SAS Group

A STAR ALLIANCE MEMBER

SAS Group Annual Report & Sustainability Report 2006

Welcome home

Contents

Company information

Reports

All reports are available in English and Swedish and can be ordered from:
SAS, SE-195 87 Stockholm,
telephone +46 8 797 17 88,
fax +46 8 797 51 10.
Reports can also be ordered on the Internet: www.sasgroup.net
Direct further questions to SAS Group Investor Relations,
Vice President - Head of SAS Group Investor Relations, Sture Stølen,
telephone +46 8 797 14 51 or e-mail: investor.relations@sas.se

Group publications

The Code of Conduct, rules and guidelines for business ethics for the SAS Group in Danish, Norwegian, Swedish, English and Spanish and Civil Aviation in Scandinavia - value and importance in Danish, Swedish and English are available in printed or digital form at www.sasgroup.net

Financial calendar

- Annual General Shareholders' Meeting, April 17, 2007
- Interim Report 1 (Jan.-Mar.), May 3, 2007
- Interim Report 2 (Jan.-Jun.), August 9, 2007
- Interim Report 3 (Jan.-Sep.), November 8, 2007
- Year-end Report 2007, February 2008
- Annual Report & Sustainability Report 2007, March, 2008

SAS Group Annual Report & Sustainability Report 2005 was published in March 2006.

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

Annual General Shareholders' Meeting

The SAS Group's Annual General Shareholders' Meeting will be held on April 17 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.

The SAS Group has introduced a new business model featuring one-way fares. This was one reason the SAS Group flew 38.6 million passengers in 2006.

The SAS Group in brief

→ The SAS Group, the Nordic region's largest listed airline and travel group, offers air transportation and airline-related services. The Group is listed on the Stockholm, Oslo and Copenhagen stock exchanges through the parent company SAS AB. SAS Scandinavian Airlines, Spanair and Blue1 are members of the world's largest global airline alliance - Star Alliance™. The Group also includes the airlines Widerøe and airBaltic as well as the partly owned airline Estonian Air and the business area SAS Aviation Services.

Summary statement of income

Group, MSEK	2006*	2005*
Revenue	60,777	55,501
EBITDAR	6,616	5,680
EBITAR margin	10.9%	10.2%
EBIT	1,273	677
Income before nonrecurring items	1,279	114
Income before tax, EBT	292	–246
Income before tax from continuing and discontinued operations	4,936	418

Share, SEK	2006	2005
Earnings per share[1]	28.10	1.06
Market price at year-end	116.5	104.5
Dividend (proposed for 2006)	0.0	0.0

[1] *Earnings per share for continuing and discontinued operations.*

Key figures, Group

Key figures	2006	2005
CFROI	15%	13%
Debt/equity ratio	0.25	1.18
Adjusted debt/equity ratio	1.68	2.90
Equity/assets ratio	32%	21%
Financial net debt, MSEK	4,134	14,228
Investment, MSEK[1]	2,035	1,455

Airline operations	2006	2005
Number of passengers, 000	38,609	36,312
RPK, mill.	38,443	36,431
ASK, mill.	53,771	52,754
Passenger load factor, scheduled	71.5%	69.1%
Yield, SEK	1.15	1.10
Unit cost, SEK	0.75	0.74
Total number of aircraft	301	294
Number of daily departures, average	1,515	1,520
Number of destinations	164	147

Key figures, sustainability	2006	2005
Average number of employees[1]	26,554	26,727
Of which women	41%	42%
Of which men	59%	58%
Sick leave	6.1%	6.8%
Carbon dioxide (CO_2), 000 tonnes	6,213	6,192
Nitrogen oxides (NO_x), 000 tonnes	25.3	23.2

[1] *Refers to continuing operations.*

Definitions & concepts, see back flap.

