020. These rules affect property management in the SAS Group, which even today can document achievement of energy reduction targets for buildings and installations in Scandinavia.

Emissions trading

In 2005 the EU introduced a trial period for emissions trading. The scheme only covers fixed installations. Norway has joined the system, with certain additions, as of January 1, 2008.

Like numerous airlines, among which the SAS was at the forefront, airline industry organizations have long worked to include aviation in emissions trading.

The idea behind the system is that open carbon emissions trading will result in reducing emissions globally. With current technology and the robust growth forecast, aviation cannot directly help to reach the Kyoto Protocol target. However, by purchasing emission credits, aviation can help ensure that reductions are brought about by companies able to carry out these reductions on commercially reasonable terms.

At the end of 2006 the European Commission announced a draft directive regarding aviation's entry into emissions trading. The goal is to incorporate aviation into the system in 2011.

This comprehensive proposal is largely in line with the views of the SAS Group. The system has considerable advantages over national taxes and charges – measures that have so far proved virtually ineffective at limiting aviation's environmental impact.

The proposal includes all air traffic in the EU, both national and international. According to the proposal the system will also apply to traffic to and from the EU as of 2012. A matter as yet unresolved is how the EU should get airlines not based in the EU but operating in the EU to participate in trading. This is needed to prevent competition from being distorted in favor of non-European players.

Discussions at ministerial level with the U.S. and other countries have not been promising.

In 2007 the proposal was debated in the European Parliament. A revised proposal was announced in November that would involve considerable tightening of the Commission's draft directive and thereby also sharply raise costs for airlines. The Parliament wants to set a ceiling of 90 % of the average for the period 2004–2006. In its allocation of emission credits, the Parliament wants to offer 75% to the airlines free of charge. The remaining 25% are to be auctioned off in ordinary emissions trading. The system is to cover all traffic within as well as to and from the EU. The proposal contains limits on airlines' ability to purchase certified allowances.

The Parliament is also addressing emissions other than of CO_2. These mostly concern NO_X, water vapor and particulates. To compensate for aviation's total climate impact, the Parliament proposes introducing a two-times multiplier.

Emissions trading as proposed by the Parliament and any multiplier would result in a substantial increase in costs, which would largely be added to ticket prices. In the original proposal, costs were assumed to correspond to a 2–3% increase in fuel costs. In the Parliament's proposal, the increase will be up to 10–20% of fuel costs. The costs implied by the introduction of a multiplier, which are currently difficult to estimate, come in addition.

At the end of December 2007 the proposal was discussed by the Council of Ministers. The Council took a more lenient stance. Nevertheless, the intentions are clear. Air transport will be covered by the emissions trading scheme even if the ceilings proposed by the Parliament are disregarded. The Council has dismissed for now the proposed multiplier. At the same time the EU has appointed a commission to study aviation's NO_X emissions, which is very likely to result in proposals for regulations or taxes.

SAS's view on emissions trading

It is the SAS Group's view that if cost increases are reasonable and do not put air at a competitive disadvantage over other modes of transportation, an acceptably designed emissions trading scheme can enable airlines to continue to grow.

With regard to CO_2, scientists and airline industry representatives are in relative agreement on effects, magnitude, and measurement methods. There is greater uncertainty about the significance of other emissions, such as NO_X, water vapor, and particulates. Generally it can be said that current estimates are that CO_2 emissions account for two-thirds of air transport's total contribution to climate change.

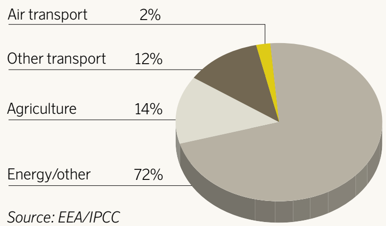
SAS considers a multiplier to be illogical, unscientific and methodologically faulty. The Group regards it as an inefficient way of dealing with the costs of one kind of emission by paying for another. Besides, it is systemically incorrect for lower emissions of water vapor to correspond to lower emissions of CO_2. Other sectors in business and industry in the emissions trading scheme have emissions other than CO_2, but have not been hit by any form of multiplier.

In SAS's judgment the current moves from the EU will impact the Group negatively, even of the effects of the Council of Ministers' position are less than if the Parliament's proposal were to find a hearing. In the longer term, the airline industry will increasingly feel the impact of regulations, ceilings and taxes.

As SAS fully endorses the "polluter pays principle" it 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.

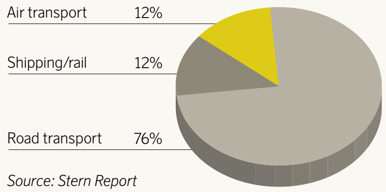
SAS endorses IATA's vision that aviation eliminate all greenhouse emissions before 2050. This vision is to become reality through a number of measures.

Air transport' share of global carbon emissions



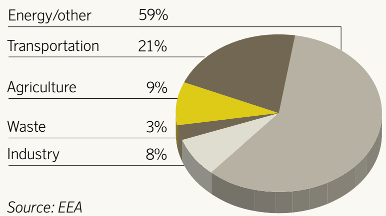
Source: EEA/IPCC

Air transport's share of the transportation sector's global carbon emissions



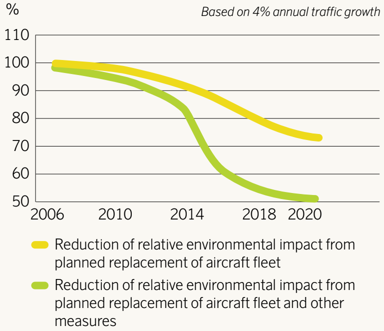
Source: Stern Report

Breakdown of carbon emissions in Europe

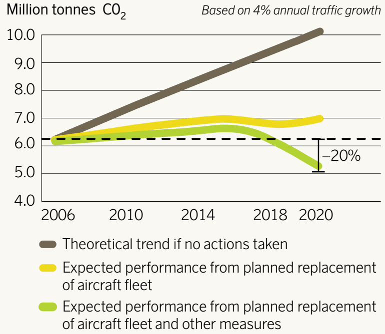


Source: EEA

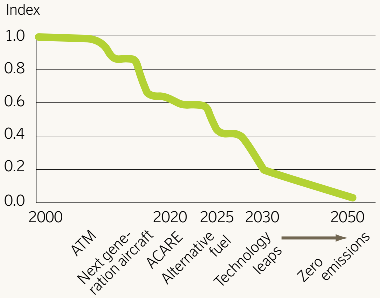
SAS's environmental strategy targets for 2020



SAS's environmental strategy targets for 2020



Relative environmental impact and SAS/IATA's vision of zero emissions



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 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.

Environmental targets

In line with IATA's vision, the overarching long-term goal for SAS' 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

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 efficient fuel saving program
- be among the first airlines to blend in alternative fuel when it is 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.

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
- engage in strategic environmental communication
- promote tomorrow's solutions, build alliances and support relevant R&D projects.

New 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 sustainable development should yield financial results. On this basis the Group reformulated its goals in 2007 within the framework of the Strategy 2011 strategic plan.

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 a climate 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.

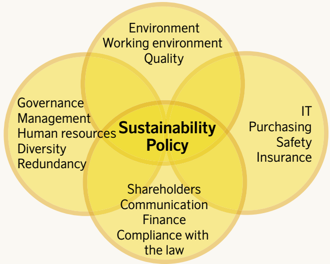
As an example, SAS will offer customers carbon offsets. There will be a vehicle policy, based on the current definition of a green vehicle. Employees are to become more knowledgeable about environmental and climate issues, through an update of the SAS Environmental Education Program. Moreover, SAS will set clear environmental standards for its purchasing process and follow up compliance.

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.

Sustainability policies for the SAS Group

Environmental responsibility • Social responsibility • 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 all 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' environmental goals and activities are to be coordinated and harmonized with other production, quality and financial targets.

Responsibility for sustainable development

For the SAS Group economically sustainable profitability is closely connected with environmental improvements and the ability to take social responsibility characterized by ethical conduct in all business relations.

In many ways, work on sustainability issues serves to increase shareholder value and competitiveness, such as through more effective control of risks. The Group is convinced that it is impossible to have economically sustainable operations without also taking social and environmental responsibility.

SAS benefits society by being a major employer and contractor, by maintaining crucial societal infrastructure, and by generating returns for its owners. At the same time the Group, through its airlines, engages in activities that in the present situation contribute to an adverse environmental impact, including through emissions of carbon dioxide (CO_2) and nitrogen oxides (NO_X) and noise, primarily close to airports.

SAS also 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.

Dialog with stakeholders

For the SAS Group, 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. Negative opinions can help to create a policy framework less favorable to the industry's future growth. On the other hand, an objective 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. www.enviro.aero

SAS's most important relations with stakeholders with regard to sustainability appear below.

SAS conducts regular interviews 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 their journey
- 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.

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. 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
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
Partnerships and networks	Star Alliance. Global Compact Nordic. CSR Sweden. Flygets miljökommitté
NGOs	Cooperation with 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 op-ed pieces

** A more detailed description of the SAS Group's dialogs with stakeholders with in-depth information may be found at* ***www.sasgroup.net***

Developments in 2007 show that the Group's relations with key stakeholder groups need to be strengthened. The Group's brand and image in the market have been damaged by the strikes and other conflicts, the problems related to the Q400 aircraft and greater political and media attention to air transport's adverse environmental impact.

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 well-thought-out 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, originally introduced in 2001, is constantly being improved, most recently in fall 2005, and the Group is engaged in extensive training activities aimed at all supervisors and other affected employees. 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 Group Board of Directors has issued a Code of Conduct. It exists in five 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.

Supervisors and other managers play a key role in implementing and following up the Code. The follow-up for 2007 showed that all units have introduced the Code and that no noncompliances or violations were reported during the year. The Code's whistleblower function was used to a very limited extent. Only four cases were reported. All have been investigated and are closed.

In 2007 work began to revise and supplement the Code. This is expected to be completed in the first half of 2008, when it will be relaunched at the same time as information and training efforts are intensified.

Environmental responsibility

After the sale of the hotel business in fall 2006, flight operations account for more than 95% of the Group's environmental impact. The biggest impact is caused by the consumption of nonrenewable energy, primarily fossil fuels. Combustion of these fuels causes a rise in atmospheric CO_2, 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 aviation's environmental operating framework and to develop and disseminate green technology.

The SAS Group is part of 3C, a group of 49 leading international companies committed to initiatives from the business sector to deal with global environmental problems.

www.combatclimatechange.org

The staff of Sustainability & Environment also participate in national and international bodies.

Corporate social responsibility

The SAS Group's social and societal responsibilities include employees and the Group's impact on the surroundings and communities where it operates. Group companies give priority to issues on the basis of the activities the particular company engages in, see pp. 111–114. For that reason the content of their social responsibility may vary depending on time and place.

Corporate Environment & Sustainability also participates in a number of relevant forums for developing the Group's social commitment.

As an employer, the 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 attaining 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.

www.unglobalcompact.org

Financial responsibility

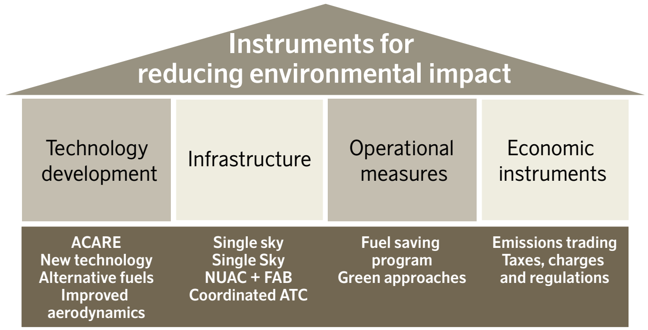
The SAS Group's primary duty is to create long-term value growth for its owners through having satisfied customers and motivated employees. Sustainability work is also to help boost SAS's competitiveness through better resource utilization. It is from this perspective that work on sustainability issues must be viewed.

SAS has a big 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 companies and industries.

With regard to cost reductions, 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.

Reducing environmental impact



For the SAS Group, 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 future developments not being obstructed by political and media posturing.

The airline industry is committed to long-term investment in environment-related measures that take years to carry out and are capital-intensive.

SAS's environmental work rests on four main pillars: Technology development, Infrastructure, Operational measures and Economic instruments.