SAS Group business structure

SAS Group

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

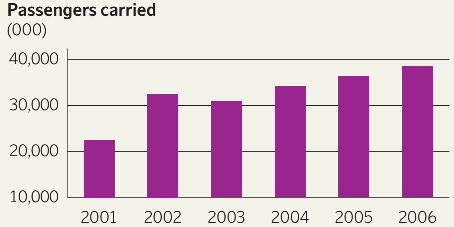
SAS Individually Branded Airlines
- Spanair
- Widerøe
- Blue1
- airBaltic

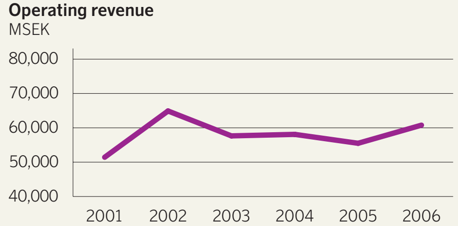
Strategic affiliated company: Estonian Air

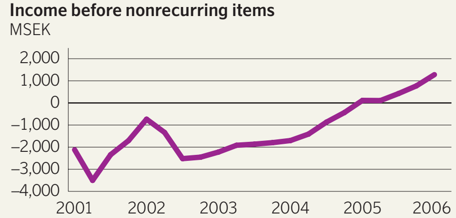
SAS Aviation Services
- SAS Ground Services
- SAS Technical Services
- SAS Cargo
- SAS Flight Academy **

Hotels
- Rezidor Hotel Group *

* *The hotel business which was sold through an IPO on November 28, 2006, is reported as a discontinued operation. This also applies to other discontinued operations.*
** *Sold in February 2007.*







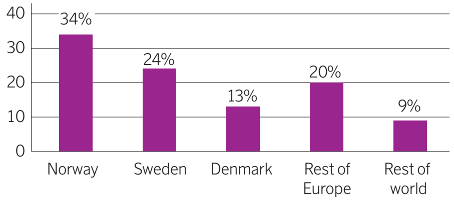
Earnings and degree of achievement of targets 2006 relative to the Group's requirements over a business cycle

	Income before nonrecurring items Negative	Income before nonrecurring items Positive	Target achievement	Improvement since 2005
SAS Braathens		●		
Scandinavian Airlines Danmark		●		✔
Scandinavian Airlines Sverige		●	◐	✔
Scandinavian Airlines International		●		✔
Spanair		●		✔
Widerøe		●		
Blue1	●			
airBaltic		●	◐	✔
SAS Ground Services		●		
SAS Technical Services	●			
SAS Cargo		●	◐	✔
SAS Flight Academy		●	●	

The business areas in brief

SAS Scandinavian Airlines

Passenger revenue, geographic breakdown



The business area comprises the airlines SAS Braathens, Scandinavian Airlines Danmark, Scandinavian Airlines Sverige and Scandinavian Airlines International, which operate flights to/from and within Denmark, Norway and Sweden. SAS Scandinavian Airlines International operates the Group's intercontinental flights. The airlines carried 25.1 million passengers in 2006. The business area coordinates the Group's sales resources in Scandinavia and internationally.

Main markets: Scandinavia, Europe, North America and Asia.

Competitors are airlines that fly to/from and within Scandinavia. Rivals include Air Berlin, Air France/KLM, British Airways, Finnair Group, Norwegian, Ryanair and Sterling.
See also analysis of competitors, page 15.

Customers: Primarily frequent flyers in the business and leisure segments.

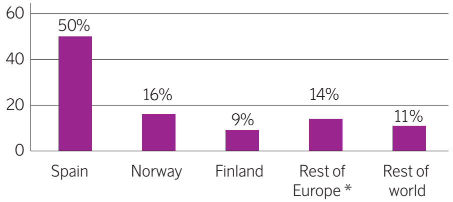
Return requirements: See each airline.

Key figures	2006	2005
Revenue, MSEK	**38,631**	36,859
EBITDAR, MSEK	**5,076**	3,435
EBITDAR margin	**13.1%**	9.3%
Income before nonrecurring items, MSEK	**1,252**	–374
Income before tax, MSEK	**1,236**	–39
Number of passengers, mill.	**25.1**	25.0
Average number of employees	**7,588**[1]	8,244
Carbon dioxide (CO_2), 000 tonnes	**4,069**	4,245
Nitrogen oxides (NO_X), 000 tonnes	**17.3**	16.0
Environmental index	**71**	72

[1] *Of which women 53% and men 47%.*

SAS Individually Branded Airlines

Passenger revenue, geographic breakdown



** of which the Baltics 6%*

The business area consists of the airlines Spanair, Widerøe, Blue1 and airBaltic, The airlines carried 13.5 million passengers in 2006. Spain's second-largest airline, Spanair operates scheduled and charter flights. Widerøe is the Nordic region's leading regional carrier, and Blue1 is Finland's fastest-growing airline in domestic and international service. airBaltic is Latvia's and Lithuania's largest airline. Also included in the business area is the strategic affiliated company Estonian Air, which flies to and from Tallinn.