Together they form the overarching framework of the Group's efforts to limit its environmental impact.

Technology development	Infrastructure	Operational measures	Economic instruments

Continued development of aircraft engine technology is necessary for making air transport greener. This development is propelled in part by various industry-specific projects and joint-ventures, in part by manufacturers and in part by individual engine manufacturers. The aim of SAS is to play a leading role in these contexts.

ACARE

Via AEA the SAS Group participates in the Advisory Council for Aeronautics Research in Europe (ACARE). ACARE comprises representatives of the EU counties, the European Commission, researchers, the aviation industry, airport owners and aviation industry bodies. ACARE's target is 50% lower CO_2 emissions, 80% lower NO_X emissions and noise levels cut in half for new aircraft by 2020.

New technology

Technology development primarily involves new aircraft types, new engines and new fuels.

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, NO_X and noise. Airbus A319/A320s also meet fuel efficiency standards, and the Group uses them on short- and medium-haul flights, and they replace MD-80s on flights to destinations with noise restrictions. All aircraft now being added to the fleet are equipped with the best available technology.

In the period 2008–2018 SAS will be faced with replacing its MD-80 fleet totaling 44 aircraft with an average age of 18 years. In addition, there are 17 older Boeing 737s. The MD-80s are mainly used by Scandinavian Airlines Danmark and Scandinavian Airlines Sverige. The MD-80 is a very economical and reliable aircraft, well suited to SAS's domestic and European service. Its useful life is estimated to be 25–30 years.

SAS is currently considering various alternatives for this replacement. There are in reality only two. One is to gradually begin the phase-out and invest in a new fleet with the current best available technology. The other is to wait until the next generation of short- and medium-haul aircraft goes into service. Both major manufacturers, Boeing and Airbus, have announced the plans for developing the next generation of aircraft and engines. Boeing has indicated that its products will be available by 2015 at the earliest.

Both alternatives have advantages and drawbacks. Early replacement of most of the oldest aircraft in the fleet would mean 10–15% lower fuel consumption compared with aircraft taken out of service. However, costs will increase by MSEK 400 per year.

Waiting for the next generation of aircraft means that SAS will forgo short-term environmental improvements for more extensive ones in the longer term. The new aircraft are expected to offer fuel savings of 30–35% compared with today's. At the same time, the Group will be able to consolidate its balance sheet and probably better accommodate financing than with a faster replacement.

In light of this, SAS's view is to put off the phase-out until the next generation of aircraft and engines is on the market. Assuming that the manufactures keep to the timetable known so far, this means a postponement of at least five and at most eight years. This should be viewed in light of the fact that the fleet is to be used for 25–30 years. Moreover, the new fleet will permit expansion at least in step with market trends and help SAS reach its long-term environmental targets.

At the end of the 1990s the SAS Group decided to equip its newly purchased Boeing 737 fleet with DAC engines. This meant a cost increase totaling MSEK 250 for 50 aircraft. The decision was strategic, aimed at getting the best available technology for meeting tougher standards for NO_X emissions. The decision was also important for showing how serious SAS takes its environmental responsibility.

SAS had hoped others in the industry would follow suit, but only a few airlines did. For that reason the Group's fleet became unique, which is rarely good for its secondhand value. The engines use somewhat more fuel than conventional technology, meaning higher CO_2 emissions, and are more expensive to maintain. In the plus column are lower charges at airports such as Stockholm Arlanda, Zürich Kloten and London Heathrow, etc., as well for Norwegian domestic traffic. However, these do not outweigh the higher operating costs. But at Stockholm Arlanda, with an emission ceiling for NO_X among others, the Group's DAC fleet has helped ensure that the ceiling has not yet been reached. The EU is also considering a NO_X tax in connection with the introduction of emissions trading.

Besides fuel consumption, engine development is important for solving the noise problem.

Like all aircraft and engines manufactured since the 1980s, the MD-80 fleet is certified to Chapter 3 standards, and as one of the first in this category the aircraft is relatively noisier than those in this size class produced later.

SAS is looking into various ways to meet future noise abatement standards, thus reducing the risk of restrictions on the use of MD-80s. One way is to replace the engines of the MD-80 fleet to meet Chapter 4 standards. This is a financially unfavorable solution. Another is to upgrade existing engines.

There are two available technologies that allow upgrading of Chapter 3 aircraft to Chapter 4 in terms of noise. SAS already tested one in 2006 and 2007 and concluded that it did not meet expectations. Evaluation of the other technology is expected to be completed during the first half of 2008.

Alternative fuels

One way to cut CO_2 emissions from an existing aircraft fleet might be to use jet fuel produced from renewable raw materials instead of petroleum. Several interesting projects are under way in the world, aimed at developing Jet A1 fuels from alternatives such as biomass.

Along with the government and Volvo Aero the SAS Group has given support to the Swedish company Ecopar, which has produced synthetic jet fuel from biomass based on second- and third-generation technology, that is, not on food crops. Although judged to be within the technical criteria for jet fuel, it is not yet commercially available.

In 2007 SAS initiated a dialog with Airbus, International Aero Engines (IAE), and Swedish Biofuel aimed at developing and testing alternative jet fuels.

Improved aerodynamics

The technology of modernizing aircraft with winglets is evolving and may lead to both noise abatement and fuel savings. In 2007 a decision was made to equip around 20 Boeing 737s with winglets at a total cost of over MSEK 50.

Technology development	**Infrastructure**	Operational measures	Economic instruments

Within the framework of Eurocontrol there is an ongoing effort to create a coordinated European air traffic control system, the Single European Sky. 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 also participate. When fully rolled out, the Single European Sky may save fuel and thus reduce emissions by 10–15%. However, this applies only to Europe outside of Scandinavia. In the Nordic countries the cooperation has led to some of the positive effects being realized.

Another relevant measure is called Eco Cruise, that is, a reduction in speed to reduce holding patterns on approach. What are called "green approaches" are included in this, which have already been tested with favorable results.

Technology development	Infrastructure	**Operational measures**	Economic instruments

Operational measures are aimed at management issues where better environmental awareness, information and training can enable Group employees to reduce environmental impact by changes in their work routines.

Fuel saving program

In 2005 SAS began a program aimed at reducing relative fuel consumption by 3% by the end of 2008 and by a total of 6–7% by 2011. It consists of more than 50 constituent projects that together are to ensure that set targets are met. In 2007 the reduction was 1–2% compared with 2006, corresponding to MSEK 80–160. The goal is to reduce fuel consumption by a further 1–2% in 2008 and thereby have the airline industry's best fuel saving program.

In 2007 the SAS Group's costs for jet fuel amounted to MSEK 8,104, an increase of 2% over the previous year. This corresponds to 16% of the Group's total costs. The increase is due to higher volume and a higher world market price for oil, which was largely counteracted by a lower dollar.

Green approaches

A collaboration with the Swedish Luftfartsverket, "Green Approaches" is a project intended to reduce fuel consumption. At Scandinavian Airlines Sverige more than 2,000 green approaches were made to Arlanda by the end of 2007. Gothenburg Landvetter will be the next airport where green approaches will be introduced in 2008. Other airports are ready to use the method as well. In Norway a collaboration has begun with civil aviation authorities aimed at introducing green approaches.

In principle, a green approach means that the pilot does not begin the flight until the flight path and landing clearance are given. Using the shortest possible flight path and without holding in the air, an even descent begins in sufficient time from the cruising altitude to the runway. Experience so far shows an average fuel saving of around 150 kg per landing, equivalent to a reduction in CO_2 emissions of just over 450 kg. Green approaches also help to reduce the noise around airports.

In 2007 SAS made on average 1,500 landings per day. This indicates a considerable potential. However, for green approaches to be used on a larger scale, and in international traffic, a number of preparations are needed regarding air traffic control and cooperation and coordination between the cockpit and air traffic control. A breakthrough came in 2007 when the EU and U.S. agreed to test green approaches in transatlantic service. SAS is the only European airline participating in this project, which began at the end of 2007.

Technology development	Infrastructure	Operational measures	**Economic instruments**

Economic instruments consist primarily of environment-related taxes and charges and emissions trading.

The key question now is how the EU directive on emissions trading will cover air transport. This is discussed in detail on page 97.

New charges and taxes will be introduced in a number of countries owing to political decisions often based on strong public opinion. For example, a nitrogen oxides tax on Norwegian domestic traffic of NOK 15 per kg emitted below an altitude of 3,000 feet was introduced on January 1, 2007, and the carbon tax was raised by NOK 0.11 to NOK 0.65 per liter of fuel on January 1, 2008.

Ground-based energy saving measures

With regard to energy saving in buildings, the SAS Group has achieved good results. All buildings have been inventoried regarding environmental data. All 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 Group targets and local actions taken.

The Group's aim is for all service vehicles to be green vehicles. Because green vehicles are defined differently in each country, it is not possible to issue central recommendations.

Deicing aircraft before takeoff uses glycols, which are bad for the environment. Along with civil aviation authorities in Sweden and Norway and equipment supplies, the SAS Group 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. The strategy for sustainability work, sustainability and environmental policies, as well as targets and KPIs connected with them, were reformulated in the Group's new strategic plan, Strategy 2011, and adopted in fall 2007.

In its essentials the new strategy for sustainability work follows the guidelines the Group has applied for years, but with tighter environmental standards and stricter requirements for environmental work. A key element of environmental work is an enhanced environmental communication plan.

The SAS Group's management philosophy is based on decentralization and is expressed in the Group's policies and strategies. This also applies to sustainability issues. The final responsibility for these issues rests with Group Management, while the heads of business areas and Group companies have operational responsibility. These heads are evaluated in how their company's environmental index performs. The targets for 2001 are set by Group Management.

Management by objectives

Group companies set targets for their respective activities and prepare action plans for their sustainability work. The companies report yearly and in writing to Group Management on achievement of quantitative and qualitative targets, how work is progressing, and any specific actions taken.

The SAS Group 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. The network includes a total of 16 senior executives, all with sustainability work as a key task.

Issues directly related to employees' working conditions are dealt with by the SAS Group HR Management Team, which consists of nine heads of human resources in Group companies and units. They, too, report directly to their respective managements. Employee issues are coordinated by Human Resources (HR), with functions for management development, company health services, salary and remuneration issues, and sick leave.

HR also 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.

In-house company health services

While other companies often purchase company health services from outside providers, the SAS Group has chosen to build up its own resources in Scandinavia. This provides knowledge about the conditions of the Group's various employee groups.

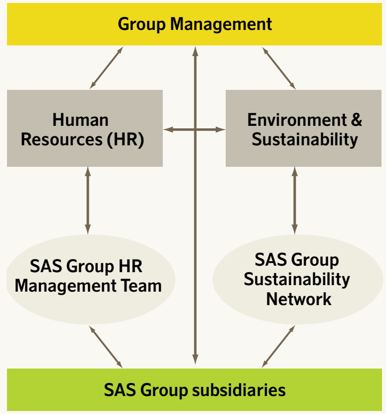
Besides medical staff, the company health services or health, safety and environment (HSE) department employs therapists, stress and rehabilitation experts, and ergonomic engineers. The department has also developed and offers special services, including aviation medicine, stress management, sick leave 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. The ambition is for these data to be reported quarterly. In addition, companies and units are to report at least once a year on measures to improve the Group's sustainability work. Reporting concerns such issues as community involvement, supplier contacts, cooperation with internal and external stakeholders, working environment, training and costs thereof, 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 in practice it is carried out by the coordinators in 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.

Organization and management of the SAS Group's sustainability work



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 department in each country, which provide health and working environment services.

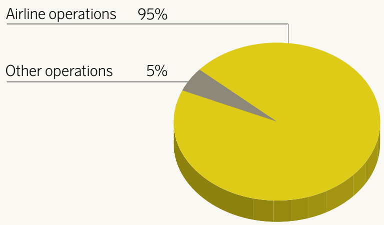
Environment & Sustainability: Department of Corporate Public Affairs & Environment that coordinates and advises on issues concerning the environment and sustainability/CSR vis-à-vis Group Management and subsidiaries.

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.