Main markets: Spain, Norway, Finland and the Baltic states.

Competitors include Air Europa, Easyjet, Finnair Group, Iberia, Ryanair, Vueling and network airlines in Europe.
See also analysis of competitors, page 15.

Customers: The airlines' business models are tailored to their respective markets for frequent flyers in the business and leisure segments.

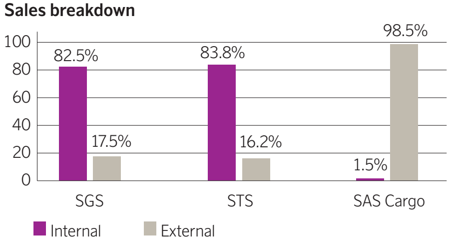
Return requirements: See each airline.

Key figures	2006	2005
Revenue, MSEK	**17,592**	14,352
EBITDAR, MSEK	**2,126**	1,920
EBITDAR margin	**12.1%**	13.4%
Income before nonrecurring items, MSEK	**241**	264
Income before tax, MSEK	**187**	279
Number of passengers, mill.	**13.5**	11.3
Average number of employees	**7,402**[1]	6,464
Carbon dioxide (CO_2), 000 tonnes	**2,123**	1,928[2]
Nitrogen oxides (NO_X), 000 tonnes	**8.0**	7.1
Environmental index, see each company		

[1] *Of which women 45% and men 55%.*
[2] *Including airBaltic.*

SAS Aviation Services

Sales breakdown



The business area consists of SAS Ground Services (SGS), SAS Technical Services (STS) and SAS Cargo. SAS Flight Academy (SFA) was sold in February 2007. SGS and STS are leaders in their home markets in the areas of ground handling and technical aircraft maintenance. SAS Cargo operates the freight business and has a strong position in the Nordic region. SFA is a Nordic leader in training pilots and cabin crew.

Main markets: SGS: Scandinavia, STS: The Nordic and Baltic regions, and SAS Cargo: The Nordic region is the main market, but operations are global.

Competitors: SGS's competitors include Penauille Servisair and Novia. Among STS's competitors are SR Technics group, Iberia and Air France Industries. SAS Cargo's rivals include British Airways World Cargo, DHL and TNT. SFA's competitors are CAE, Alteon and GECAT.
See also analysis of competitors, page 15.

Customers: SGS's and STS's customers are primarily in the SAS Group; SAS Cargo's customers are largely outside the SAS Group.

Return requirements: See each company.

Key figures	2006	2005
Revenue, MSEK	**14,746**	14,964
EBITDA, MSEK	**–22**	1,011
EBITDAR margin	**–0.1%**	6.8%
Income before nonrecurring items, MSEK	**–111**	633
Income before tax, MSEK	**–527**	502
No. of pass. handled, mill.	**75.9**	73.6
Flown tonnes, 000	**294**	287
Average number of employees	**10,742**[1]	11,122
Unsorted waste, tonnes	**399**	529
Energy consumption, GWh	**198**	193

[1] *Of which women 28% and men 72%.*

Results for the year *– Favorable economy and new business models, as well as effective cost and capacity control, resulted in improved earnings*

→ The year's revenue MSEK 60,777

- Operating revenue for the full year amounted to MSEK 60,777 (55,501), an increase of 9.5%. Operating revenue excludes the hotel business, which is reported as a discontinued operation.

→ Earnings improvement MSEK 1,165

- Income before tax from continuing and discontinued operations amounted to MSEK 4,936 (418).
- Nonrecurring items totaling MSEK 667 (413) were charged against full-year results, of which MSEK 337 (413) pertained to restructuring costs, MSEK 146 (0) to impairment losses and MSEK 184 (0) to other nonrecurring items.
- Rezidor Hotel Group was listed on the stock exchange on November 28, 2006. The capital gain on the sale amounted to MSEK 4,243.
- Income from discontinued operations amounted to MSEK 4,576 (577).
- Income before nonrecurring items amounted to MSEK 1,279 (114) for the period, an improvement of MSEK 1,165.
- CFROI for the twelve-month period January-December 2006 was 15% (13%).