The SAS Group's total environmental impact



IN	Airline operations	OUT
Flight		
Jet fuel Engine oil Halons		Carbon dioxide (CO_2) Nitrogen oxides (NO_x) Hydrocarbons (HCs) Volatile organic compounds (VOCs) Oil aerosols Jettisoned fuel Noise Water vapor Sulfur dioxide (SO_2) Carbon monoxide (CO) Halons
Cabin		
Food and beverages Packaging Disposable/semi-disposable items Articles for sale Newspapers Chlorinated water		Organic waste Packaging Unopened beverages Articles for sale Waste Lavatory waste

IN	Ground operations	OUT
Glycols Water Freons Maintenance materials Energy Vehicle fuel Office supplies Chemicals Supplies		Waste Hazardous waste Wastewater Sulfur dioxide (SO_2) Carbon dioxide (CO_2) Nitrogen oxides (NO_x) Hydrocarbons (HCs) Soot and particulates Volatile organic compounds (VOCs)

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

Results for the year

The positive trend that has characterized the SAS Group's sustainability work was amplified in 2007, with emissions per unit produced the lowest ever. The PULS employee index was up despite a turbulent year.

Important events in 2007

- SAS's environmental index was restructured, with the targets set by Group Management. Performance of the environmental index is one of the parameters against which subsidiaries will be evaluated.
- SAS reported a climate index with 2005 as the base year. The trend is positive.
- The SAS Group's brand was affected by poorer customer relations, due in part to conflicts and problems with the Q400.
- SAS was one of the first airlines to offer its customers carbon offsets.
- An IATA audit of SAS's fuel saving program was performed.
- A nitrogen oxides tax was introduced in Norway.
- There were several court cases under way in Norway, including on charges against SAS for antitrust violations.
- Work on getting management and employee organizations to see more eye-to-eye on key future issues was stepped up.

Important events in 2008

- Around 20 aircraft will be modified with winglets at a cost of over MSEK 50, lowering fuel consumption and reducing noise.
- A revised Code of Conduct will be launched in 2008 with stepped up training efforts.

Environmental responsibility

In 2007, the SAS Group's flight operations accounted for approximately 95% of its overall environmental impact. The remainder came from ground and cabin operations.

Climate index

Starting in 2007 SAS is reporting 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 production measured in RPK and has been worked out for the period 2005–2007. The trend is positive, and for 2007 the lowest emissions so far per unit produced were reported.

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 reported 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.

During the year this reporting was further formalized and is part of the evaluation of subsidiaries against targets set by Group Management. Each company has individually set targets, which with regard to the airlines are based on expected passenger load factor.

In recent years the Group's environmental indices have trended positive in most units, and in 2007 this trend was amplified.

Customer perception of SAS as a socially responsible company committed to the environment is measured by the annual Customer Satisfaction Index surveys. Results from 2007 showed that the image indices for environment and social responsibility fell compared with the previous year. During the year there was an extensive debate on the role of air transport in society and its climate impact, which may have contributed to the deterioration.

Environmental management system

Following SAS's overarching objectives and strategies, each company or unit sets environmental targets based on the requirement for constant and relative improvements in environmental performance. In 2007 the requirements were tightened, and the goal is now for all companies and units to be certified according to ISO 14001 by no later than 2011. So far only SAS Cargo has this certification. The remaining units have their own environmental management systems integrated into their management and quality processes.

Environmental permits

Airline operations have no separate licenses or environmental permits for operation, but depend on permits that airport owners have, such as for glycol handling, runway deicing, and threshold values for noise and emissions. However, an environmental approval is part of the procedure for aircraft certification performed in the three Scandinavian countries.

Airline operations have a dispensation for halon use and submit annual reports to the authorities on use and storage. The reason for this dispensation is that there is no sufficiently safe alternative to halons as extinguishants for aircraft engine or cabin fires. In 2007 a few kilograms of halons leaked. At the end of 2007, inventories of halons amounted to just under 15 tonnes.

SAS Oil is a jet fuel purchasing company for most Group airlines. 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. 55

Environmental incidents in 2007

Scandinavian Airlines Danmark exceeded the noise limit on takeoff at Copenhagen Airport. A fine is in the process of being imposed.

Blue1 violated the night takeoff and landing ban at Charles de Gaulle Airport outside Paris on two occasions, which may result in MSEK 0.37 in fines. The airline was charged MSEK 0.46 in fines in 2006/2007.

Spanair had repeated violations of approach and takeoff paths, most of which at the airports in Madrid and Barcelona.

The total amount of fines on airline operations may amount to MSEK 3-5.

Widerøe reported two deviations from approach and takeoff paths at Copenhagen Airport.

On several occasions airBaltic exceeded night and noise limits at Copenhagen. No fines have been levied on Widerøe or airBaltic.

SAS Technical Services received a further comment regarding pollution at ramp C29 at Copenhagen Airport. The cost of cleanup amounted to MSEK 0.11.

SAS Ground Services reported a leak of 3,500 liters of deicing fluid from defective equipment at Copenhagen Airport. A requirement by the Danish Working Environment Authority to improve exhaust emission control for ground vehicles at Copenhagen Airport was appealed to a higher body.

The SAS Group's work on environmental responsibility		Airline operations								SAS Aviation Services			
	Corp. Funct.	Scandinavian Airlines Norge	Scandinavian Airlines Danmark	Scandinavian Airlines Sverige	Scandinavian Airlines International	Spanair	Widerøe	Blue1	airBaltic	SAS Ground Services	SAS Technical Services	SAS Cargo	SAS Media
Environmental standards for choosing suppliers	5	5	4	5	4	5	3	3	2	4	4	5	5
Environmental standards for choosing products	4	4	4	4	4	4	3	3	2	4	4	5	5
Environmental management system	4	4	3	4	1	3	4	4	2	4	3	5	4
Environmental policy/targets	5	5	4	4	3	5	4	3	2	3	3	5	4

Same as 2006 Improvement compared with 2006 5 Same as 2006 Deterioration compared with 2006

1 = No 2 = Initiated 3 = Partly 4 = Well on the way 5 = Yes

The follow-up of the progress of the SAS Group's environmental work during the year showed certain advances in efforts to set environmental requirements in choosing suppliers and products and in developing environmental targets and environmental management systems. The ranking system will be reworked in 2008 owing to work on environmental certification.

SGS Danmark is involved in a case concerning soil contamination at Copenhagen Airport, ramp Grejø Syd. Although there is a cleanup plan, the allocation of expenses is not yet resolved and the outcome is unclear.

An oil leak was discovered in the water outside the base in Sola, Norway. SAS has taken action to determine if the leak stems from the base.

Carbon offsets

In March 2007 SAS launched a carbon offset program, enabling customers to purchase CO_2 reduction corresponding to emissions during the flight concerned. SAS calculates the amount, which is paid to SAS's partner CarbonNeutral. From there the amount goes to energy projects, primarily in India, New Zealand and Mongolia. Key to SAS's decision to offer this to customers was that the entire amount goes to projects that help to reduce carbon emissions and that the programs are verified by outside parties. SAS was the second airline in the world to offer carbon offsets. Since then around 20 airlines have joined it, and both the IATA and the AEA are preparing standardized solutions.

So far, sales of carbon offsets have not been very successful. One reason may be that SAS not yet launched a simple way to pay via the Internet. Starting in 2008, all major customers will be offered contractual carbon offsets. Carbon offsets are purchased for all of SAS's own business travel.

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.

Did you know...

...that we can fly three times as far on the same amount of fuel as 40 years ago

...that 80 percent of the climate impact of air transport is related to passenger flights longer than 1,500 km, for which there are no realistic alternatives

...that three-fourths of the aircraft that will fly in 2025 have not been built yet

...that the aviation industry devotes up to 15 percent of its operating revenue to research

CSR

Given what the new Group Management is requiring and given increasing competition, the employees' customer focus became more and more important during the year. Group Management reported on the SAS Group's history of numerous, if brief, strikes, above all in Copenhagen, which hit customers unacceptably hard. It is crucial for all employees to view the Group's customers as its most important asset, and deliveries must always be reliable and predictable.

The account of the conflicts of the past ten years led to an extensive debate, but also to soul-searching. After sharp reactions from Group Management the Danish union leadership promised to work to prevent wildcat strikes among their members.

A cultural transformation has begun, in order to create a more responsible attitude toward customers. A wide-ranging dialog began in late fall between company management and labor leaders in Scandinavia. The aim was to define and agree on the SAS Group's and employees' responsibilities vis-à-vis customers and each other on the basis of the targets and earnings requirements to be attained. This effort was an important step towards restoring customer confidence and clarifying roles and responsibilities among management, employees and union representatives. p. 7

Restructuring

With the launch of Strategy 2011 a number of organizational and restructuring processes have been initiated. These involve employees as well as their union representatives in an intensive effort. The aim is greater attention to the Group's core business and finding suitable forms of organization and means of delivery for those operations that do not help develop the SAS Group's core activities. The process is both complicated and resource-intensive, but is needed to boost profitability. The solutions involve structural measures as well as efforts to reduce costs. p. 8

Employees and the working environment

The SAS Group has some categories of employee with above-average sick leave. The problem is to be tackled through focused efforts, at both Group level and in the companies affected. The goal is to reduce costs for SAS Group companies, while improving the health and motivation of employees.

A new reporting tool was implemented during the year to continuously follow sickness statistics and thus also implement necessary action programs in the areas required.

Despite this, sick leave rose somewhat compared to 2006 to 6.4 (6.1) %.

To work more methodically on health and working environment issues in the company, Scandinavian Airlines Sverige chose to better integrate its working environment efforts into its ordinary management team work during the year.

Scandinavian Airlines Danmark is working to establish distance workplaces for some company administrative personnel. This will reduce wasted time and environmental impacts from commuting and improve working conditions and efforts for some categories of personnel.

General agreements were signed for health insurance for all employees. Each company decides for its own operations, and in 2007 all companies in Norway and Denmark joined. The Swedish companies intend to take out the insurance in 2008.

Work on diversity and gender equality

Work on fundamental value issues continued during the year in the Scandinavian airlines. In Scandinavian Airlines Sverige a number of focus areas have been defined, for which surveys and action plans are being produced. These included work and parenthood, working conditions, harassment and victimization, human resource development and promotions and pay surveys. This work is every manager's responsibility. The effects of the survey and action plan will be reported on an ongoing basis.

Scandinavian Airlines Danmark is participating in a gender equality project focused on women managers sponsored by the Welfare Ministry.

Employee surveys

PULS, SAS's employee survey, was conducted at the end of the year. The response rate rose by two percentage points to 72 %.

The overall result for the SAS Group points to an improved index in most areas. Among them satisfaction and motivation, management and communication, one's own work situation, cooperation and customer focus and working toward set objectives.

The SAS Group's sick leave and accident statistics[1]

		Airline operations								SAS Aviation Services			
	Corporate and shared functions	SAS Consortium Incl S A International	Scandinavian Airlines Norge	Scandinavian Airlines Danmark	Scandinavian Airlines Sverige	Spanair	Widerøe	Blue1	airBaltic	SAS Ground Services	SAS Technical Services	SAS Cargo	SAS Media
Average number of employees [3]	676	782	2,465	2,188	1,704	3,415	1,358	506	917	6,873	2,422	1,356	37
of which women, %	57 [2]	24[2]	44	57	61	38	35	52	54	39	7.0	21	57
Total sick leave, %	3.2 [2]	1.6[2]	9.2	7.1	8.2	3.0	5.0	8.7	4.0	8.9	4.1	4.3	0
Long-term sick leave (more than 59 days), %	–	0.6[3]	–	–	5.3[3]	–	–	–	–	4.4[3]	2.3[3]	–	
Sick leave for women, %	–	1.1[3]	–	–	9.2[3]	–	–	–	–	9.1[3]	5.4[3]	–	
Sick leave for men, %	–	1.3[3]	–	–	6.2[3]	–	–	–	–	8.7[3]	4.0[3]	–	
Sick leave, employees under 30, %	–	0.2[3]	–	–	3.0[3]	–	–	–	–	6.9[3]	2.7[3]	–	
Sick leave, employees aged 30–49, %	–	2.2[3]	–	–	7.7[3]	–	–	–	–	7.9[3]	3.1[3]	–	
Sick leave, employees aged 50 and over, %	–	0.9[3]	–	–	9.1[3]	–	–	–	–	10.9[3]	5.3[3]	–	
Total no. of occup. injuries causing more than 1 day's sick leave	–	–	33	53	8	266	–	11	–	238	34	27	0
H-value[4]	–	–	8	14	3	43	–	14	–	20	8	12	0

[1] Figures may deviate from the financial report. See Accounting principles for sustainability reporting, www.sasgroup.net. [2] Covers personnel employed by units in Scandinavia only.
[3] Covers persons employed by Swedish units only. [4] Number of occupational injuries per million working hours.