→ Good growth

- The number of passengers rose by 6.3% to 38.6 million.
- In 2006 the SAS Group's passenger load factor improved by 2.4 percentage points, amounting to 71.5% (69.1%).

→ Earnings per share SEK 28.10

- For the SAS Group, earnings per share for continuing and discontinued operations were SEK 28.10 (1.06).
- Earnings per share for continuing operations amounted to SEK 0.78 (–2.01) for the full year. Equity per share amounted to SEK 99.49 (69.93).

→ Dividend

- The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividend be paid to SAS AB's shareholders for the 2006 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 investments.

→ Efficiency measures

- Cost savings of SEK 2.5 billion are currently being implemented. At year-end, 79% of the savings has been put into effect.

→ Improved sustainability

- 2006 was the SAS Group's best year for environmental performance, with the lowest fuel consumption per produced unit and the best environmental index.
- In more than half of Group companies, the employee index PULS showed improved results.

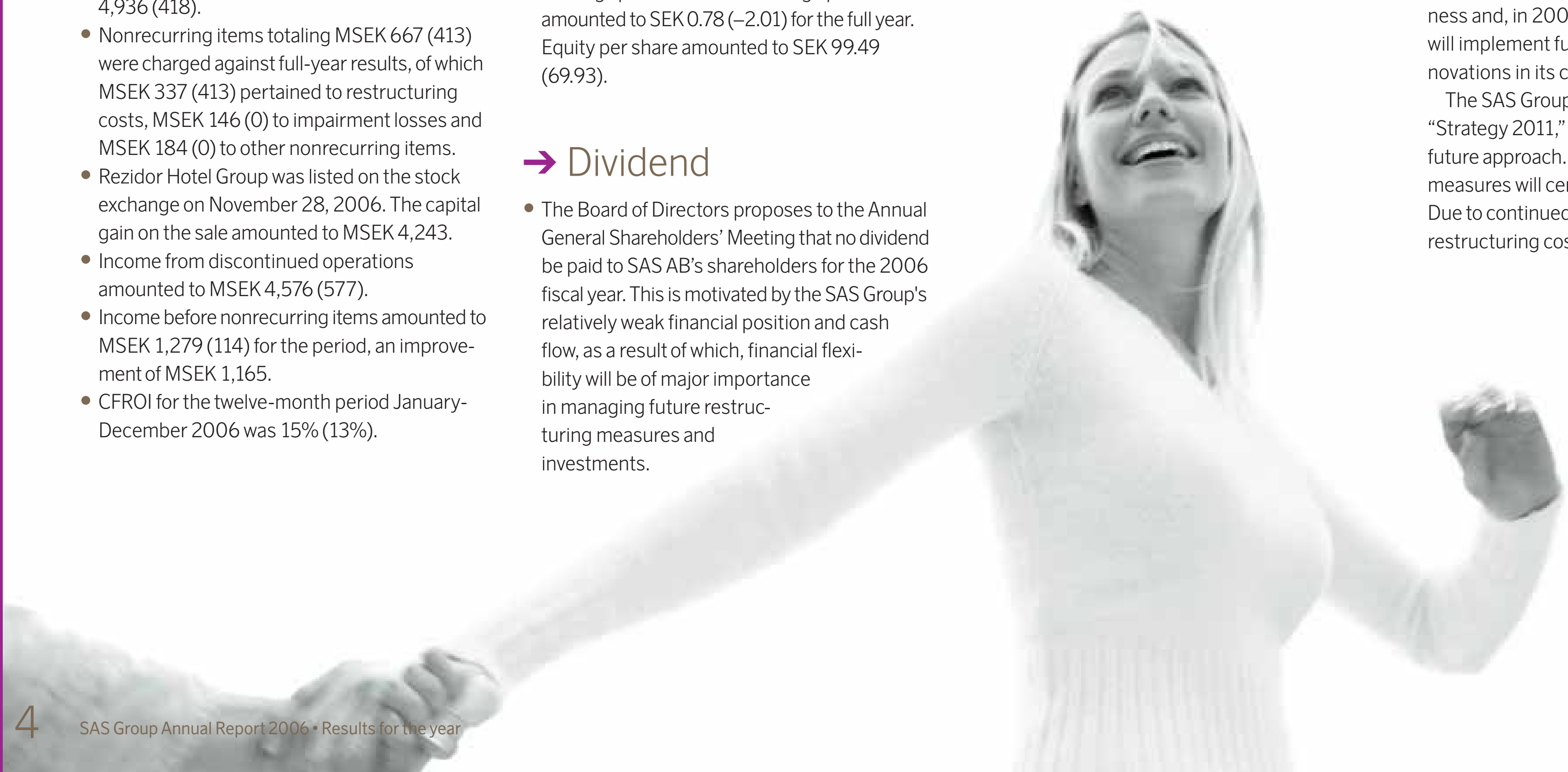
→ Full-year 2007

- There are currently no indications of a slowdown in the economy or the airline market, but uncertainty remains regarding the strength of growth, the future competitive situation and the trend for jet fuel prices.

In 2007, continued favorable passenger growth is expected in most of the SAS Group's markets. Growth is expected to be strongest in traffic to/from Europe, in the Baltic states and Spain. Competition is expected to remain intense in the markets in which the SAS Group is active.

New business models and other initiatives have strengthened the Group's competitiveness and, in 2007, SAS Scandinavian Airlines will implement further improvements and innovations in its commercial concepts.

The SAS Group has initiated a process, "Strategy 2011," aimed at defining the Group's future approach. New efficiency and revenue measures will certainly be part of this plan. Due to continued structural activities, future restructuring costs cannot be ruled out.



Important events

First quarter 2006

- The pilots at Scandinavian Airlines Danmark went on a wildcat strike, resulting in the cancellation of nearly all flights from Copenhagen for three days. A shortage of pilots resulted in a large number of canceled flights at SAS Braathens.
- The Supreme Court of Norway overturned the decision of Eidsivating Court of Appeal in favor of SAS Ground Services in a lawsuit concerning employees' rights in connection with the transfer from Braathens in 2002.