Executive and human resource development
The SAS Group has around 1,500 managers, of whom under a thousand have staff with direct customer contact. The remainder are middle managers or senior executives in the Group.

Ten persons have passed the most recent SAS Management Trainee Program, which comprises 18 months of training with internships in various positions Group-wide.

During the year the Group performed a Top Manager Potential Assessment with participants from all companies. In all, around 120 persons received comprehensive feedback and dialog about themselves. The aim was to better enable individuals to manage their careers. At the same time, the Group obtained documentation for strategically being able to assess the requirements for providing good management. The process was based on a requirement profile that reflects personal attributes and SAS's business objectives. The assessment focused on individual performance, potential and ambition.

Recurring skills and occupational training was carried out for SAS pilots, cabin crew, technicians, station employees and sales staff in the Group's various airlines and support companies.

Cooperation with labor organizations
Since the incorporation, cooperation with labor organizations has primarily taken place in the various Group companies, including in the Group's Parent Company, SAS AB, where information is given to the unions with collective bargaining agreements with SAS AB. Cooperation takes place on the basis of the national laws and agreements applicable to the various Group companies.

Employee representatives from the Scandinavian countries sit on the SAS Group Board. The employees can elect representatives from companies in the Group's Scandinavian operations.

Group Management and company managements also engaged in special dialog meetings with labor leaders on the need for increased customer focus and a cultural turnaround so that together they can keep promises to customers and boost customer loyalty.

Contract negotiations and disputes
In Sweden collective bargaining agreements were signed for three or more years in all contractual areas except pilots, for whom contract negotiations are ongoing. The agreements are at the same level as the rest of the labor market, i.e., a 10.2% pay raise to 2010. The agreements for Swedish cabin crew were preceded by a threatened strike lasting just over four days and resulting in traffic disruptions and canceled flights.

All agreements for ground staff are so-called national agreements, where the Swedish Air Transport Industry Employers' Association is a party on the employer's side. For pilots and cabin crew the agreements are company agreements, where SAS is also a party.

In Norway all ground agreements will be renegotiated in 2008 according to the current arrangement, i.e., a new two-year agreement will be signed for the entire Norwegian labor market for the period 2008 – 2009.

In Denmark agreements were signed with the ground unions in force until 2010. These three-year agreements also include the Danish Cabin Attendants Union (CAU) and is within the current framework for the rest of the Danish labor market. The signing of the cabin agreement was preceded by wildcat strikes in March and April, which resulted in extensive traffic disruptions and canceled flights. SAS received conflict compensation from the Swedish and Danish employers' associations.

In January 2008 the SAS Group prevailed in the Labor Court on the issue of violations of collective bargaining and co-determination agreements in connection with the transfer of Danish and Swedish short-haul pilots from the SAS Consortium to Scandinavian Airlines International and Scandinavian Airlines Sverige. The Court found that neither a collective agreement nor a co-determination agreement existed in the manner claimed by the pilots' unions. The pilots' unions damages claim for MSEK 15 was rejected by the Labor Court.

Other disputes
Sweden
- SAS prevailed in court in the purser case (appointment of new pursers/cabin supervisors) on the criteria to apply for appointment.
- The case regarding the closure of the Malmö base (cabin) has not yet been decided.

Norway
- The "equal treatment case," i.e., the working hours to apply to cabin staff compared with pilots has not yet been settled.

Denmark
- A number of pilots from the now discontinued commuter airline lost their case against SAS to have seniority principles transferred when they were moved to Scandinavian Airlines Danmark.
- In 2007 SAS was charged with violation of provisions of the Danish Aliens Act concerning the right of Chinese and Japanese crews to work on aircraft registered in Denmark.

Code of Conduct and the Global Compact
The Code of Conduct is also an essential part of the cultural turnaround that SAS Group Management is giving priority to in Strategy 2011. For that reason the Code is being reviewed, which is expected to lead to supplementation and a tightening of the rules to further underscore the seriousness of SAS's endeavors to live up to the outside world's expectations for social responsibility and ethical behavior. The Code is being relaunched in 2008 and followed by a comprehensive training program at all levels in the Group.

In the same way, all companies and units adhere to the ten principles of the UN Global Compact, which are based on the UN Declaration on Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the UN Rio Declaration on the Environment and Development and the UN Convention against Corruption.

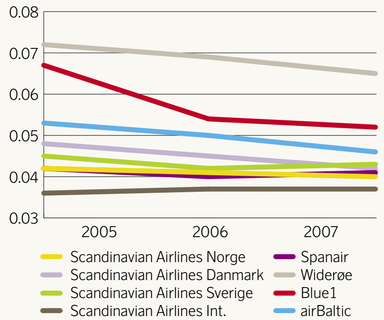
The SAS Group joined the Global Compact in 2003 and participates in the Global Compact's Nordic Network. One criterion for publishing company information on the Global Compact website is an annual audit of material called the Communication On Progress (COP). The basis for this publishing is the SAS Group's 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 fall 2007.

Humanitarian assistance and sponsorships
The SAS Group cooperated with and sponsored Save the Children in Scandinavia in the amount of MSEK 6.8 during the year. This partnership has gone on since 1998. SAS and Save the Children jointly carry out local activities in the Scandinavian countries on the basis of the partnership and the common values within the framework of the sponsorship project. Most subsidiaries also have their own community-related sponsorships or partnerships.

Sponsorships and partnership agreements in the area of sustainability will increase in importance and scope in the coming years.

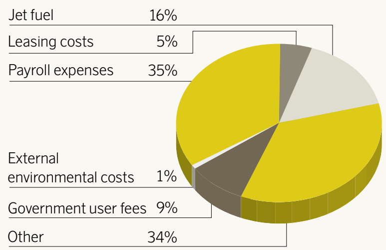
Climate conference in Copenhagen in 2009
Scandinavian Airlines Danmark is deeply involved in the preparations for the UN climate conference to be held in Copenhagen in 2009. In connection with the conference several Group companies will be involved.

Fuel efficiency
Fuel consumption/RPK



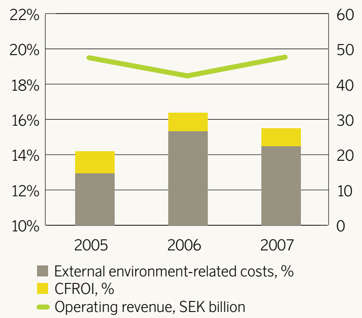
In 2007 most SAS Group companies posted improved fuel efficiency. This is primarily affected by the length of the air route and passenger load factor, but more efficient approaches also have a beneficial impact.

Breakdown of costs, 2007



Jet fuel represents a big share of the SAS Group's costs. Payroll expenses are still the biggest single item.

The effect of external environment-related costs on CFROI



Financial responsibility

The linkage between the bottom line and sustainable development is obvious to the SAS Group. An analysis of SAS's statement of income from an environmental and/or social perspective reveals that major portions of revenue and expenses, and relevant industry-specific earnings measurements are related. In short, the highest possible financial return is generated by the best possible resource utilization and management of the company's assets. Resource utilization includes flying fuel-efficiently and having high capacity utilization for passengers and freight. Managing the company's assets includes having positive and improving relations with employees and responsibly seeing to maintenance of aircraft and other assets. At the same time, long-term sustainable profitability and growth are a *sine qua non* for a business to be able to meet and preferably surpass the environmental standards and demands for social responsibility and for ethical conduct placed on the SAS Group today. If the financial resources are lacking for long-term investment and maintaining extensive proactive posture, work on sustainable development will not go in the right direction.

The SAS Group aims to demonstrate 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, in part by communicating this work, has a direct impact on the company's bottom line.

The ability of the SAS Group to increase its revenues relies on the ability to retain current customers as well as attract new ones. For customers, choosing SAS is largely dependent on sustainability issues. In recent years environmental aspects have garnered intense scrutiny and social issues, primarily related to strikes, are something many customers are aware of.

The aim of systematic and proactive sustainability work is to prevent and 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 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 Group operations comply with environmental laws and regulations. Environmental work thus serves to strengthen the Group's finances and brands.

In the SAS Group's operations greater cost-efficiency is strongly tied to lower environmental impact. In recent years economic instruments from the authorities and other stakeholders have grown in importance. This means that the SAS Group's endeavor to make its resource use more efficient, positive from an environmental standpoint, has an additional positive effect on the bottom line. A clear example is the relationship between CO_2 emissions and the aircraft's fuel consumption. Reduced fuel consumption leads to reduced costs in the form of a lower fuel cost, but at the same time the charges the SAS Group pays for CO_2 emissions also fall. The same applies to all other activities that have strong environmental as well as financial incentives to reduce consumption of energy and other resources.

Program for saving fuel

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 2007 the cost of jet fuel accounted for 16% of total costs.

The goal of the fuel saving program, launched in 2005, is a 6–7% relative saving by 2011. Consumption fell during the year by 1–2%, equivalent to a reduction in CO_2 emissions of just over 60–120 tonnes and savings of MSEK 80–160.

These savings were achieved solely through operational methods and did not require investment or other costs. They primarily involve creating awareness of the importance of efficient resource utilization in planning, implementation and maintenance

Infrastructure charges and security costs

Air transport pays its own costs for the infrastructure it needs and uses to complete flights, i.e., airports and air traffic control. For 2007 these costs for SAS Group airlines totaled MSEK 7,694 (9,355), of which MSEK 4,085 (5,385) pertained to the Group's own costs. The remainder comprised taxes and charges that the airlines administer. In addition there were expenses for divested operations in the amounts of MSEK 2,075 and MSEK 577 for 2007. Thus, infrastructure charges represented 8 (9%) of the Group's total costs.

The SAS Group's security costs for 2007 are estimated to be MSEK 1,490 for continuing operations and MSEK 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 charges

In the SAS Group's view, the current design of taxes and environmental charges is largely an inefficient means of regulating the airline industry. One reason is that the investment in aircraft and engines is high and long-term, where the lead time from considering procurement of new equipment to putting it into service is long. The equipment is used for such long periods, that it is impossible to make short-term changes when governments or airports introduce 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 amounted to MSEK 414 (477) for 2007. 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. For 2007 the Group's environmental charges amounted to MSEK 43.6 (49.5).

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 greener aircraft. Environmental characteristics would then be a competitive factor since operators with greener fleets would have lower costs.

The SAS Group's environment-related charges for 2007 were MSEK 29.0 (28.6). Because of its high proportion of Boeing 737s with low NO_X engines, SAS Scandinavian Airlines has lower environmental charges than the majority of its competitors.

The environment-related taxes amounted to MSEK 341 (399) in 2007. The change is primarily due to the elimination in 2006 of the Danish passenger tax of MSEK 148. However, the U.K. passenger tax was more than doubled from MSEK 74 to MSEK 154.

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 2007 these costs came to MSEK 81.5 (86.5). The reduction is due in part to the reduction of waste management costs during the year.

Environment-related debts and contingent liabilities

In 2006 two minor incidents of soil contamination were identified at Copenhagen Airport attributed to leaks of oil and diesel. In 2007 SAS was in talks with the airport owners and the authorities on the clean-up of the site. 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.

Environment-related investment

SAS has changed the definition of environment-related investment in this year's Sustainability Report:

"Investment in assets to prevent, reduce or repair damage to the environment connected with business operations and/ ~~that are not profitable on their own financial merits~~ or intended to meet clearly determined future tightened environmental standards."

The reason is the investment made by the SAS Group in accordance with Group policies shall be both environmentally and economically sound, thus helping the Group to grow in value. Also investment that is not emphasized in this section may have a positive impact on environmental performance. Investments that can clearly be linked to structured environmental work are 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 in SAS Group airlines. Investment plans and their rationale are found on page 27.

Investment in 2007 in SAS Group airlines amounted to MSEK 2,683 (2,299), of which MSEK 39.0 (65.7) represented sustainability-related investment. To reduce infringements of local noise standards and fines, the SAS Group chose during the year to invest MSEK 15 in new GPS equipment.

At a total cost of MSEK 24, airBaltic and Scandinavian Airlines Norge modified a total of five aircraft with winglets, calculated to reduce fuel consumption by 2–5%. Similar modifications will take place of 12 aircraft in Scandinavian Airlines Norge's fleet in 2008/2009.

Research and development (R&D)

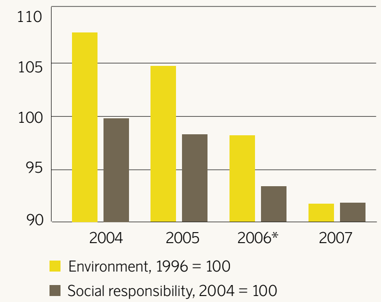
The SAS Group contributes in many ways to the emergence of a more sustainable society. Among them are the Group's commitment to and support of the development and dissemination of green technologies such as for deicing and bio-based jet fuel.

The 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

Environment-related investment (MSEK)	2003	2004	2005	2006	**2007**
Flight operations	0.0	0.0	22.2	63.3	**38.9**
Ground operations	8.4	14.3	0.2	2.4	**0.1**
Total	8.4	14.3	22.4	65.7	**39.0**
Share of the SAS Group's total investment in %	0.2	0.4	1.2	2.9	**1.5**

In the past two years investment has been primarily related to GPS systems and winglets for portions of the aircraft fleet.

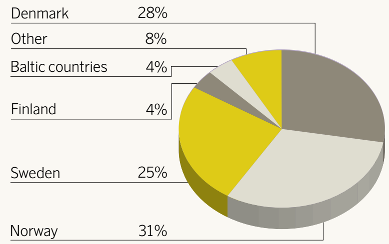
Image index, environmental and social responsibility



** Partial change in method and new analysis institute from 2006.*

Since 1998 sustainable development work has contributed positively to the SAS Group's image. Results from 2007 show that the image indices for environment and social responsibility fell compared with the previous year, while eco-efficiency and the climate index moved in a positive direction during the year.

Geographical breakdown of employees in 2007



Did you know...

...that air transport generates 29 million jobs worldwide

and standards for air transport. The SAS Group 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. The SAS Group 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.

SAS employees are part of the steering group of the Bodø Graduate School of Business dealing with environmental economics and of the reference group for the environmental science program at Linköping University. Group employees are also often in demand as lecturers on environmental and sustainability topics at universities, colleges, and independent institutes.

Financial aspects of corporate social responsibility

Consideration is one of the SAS's core values. This means that the Group and its employees are expected to care about customers and coworkers and to take general social and environmental responsibilities in all parts of operations. In addition, the Group is to contribute to social progress wherever it operates and be a respected corporate citizen.

Air transport helps improve labor market conditions in rural Scandinavia and makes business travel easier to the rest of Europe and to other continents. Given increasing globalization, airlines facilitate business and other contacts 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.

There are direct as well as indirect financial aspects to corporate social responsibility. The efforts of employees are the crucial factor for the Group's earnings, though product offerings and customer treatment. Direct costs, for example, are represented by salaries, training expenses, and other costs for employees. Direct costs also include various taxes and charges, plus payments to subcontractors for goods and services. The latter also help create jobs for subcontracts. Among indirect costs are the costs of sick leave as well as the taxes employees and other affected persons pay.

The SAS Group's contribution to the economy

Airline operations are powerful engines of job creation. According to an external study, every employee of Group airlines generates about one additional job in other industries and companies. This means that the SAS Group's operations directly and indirectly employ between nearly 35–40,000 persons in the Scandinavian countries. They, in turn, pay around SEK 8 billion in taxes in the three countries.

The same study estimates that the SAS Group's operating revenue accounts for 0.6% of Swedish, 0.7% of Danish and 1.1% of Norwegian GDP. Likewise, the SAS Group's other companies have a direct and indirect impact on the economy in the countries and communities where the Group operates.

In 2007 the SAS Group paid wages and salaries totaling MSEK 16,759 (15,101) in continuing operations, of which social security expenses were MSEK 1,931 (1,796) and pensions MSEK 2,124 (1,631). Beyond this, the corresponding costs for divested operations were MSEK 1,701 (13,579), MSEK 278 (574) and MSEK –(53), respectively.

Human resource development

To retain and develop employee skills, extensive training programs are carried out each year. In 2007, the SAS Group's total costs for these programs amounted to MSEK 370 (326), corresponding to around SEK 17,000 per employee.

Payroll expenses

The SAS Group's attractiveness as an employer is an aspect of social accountability, and relative pay is one way to measure this attractiveness. As part of pay reviews, in 2004 and 2006 SAS had comparisons done with similar companies and industries in the Scandinavian and Northern European market. In subsequent pay negotiations the company endeavored to reduce any gaps with market pay for affected groups.

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 Group companies employ various methods to prevent short-term and long-term sick leave.

To better monitor and follow up sick leave and provide data for measures to deal with it, as of 2007 Group Management decided to introduce quarterly reporting and evaluations of the costs of sick leave. Reporting includes the direct costs in salaries and wages paid for nonproductive time, i.e., illness.

On the basis of the Group's total payroll expenses for continuing operations of MSEK 16,759, the total costs of sick leave in the SAS Group in 2007 can be estimated to be around MSEK 1,100. The Group's sick leave rate rose in 2007 from 6.1% the previous year to 6.4 %. Compared with similar industries the SAS Group continues to be above average, and there is considerable room for improvement. Reducing the sick leave rate by one percentage point would, according to the above calculations, have a positive earnings impact of just under MSEK 170.

Sustainability-related business opportunities and business risks

The SAS Group's work on sustainable development is to help identify new business opportunities and minimize the business risks that operations are subject to. During the year, the media, opinion makers, and general public noted climate issues as a major risk factor. Awareness of the problem and demands for action may result in policymakers and decision makers feeling the need to show decisiveness by introducing regulations, taxes, and charges that impose higher costs on air transport, but that do not necessarily involve developing green solutions.

SAS is taking responsibility for its share of the costs of its environmental impact by offering travel on aircraft with good environmental performance that represents the best economically available technology. This strategy is expected to result in the Group eventually seeing lower environment-related costs than its competitors.

SAS has been working to expand opportunities for customers to identify and compensate for their environmental impacts, for example by offering the chance to buy carbon offsets when booking travel and with an emission calculator that since 2002 has enabled anyone to figure out their journey's environmental impact.

Thanks to SAS's systematic sustainability work, the Group has benefited vis-à-vis competitors, particularly in freight, where since the end of the 1990s SAS has been able to offer independently examined sustainability information examined by an independent party.

The risk exposure to terrorist acts has risen sharply in recent years. Despite the fact that Scandinavia and SAS's other home markets have largely been spared such attacks, a risk still exists that the Group takes dead seriously. By developing security routines and systems with high reliability and low inconvenience, e.g., using biometric security, SAS endeavors to offer smoother solutions than its competitors.

Business areas

SAS Scandinavian Airlines

The business area comprises Scandinavian Airlines Norge, Scandinavian Airlines Danmark, Scandinavian Airlines Sverige and Scandinavian Airlines International.

During the year the positive trend characterizing the business area's sustainability work during the entire 2000s was amplified. Fuel efficiency improved from 0.041 kg/RPK to 0.040 kg/RPK, the best in the operation's history. This means that the CO_2 emissions related to this fell further compared with the previous year.

Scandinavian Airlines Norge

Scandinavian Airlines Norge has 2,465 employees and accounted for 24% of the Group's passengers in 2007. During the year the passenger load factor rose from 71.9% in 2006 to 72.9%. Fuel efficiency rose to 0.040 (0.041) kg/RPK. Production measured in RPK was up nearly 2%, while CO_2 emissions fell by 2,500 tonnes. The environmental index reached 91, a 2 point improvement over 2006. The target for 2011 is 87.

The airline put two new Boeing 737-700 aircraft into service during the year. They are equipped with winglets and tech inserts for the best possible environmental characteristics.

In 2007 a number of presentations were made on the environmental impact of air transport and SAS's sustainability work and an environmental conference held for major customers to which the public and media were also invited. The cooperation with the Bellona Foundation continued through a new three-year general agreement, which runs from 2008. The company's social commitment includes sponsorship of a wide range of sports and a partnership with Save the Children.

The company has reached a settlement with competition authorities on violations of the Competition Act that harmed Coast Air on the Oslo-Haugesund route. Thus, the authorities will refrain from imposing fines and further legal action. As well as from action in a similar case concerning the Oslo-Ålesund route.

Scandinavian Airlines Norge lost a case that was appealed both by the company and Økokrim concerning the misuse of information from the carrier Norwegian in the Amadeus reservation system. The Supreme Court imposed fines of MSEK 4.6. Norwegian has brought a civil suit in the district court in the Amadeus case.

Scandinavian Airlines Danmark

In 2007 Scandinavian Airlines Danmark accounted for 20% of the Group's passenger volume and had 2,188 employees.

Production measured in available tonne kilometers, ATK, was up 8%, with fuel consumption up 2%. The passenger load factor fell to 74.6% from 75%. Fuel consumption was to 0.042 kg/RPK compared with 0.045 kg/RPK for 2006. The environmental index improved by 4 points over the previous year, reaching 94. The target for 2011 is 87.

The problems with the Q400 were a heavy burden on the airline. Poorer earning capacity and uncertainty regarding future solutions left their mark on the year's efforts, affecting employee and customers alike. The aircraft brought in as replacements had more seats than needed, in turn negatively impacting the passenger load factor.

During the year the company decided to join the Ministry of Climate and Energy's "One Tonne Less" campaign, aimed at getting all citizens to reduce their CO_2 emissions. SAS Danmark is also involved in the preparations for the UN climate conference to be held in Copenhagen in 2009. A large number of companies are participating in activities coordinated at ministerial level.

The company' social involvement is growing,

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 will be reviews in 2008 based on performance in 2007.

Scandinavian Airlines Norge
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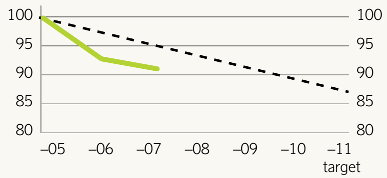

Scandinavian Airlines Danmark
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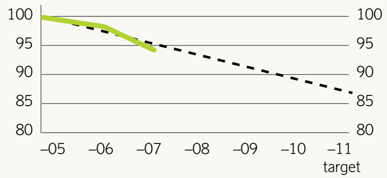

Scandinavian Airlines Sverige
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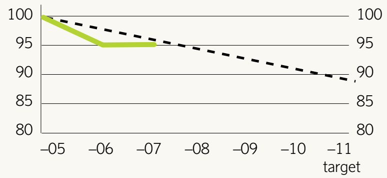

Scandinavian Airlines International
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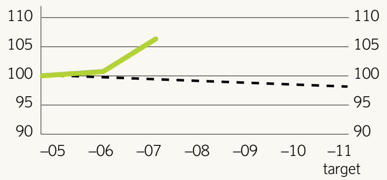

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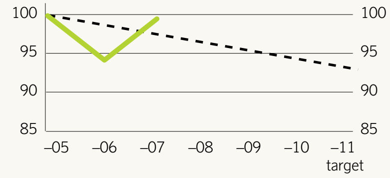

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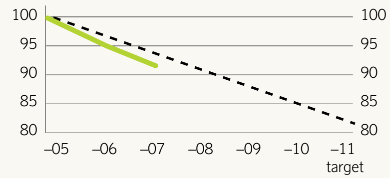

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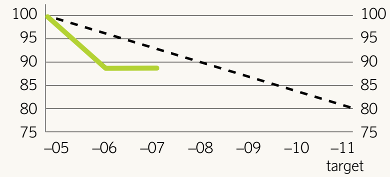

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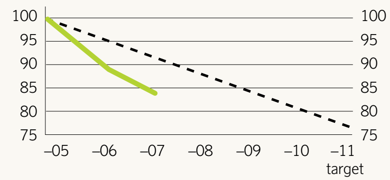

Estonian Air
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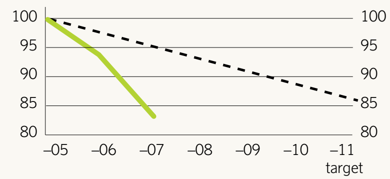


with participation in CARE Danmark, Fonden for Socialt Ansvar, Danish People's Aid, the steering group for women and leadership and the national police chief's efforts to prevent sexual exploitation of children abroad.

Copenhagen Airport has noise restrictions after 11 p.m. To meet this, cut-back routines are used, which means that the throttle is cut back right after takeoff. Despite this, there have been infringements.

Scandinavian Airlines Sverige

In 2007 Scandinavian Airlines Sverige accounted for 15% of Group passenger volume and had 1,704 employees.

The passenger load factor was down to 74.1% (74.9%), and fuel consumption rose from 0.042 kg/ RPK in 2006 to 0.043 kg/RPK. The environmental index was 95 (95). The target for 2011 is 89. The airline carried out 1,250 green approaches during the year, saving around 150 kg of fuel per flight.

Work to get employees committed to sustainability work was stepped up in 2007 on the basis of the SAS strategy document Strategy 2011. This involves training and information via the SAS Portal, brochures and the SAS Certificate. Proof of employee commitment is that 150 suggestions were received in a contest to submit ideas for helping the environment.

The dialog with outside stakeholders continued in a number of areas to improve the chances for succeeding in sustainable development. These include discussions on green approaches with Luftfartsverket and with major suppliers and customers.

Regarding social commitment, a number of local activities were carried out together with Save the Children.

Scandinavian Airlines International

In 2007 Scandinavian Airlines International accounted for 3% of Group passenger volume and had 782 employees. The passenger load factor rose from 85.5% to 85.7%. Fuel consumption measured in kg/RPK was 0.037, unchanged from 2006. The environmental index was 106 (103). The target for 2011 is 98.

In December, the world's first transatlantic green approac h was performed with one of the unit's Airbus A330s from New York to Arlanda, with big media coverage. Tests will continue in 2008 and are expected to result in further cuts in relative fuel consumption. As of 2007 all company aircraft are fitted with the market's lowest weight Business Sleepers, which translates into lower fuel consumption.

For safety reasons, in August an Airbus A330/340 jettisoned 25 tonnes of fuel over the water near Denmark and then returned to Copenhagen Airport.

SAS Individually Branded Airlines

Spanair

Spanair had 25% of Group passenger volume and 3,415 employees in 2007.

The passenger load factor was 71.1 (72)%. Fuel consumption measured in kg/RPK rose from 0.040 in 2006 to 0.041 kg/RPK. The airline's environmental index deteriorated to 98 (94%). The target for 2011 is 93.

In 2007 Spanair had a number of infringements of local noise and takeoff rules, resulting in fines. One noise fine has been paid.

During the year Spanair launched its own environmental policy, which focused more on environmental issues through more intensive communication with employees via the Internet. Work on the fuel saving program continued and a number of environmental activities began. These include a broader energy saving program, waste sorting and recycling and handling hazardous waste.

Spanair is committed to projects in the community, including contributions to a number of organizations, schools and institutions. The airline also supports and works with the Fair Trade organization Oxfam.

Widerøe

Widerøe had 4% of Group passenger volume and 1,358 employees in 2007. The airline improved its environmental index from 95 in 2006 to 92. The target for 2011 is 82. The passenger load factor rose to 59.2 (56.5)%, and fuel consumption fell to 0.065 (0.069) kg/RPK.

In 2007 the replacement of the old diesel-powered baggage conveyors with new ones with particle filters was completed, reducing the environmental impact. At the same time, the diesel-powered tractors were replaced with electric ones. The airline also began to use a more efficient system for approaches that are expected to save fuel.

Blue1

In 2007 Blue1 accounted for 4% of Group passenger volume and had 506 employees. The passenger load factor was 65.1 (66.4)% and fuel consumption fell to 0.052 (0.054) kg/RPK. The environmental index was 89 (89). The target for 2011 is 80.

In the fall a program began to boost fuel efficiency and cut emissions based on the IATA checklist.

Twice in 2007 the airline exceeded the night restrictions at Charles de Gaulle Airport outside Paris. The fines have not been set, but are estimated to total MSEK 0.37. In 2007 Blue1 received an ERA certificate for its emergency preparedness plan.

airBaltic

Headquartered in Riga, Latvia, airBaltic is 47%-owned by the SAS Group. The carrier accounted for 4% of Group passenger volume and had 917 employees in 2007.

The passenger load factor for 2007 rose to 63.0 (60.4)%, while fuel consumption fell to 0.046 (0.050) kg/RPK. The environmental index reached 83 (89).

KPIs SAS Scandinavian Airlines

	Scandinavian Airlines Norge			Scandinavian Airlines Danmark			Scandinavian Airlines Sverige			Scandinavian Airlines Intern.		
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
RPK, mill.[1]	**8,366**	8,222	7,717	**7,666**	7,105	6,972	**5,836**	5,909	6,016	**9,953**	10,541	11,249
ASK, mill.[1]	**11,482**	11,443	11,013	**10,276**	9,475	9,947	**7,872**	7,891	8,448	**11,616**	12,323	13,079
Passenger load factor, %[1]	**72.9**	71.9	70.1	**74.6**	75.0	70.1	**74.1**	74.9	71.2	**85.7**	85.5	86.0
Fuel consumption, kg/RPK	**0.040**	0.041	0.042	**0.042**	0.045	0.048	**0.043**	0.042	0.045	**0.037**	0.037	0.036
Carbon dioxide (CO_2), 1 000 ton	**1,056**	1,059	1,031	**1,022**	998	1,065	**783**	787	859	**1,158**	1,226	1,290
Nitrogen oxide (NO_x), emissions, 1,000 tonnes	**3.41**	3.49	3.67	**4.46**	4.35	3.98	**2.60**	2.70	2.85	**6.40**	6.74	6.90
Noise impact, km2/85dB(A) at takeoff [2]	**1.66**	1.66	1.64	**2.70**	2.40	2.70	**2.50**	2.53	2.51	**4.50**	4.50	4.13
Environmental index	**91**	93	100	**94**	98	100	**95**	95	100	**106**	103	100

[1] Includes scheduled traffic, charter, ad-hoc flights and bonus trips, etc., which means that the figures may deviate from traffic figures from airline concerned, where only scheduled traffic is reported.
[2] Weighted noise contour by number of takeoffs per day by respective aircraft type in the traffic system.

The target for 2011 is 76. airBaltic is preparing to perform an ISO 14001 Gap Analysis in 2008. To reduce fuel consumption, three Boeing 737–300s were fitted with winglets, estimated to cut fuel consumption and emissions by 2–5% per aircraft.

The airline has a long-standing partnership with Riga Technical University, providing internships for students.

Estonian Air

Based in Tallinn, Estonia, Estonian Air is 49% owned by the SAS Group. The passenger load factor improved from 62.3 to 67.7 percentage points and fuel efficiency from 0.045 to 0.041 kg/RPK. The environmental index improved by 11 points from 94 to 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 and the SAS Group's biggest unit, with 6,873 of employees. SGS operates at 76 airports in 21 countries and is the biggest operator in the three Scandinavian countries.

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.

SGS emphasizes training staff and finding new solutions that can reduce the risk of injury from the often physically strenuous work. A key issue is improving the ergonomics of baggage handling. In Denmark, in collaboration with Copenhagen Airport, FKILogistex and CPH Design, the company developed an automated baggage handling system, the Big Bag Box, which will improve the working environment. A prototype was presented and has been patented. Another key area is work clothes, of great importance for the natural as well as the working environment. In collaboration with suppliers the products are continuously being improved.

The Danish Working Environment Authority has decided that emissions of harmful gases are to be cut in the terminal area. This requirement was to have been met by no later than October 1, 2007, but has been appealed.

SGS measures its environmental performance by an environmental index. The index fell to 101 (106). The target for 2011 is 95.

SAS Technical Services (STS)

STS, which provides technical aircraft maintenance, has its primary operations in Scandinavia and had 2,422 employees in 2007. The biggest customers are Group airlines.

STS accounts for most of the operations in the Group requiring environment-related permits. STS is also the biggest user of chemicals and generates the biggest share of hazardous waste. This is handled by approved waste management companies.

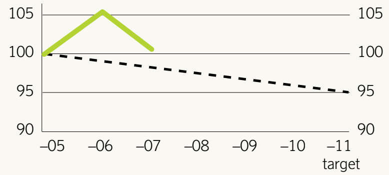
STS's work to develop its environmental management system is being reorganized and was not a priority during the year. STS is part of SAS Facility Management's environment and energy program for all owned and leased properties in the Group.

The company has long-standing cooperation with suppliers and researchers to find materials containing less harmful chemicals than those used till now. STS also has a function primarily tasked with systematizing and checking all products suspected of being hazardous to human health. STS measures its environmental performance by an environmental index with a base year of 2005. The environmental index for 2007 improved to 93 (99). The target for 2011 is 90.

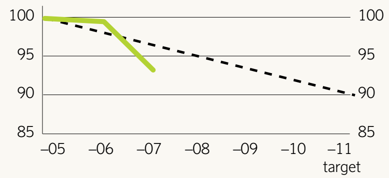
Environmental index and target scenario for SAS Aviation Services

SGS and STS 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 STS.

SAS Ground Services
Index



SAS Technical Services
Index



KPIs SAS Individually Branded Airlines [1]

		Spanair			Widerøe			Blue1			airBaltic	
	2007	2006	2005	**2007**	2006	2005	**2007**	2006	2005	**2007**	2006	2005
RPK, mill. [2]	**12,077**	12,035	10,672	**608**	608	565	**1,413**	1,432	947	**2,315**	1,538	1,161
ASK, mill. [2]	**16,981**	16,727	15,246	**1,028**	1,076	1,055	**2,169**	2,157	1,485	**3,674**	2,548	2,050
Passenger load factor, % [2]	**71.1**	72.0	70.0	**59.2**	56.5	51.9	**65.1**	66.4	63.8	**63.0**	60.4	56.6
Fuel consumption, kg/RPK	**0.041**	0.040	0.042	**0.065**	0.069	0.072	**0.052**	0.054	0.067	**0.046**	0.050	0.053
Carbon dioxide (CO_2), emissions, 1,000 tonnes	**1,574**	1,500	1,405	**125**	132	129	**230**	249	199	**338**	242	195
Nitrogen oxide (NO_X), emissions, 1,000 tonnes	**6.49**	6.09	5.63	**0.38**	0.40	0.38	**0.77**	0.77	0.51	**1.13**	0.77	0.67
Noise impact, km^2/85dB(A) at takeoff [3]	**3.86**	4.14	4.22	**0.34**	0.34	0.33	**2.22**	1.98	1.65	**1.22**	1.08	1.11
Environmental Index [4]	**98**	94	100	**92**	95	100	**89**	89	100	**83**	89	100

[1] For definitions, see Accounting principles for sustainability reporting, www.sasgroup.net [2] May include scheduled traffic, charter, ad-hoc flights, and bonus trips, etc., which means that the figures may deviate from traffic figures from airline concerned, where only scheduled traffic is reported. [3] Weighted noise contour by number of takeoffs per day by respective aircraft type in the traffic system.
[4] Environmental index consists of aggregate weighted CO_2, NO_X, noise per RPK.

KPIs SAS Aviation Services

	2007	2006	2005
Energy consumption, GWh[1]	**191**	200	193
Water consumption, 1,000 m^3 [1]	**184**	180	164
Unsorted waste, tonnes[1]	**754**	545	432
Hazardous waste, tonnes[1]	**494**	460	581
Fuel consumption, vehicles, 1,000 liters	**3,993**	4,144	3,936
Glycol consumption, m^3	**2,947**	3,667	3,954
Total number of employees	**10,651**	**10,565**	10,846

[1] Data from SAS Facility Management.

SAS Cargo
SAS Cargo had 1,356 employees in 2007 and provides airfreight services using the operations of Scandinavian Airlines, Blue1, and other partners. Approximately 70% capacity is in airlines in the SAS Group.

SAS Cargo is certified according to ISO 14001 and 9000, which means that the company has a management system that addresses quality, environmental and sustainability issues. Sustainability work includes environmental performance, working environment, ethics and social responsibility. Almost all personnel have received training in environmental and social responsibility matters.

In collaboration with a number of customers and suppliers, SAS Cargo has developed a system for calculating emissions online, enabling customers to find out the environmental impact of all kinds of freight transportation, in the air and on land. SAS Cargo works continuously to ensure that all activities accord with the UN Global Compact. There is an ongoing effort to find a suitable environmental index for SAS Cargo.

Since 2006 SAS Cargo has been the subject of investigations of collusion. Read more about this on p. 54

SAS Media
SAS Media operates in publishing, media sales, advertisement production, and design.

All publications are now printed on paper certified by the Forest Stewardship Council, leading to a lower environmental impact and lower costs.

SAS Facility Management (SFM)
SAS Facility Management is a subsidiary of the SAS Group, tasked with managing all owned and leased properties in Scandinavia. SFM has total operating responsibility, which also includes environmental responsibility.

In its property management SAS Facility Management has concluded agreements to deal with obsolete computer equipment, ensuring that it is sent to developing countries. Facility Management also has energy-saving campaigns together with tenants for reduce consumption and costs.

Assurance report

To the readers of the SAS Sustainability Report 2007.

We have performed a review of information in the SAS Sustainability Report 2007. The sustainability reporting includes the SAS Annual Report and Sustainability Report 2007 as well as accounting principles, GRI cross reference list and stakeholder dialogue, found on SAS website (www.sasgroup.net under "Sustainability"). Our review did not include the data in the table *The SAS Group's sick leave and accident statistics* on page 106. The purpose of our review is to express whether we have found any indications that the Sustainability Report is not, in all material aspects, prepared in accordance with the stated criteria. The review has been performed in accordance with FAR SRS standard on independent reviews of voluntary separate sustainability reports (RR6). The SAS Sustainability Report was approved by SAS's Corporate Management in February 2008. The SAS's Board submitted the SAS Annual report and Sustainability Report 2007 in March 2008. It is the responsibility of SAS Corporate Management to organize and integrate the sustainability related work in the business and to report progress in the Sustainability Report. Our task is to express a report on the Sustainability Report 2007 based on our review.

The Sustainability Report 2007 is prepared based on the SAS Principles for Sustainability Reporting (www.sasgroup.net) as well as relevant parts of "Sustainability Reporting Guidelines, version 3", published by The Global Reporting Initiative (GRI), which are the criteria against which our review is performed.

The scope of our review procedures included the following activities:

- Discussions with Corporate Management to gather information on significant events and activities during the time period that the Sustainability Report covers, and about the sustainability related risks and the reporting on these.
- Review of the scope and limitations of the content of the information in the Sustainability Report 2007.
- Review of SAS's principles for calculation and disclosure of sustainability related information.
- Review of SAS's systems and routines of data registration, accounting and reporting of sustainability related data.
- Review of SAS's systems and routines of data registration, accounting and reporting of sustainability related data.
- Review of underlying documentation, on a test basis, to assess whether the information in the Sustainability Report is based on that documentation.
- Review of the external environmental costs, other environmental costs and environmental investments.
- Review of compliance with laws, permits and terms/conditions.
- Examination of whether the contents of the Sustainability Report, pages 95-114, contradict the information in the rest of SAS Annual Report 2007.

Based on our review procedures, nothing has come to our attention that causes us to believe that data and information provided in SAS Sustainability Report 2007 have not, in all material aspects, been prepared in accordance with the stated criteria.

Stockholm, March 3, 2008

Deloitte AB

Svante Forsberg
Authorized Public Accountant

Elisabeth Werneman
Authorized Public Accountant

Star Alliance & partners

Customer benefits
By cooperating with selected airlines, the SAS Group can offer a global route and services network. The aim of Star Alliance is to create competitive products for the international traveler. This primarily takes place through coordination of services, airport infrastructure and IT infrastructure.

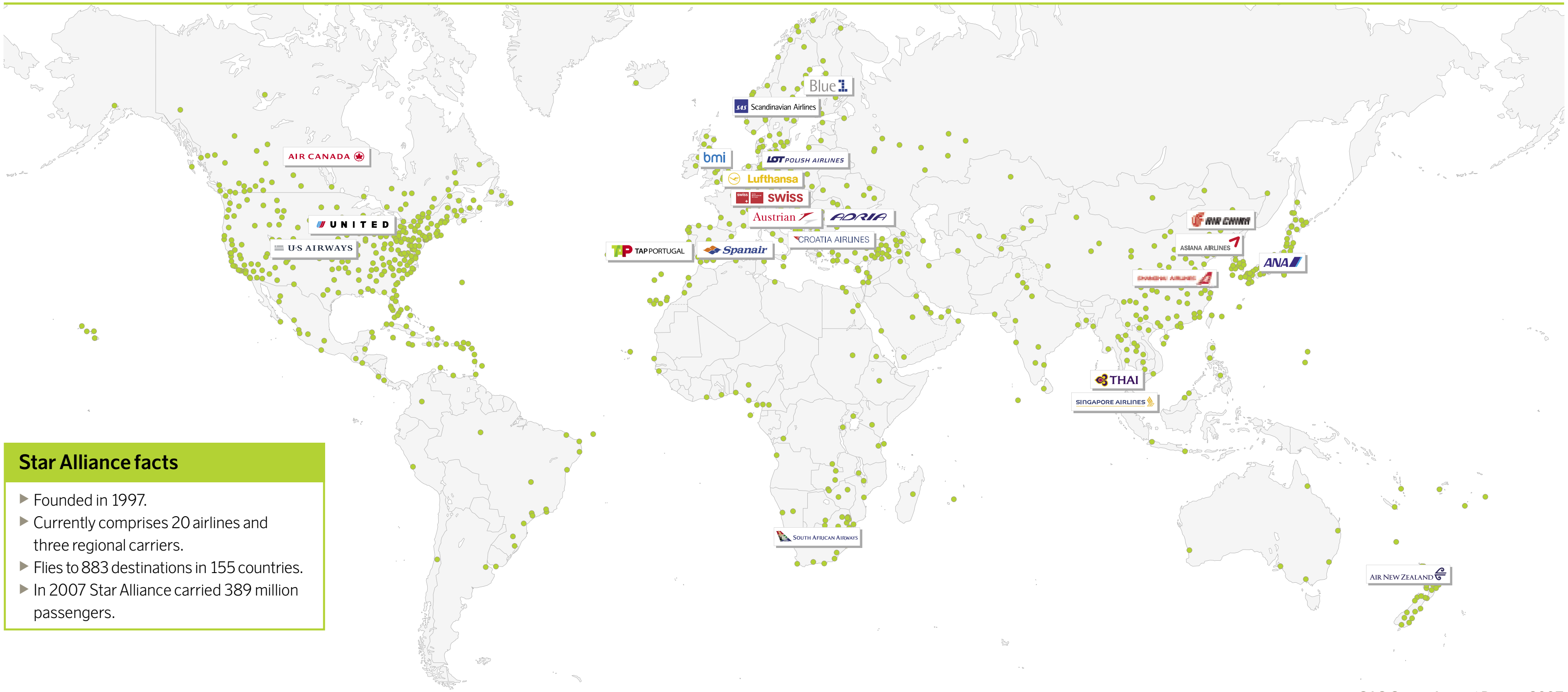
Star Alliance
Star Alliance was founded in May 1997 by SAS and four other airlines. In 2007 the SAS Group had three airlines in the alliance: Scandinavian Airlines, Spanair and Blue1. Air China and Shanghai Airlines joined in December 2007. At the end of 2007 the alliance comprised 20 airlines and three regional carriers. In 2008 both Turkish Airlines and Egypt Air are expected to join the alliance. Air India, too, has been approved for membership within two years. *For key figures, see* p. 51

Sustainability
Star Alliance has a partnership with three international organizations in the environmental, scientific and cultural sectors. The aim is to act on the slogan “The airline network for Earth” by taking responsibility and contributing to economic, social and environmental sustainability.

Bilateral partnerships
During the year the SAS Group intensified its cooperation with Shanghai Airlines, Air China and South African, among others. Each partnership is unique and is developed with the aim of giving passengers competitive offerings in the form of more destinations, smooth travel and the ability to earn bonus points on a large number of airlines.

Since 1995 Scandinavian Airlines and Lufthansa have had an extensive joint venture for traffic between Scandinavia and Germany. This partnership also continued in 2007.

ECA, the European Cooperation Agreement, was a joint venture between Scandinavian Airlines, Lufthansa and the U.K. carrier bmi, in which the airlines combined their route networks between London Heathrow and Manchester and the rest of Europe. The agreement expired at the end of December 2007. The primary reason for this outcome was the weak earnings performance of bmi.



Star Alliance facts

- Founded in 1997.
- Currently comprises 20 airlines and three regional carriers.
- Flies to 883 destinations in 155 countries.
- In 2007 Star Alliance carried 389 million passengers.

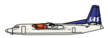
Aircraft fleet (as of December 31, 2007)

The SAS Group's total fleet numbers 260 aircraft[1]. The total value of the fleet is SEK 39.4 billion. On average the SAS Group's total number of daily departures was 1,260 (1,269).

Scandinavian Airlines Norge	
Destinations	43
Domestic	18
Europe	25
Daily departures	340
Passengers (000)	9,726
Average number of cabin crew *	1,053
Average number of pilots	571
Revenue pass. km (RPK), mill.	6,846
Available seat km (ASK), mill.	9,842

54 737-400/-500/-600/-700/-800s
12 owned, 42 leased

6 Fokker F50s
6 leased



* *Of which approx. 160 are hired out to Scandinavian Airlines International/Intercont.*

Scandinavian Airlines Danmark	
Destinations	51
Domestic	3
Europe	48
Daily departures	271
Passengers (000)	8,110
Average number of cabin crew *	1,231
Average number of pilots	515
Revenue pass. km (RPK), mill.	5,931
Available seat km (ASK), mill.	8,474

12 A321-200/319-100s
4 owned, 8 leased

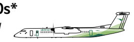
26 MD-81/-82/-87s
4 owned, 22 leased

16 Q400s**
16 leased

* *Of which approx 415 are hired out to Scandinavian Airlines International/Intercont.*
** *This aircraft type was permanently grounded on October 28, 2007.*

Widerøe	
Destinations	43
Daily departures	264
Passengers (000)	1,964

28 Q100/300/400s*
16 owned, 12 leased

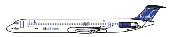


* *This aircraft type was permanently grounded on October 28, 2007.*

Blue1	
Destinations	27
Daily departures	74
Passengers (000)	1,798

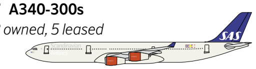
9 RJ85/100s
9 leased

4 MD-90s
4 leased

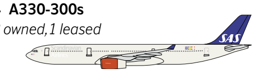


Scandinavian Airlines International	
Destinations	10
Daily departures	18
Passengers (000)	1,341
Average number of cabin crew *	-
Average number of pilots	304
Revenue pass. km (RPK), mill.	9,634
Available seat km (ASK), mill.	11,616

7 A340-300s
2 owned, 5 leased



4 A330-300s
3 owned, 1 leased



* *Hired in from other carriers in SAS Scandinavian Airlines.*

Scandinavian Airlines Sverige	
Destinations	57
Domestic	14
Europe	43
Daily departures	193
Passengers (000)	6,224
Average number of cabin crew *	817
Average number of pilots	387
Revenue pass. km (RPK), mill.	4,893
Available seat km (ASK), mill.	6,919

19 737-600/-800s
8 owned, 11 leased

16 MD-81/-82s
16 leased

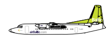
7 Q400s **
7 leased

* *Of which approx 220 are hired out to Scandinavian Airlines International/Intercont.*
** *This aircraft type was permanently grounded on October 28, 2007.*

airBaltic	
Destinations	56
Daily departures	99
Passengers (000)	2,014

13 737-500/300s
13 leased

8 Fokker F50s
8 leased



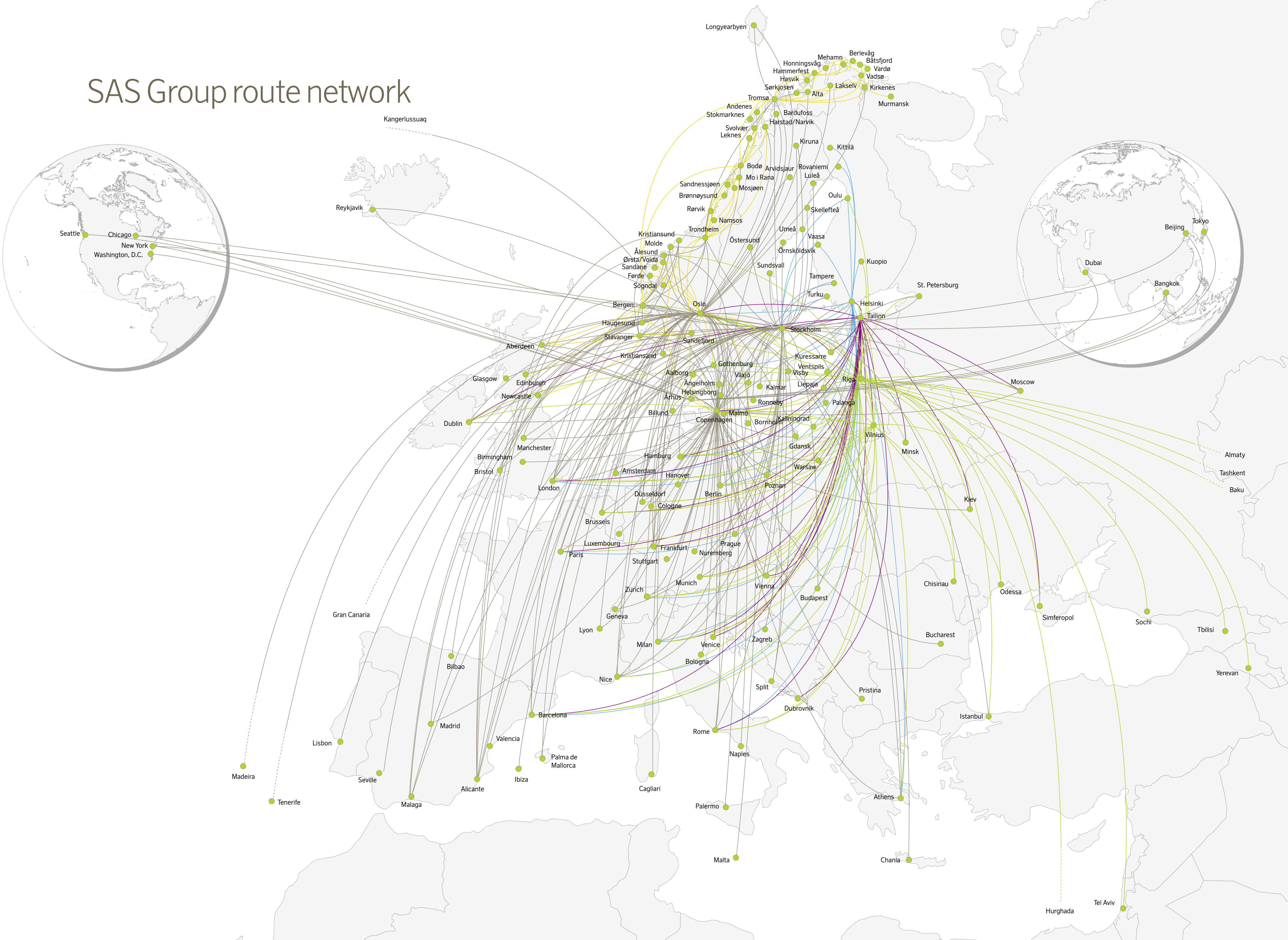
Estonian Air	
Destinations	19
Daily departures	25
Passengers (000)	746

9 737-500/300s
9 leased

[1] *SASScandinavian Airlines has four Bombardier CRJ200s, two Avro RJ70s and two Avro RJ85s on wet lease agreements. Estonian Air has two SAAB 340As on wet lease agreements. Spanair is reported as a discontinued operation. Spanair's fleet consists of 34 MD-80s, 22 Airbus A319/A320s and 7 Boeing MD 717s.*

	Scandinavian Airlines										Widerøe		Blue1		airBaltic		Estonian Air
	Airbus A340-300	Airbus A330-300	Airbus A321/A319	Boeing 737-4/500	Boeing 737-600	Boeing 737-700	Boeing 737-800	Boeing MD-81/82	Boeing MD-87	Fokker F50	Bombardier Q300	Bombardier Q100	Avro RJ100/85	Boeing MD-90	Boeing 737-500/300	Fokker F50	Boeing 737-500/300
Number of aircraft, Group total	7	4	8/4	4/13	26	17	13	2/34	6	6	7	17	2/7	4	10/3	8	4/5
Number of seats, max.	245	264	198/141	150/120	123	141	186	150	125	50	50	39	99/84	166	126/149	52	113/142
Max. takeoff weight, tonnes	275.0	233.0	89.0/75.5	68.0/60.6	59.9	69.6	79.0	63.5/67.8	63.5	20.8	19.5	15.6	46.0/42.2	75.3	57.0/57.8	20.8	52.4/62.8
Max. load, tonnes	44.0	44.0	21.5/16.7	13.5	13.0	15.0	19.0	14.6/17.1	14.8	4.9	5.9	3.6	9.5/8.1	18.1	13.5/14.8	4.9	49.9/52.9
Length, meters	63.7	63.7	44.5/33.8	36.4/31.0	31.2	33.6	39.5	45.1	39.8	25.3	25.7	22.3	31.0/28.6	46.5	31.0/32.2	25.3	31.0/33.4
Wingspan, meters	60.3	60.3	34.1	28.9	34.3	34.3	34.3	32.9	32.9	29.0	27.4	25.9	26.3	32.9	28.9/31.2	29.0	28.9
Cruising speed, km/h	875	875	850	825	825	825	825	825	825	520	528	496	750	825	825/900	520	825
Range, km	12,800	9,700	3,000/6,850	3,150	2,900	2,200	3,700	1,600/2,700	3,500	1,400	1,690	1,280	2,200/2,300	2,800	3,150/2,400	1,400	3,150/3,900
Fuel consumption, l/seat kilometer	0.039	0.035	0.031/0.027	0.043/0.047	0.044	0.042	0.034	0.043	0.048	0.038	0.037	0.038	0.050/0.056	0.031	0.047/0.040	0.038	0.033/0.028
Engine	CFMI CFM56-5C4	RR Trent 772B	IAE V2530-A5/ IAE V2524-A5	CFMI CFM56-3C/3	CFMI CFM56-7B	CFMI CFM56-7B	CFMI CFM56-7B	P&W JT8D 217C/219	P&W JT8D 217C	P&W PW125B	P&W PW123	P&W PW121	Honeywell LF507-1F	IAE V2525-D5	CFMI CFM56-3	P&W PW125B	CFMI CFM56-3

SAS Group route network



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

CAEP ▸ Committee on Aviation Environmental Protection. Specialist group within the ICAO.

CAPEX (Capital Expenditure) ▸ Future payments for aircraft on firm order.

Capital employed ▸ Total capital according to the balance sheet minus noninterest-bearing liabilities.

Capital employed, market adjusted ▸ See AV.

Capitalized leasing costs (x7) ▸ The annual cost of operating leases for aircraft multiplied by seven.

Carbon dioxide (CO_2) ▸ A colorless gas formed during combustion. Carbon dioxide is a greenhouse gas.

Cash flow from operations ▸ Cash flow from operating activities before changes in working capital.

CFROI ▸ Adjusted EBITDAR in relation to AV.

CO_2 ▸ See Carbon dioxide.

Code-share ▸ When two or more airlines state their flight number in the timetable for one and the same flight, while only one of the airlines operates the flight.

CSI, Customer Satisfaction Index ▸ Measures how customers perceive SAS's services. Surveys are conducted every six months.

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.

Dow Jones Sustainability Indexes, DJSI ▸ Global indexes tracking the financial performance of the leading sustainability-driven companies worldwide.

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 (x 7) ▸ Financial net debt plus capitalized leasing costs (x 7).

Financial net debt, market adjusted, NPV ▸ Financial net debt plus present value of leasing costs for aircraft, NPV.

FTE ▸ Full-time equivalent.

G

Global Compact ▸ An appeal by former UN Secretary General Kofi Annan to business and industry to live up to ten principles regarding human rights, labor, anti-corruption and the environment as formulated by the UN.

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.

Definitions & concepts, *continued*

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.

Nitrogen oxides (NO_X) ▸ Formed from all combustion in aircraft engines because the high temperature and pressure cause atmospheric nitrogen and oxygen to react.

Non revenue passengers ▸ Passengers traveling on bonus, charter, or ad hoc flights.

NO_X ▸ See Nitrogen oxides.

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.

PULS ▸ The Swedish acronym for SAS's employee surveys. The annual survey measures how SAS's employees perceive their working environment.

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.

Sustainable development ▸ Development that meets our needs today without compromising the ability of future generations to meet their needs.

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.

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SAS retrospective

SAS was formed by Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL) and Svensk Interkontinental Lufttrafik AB (SILA). The first intercontinental flight went from Stockholm to New York in 1946.

1918 — Det Danske Luftfartselskab A/S (DDL), SAS's Danish parent company, founded.

1920 — DDL listed on the Copenhagen Stock Exchange.

1924 — AB Aerotransport (ABA), SAS's Swedish parent company, founded.

1927 — Det Norske Luftfartselskap A/S (DNL), SAS's Norwegian Parent Company, founded.

1946 — SAS formed by Det Danske Luftfartselskab A/S (DDL), Det Norske Luftfartselskap A/S (DNL) and Svensk Interkontinental Lufttrafik AB (SILA). The first intercontinental flight Stockholm-New York.

1951 — SAS Consortium formed by DDL, DNL and ABA.

1954 — SAS, the world's first airline to fly the Copenhagen-Los Angeles polar route in scheduled service.

1955 — SILA (which owned 50% of ABA) quoted on the "Stockbrokers' List" in Sweden.

1956 — Scandinavian Airlines' first flight to Moscow (Vnukovo).

1957 — SAS, the first airline to offer "round the world service over the North Pole." North Pole shortcut Copenhagen-Anchorage-Tokyo.

1959 — SAS entered the jet age with Caravelle in service.

1960 — SAS opened its first hotel, the SAS Royal Hotel Copenhagen.

1965 — SAS was first to introduce an electronic reservation system.

1967 — DNL listed on the Oslo Stock Exchange.

1971 — SAS put its first Boeing 747 jumbo jet into service.

1980 — SAS opened its first hotel outside of Scandinavia, the SAS Kuwait Hotel. SILA is listed on the Stockholm Stock Exchange.

1981 — SAS EuroClass introduced on all European routes.

1982 — SAS was the most punctual airline in Europe for the first time.

1984 — SAS won Air Transport World's "Airline of the Year" award for 1983.

1986 — Spanair was founded.

1992 — 51% of the shares in Linjeflyg were acquired.

1994 — Shareholdings in Lan Chile, SAS Leisure, as well as the inflight catering portion of SAS Service Partner and Diners Club Nordic were sold.

1995 — SAS published its first environmental report. Linjeflyg became wholly owned and 16.5% of the shares in airBaltic were acquired.

1996 — SAS celebrated its 50th anniversary. Harmonization of SAS parent companies to SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.

1997 — SAS one of the founders of Star Alliance™.

1998 — Blue1 (previously Air Botnia) became a wholly owned subsidiary. 63.2% of Widerøe and 26% of Cimber Air were acquired.

2000 — 20% of its holding in British Midland was sold to Lufthansa.

2001 — A single SAS share is listed on the stock exchanges. Braathens was acquired in December. The holding in airBaltic was increased to 47.2%. New Airbus A340s were introduced on intercontinental routes.

2002 — The SAS Group became a majority owner of Spanair. Widerøe became wholly owned. Rezidor SAS Hospitality signed a master franchise agreement with Carlson Hotels Worldwide.

2003 — Acquisition of 49% of the shares in Estonian Air. Scandinavian IT Group and the shareholding in Cimber Air were sold.

2004 — Incorporation of Scandinavian Airlines Danmark, SAS Braathens, Scandinavian Airlines Sverige out of the SAS Consortium. The units SAS Ground Services and SAS Technical Services were also incorporated. The holding in Spanair was increased to 95%.

2005 — Scandinavian Airlines introduced a new business model with one-way fares. European Aeronautical Group, Jetpak Group and 67% of SAS Component were sold.

2006 — Rezidor Hotel Group was listed on the stock exchange. SAS celebrated 60 years.

2007 — SAS Flight Academy was sold. Strategy 2011 was introduced.

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