- The SAS Group completed the incorporation process and affected pilots were transferred from the SAS Consortium to Scandinavian Airlines Danmark and Scandinavian Airlines Sverige effective March 1, 2006.
- The European Commission conducted an unannounced inspection of SAS Cargo in Copenhagen on February 14 as part of an extensive investigation of suspected antitrust violations in the airfreight business. A similar investigation by U.S. authorities is under way.
- Blue1 opened ten new European destinations from Helsinki in March and April.
- At Spanair, certain revenue and expense items were incorrectly booked for 2002-2005.

Second quarter 2006

- SAS Braathens concluded a new agreement with cabin crew after a three-day lawful conflict.
- At SAS AB's Annual General Shareholders' Meeting, the Board of Directors was reelected and Jens Erik Christensen replaced Lars Rebien Sørensen who declined reelection.
- SAS AB's Annual General Shareholders' Meeting resolved not to pay a dividend for the 2005 fiscal year.
- The President and CEO of the SAS Group, Jørgen Lindegaard, announced that he would leave the SAS Group.
- Scandinavian Airlines and the pilots' unions signed an agreement that ensures unity regarding terms of employment, the seniority list and principal payroll and employment terms and conditions.

Third quarter 2006

- SAS Scandinavian Airlines transported 7,900 passengers from Lebanon on evacuation missions on behalf of the Scandinavian governments.
- Executive Vice President Gunnar Reitan assumed the position of Acting President and CEO from August 1.
- SAS Braathens was found not guilty of abusing its dominant position on the Oslo-Haugesund route. The Norwegian Competition Authority concluded its investigation of the Oslo- Ålesund route without taking any action. SAS Braathens was also found not guilty of unlawfully accessing data about Norwegian in the Amadeus reservation system. Both judgments are being appealed.
- The SAS Group signed a cooperation agreement with Reitan Servicehandel for the distribution of air tickets through the retail sector at about 2,400 stores in Scandinavia.
- The technical base for heavy maintenance in Stavanger/Sola was closed on September 1.
- Scandinavian Airlines International reported that the Stockholm-Beijing route will open in March 2007.
- The SAS Group celebrated its 60th anniversary on September 17.

60 Years

Fourth quarter 2006

- Spanair launched five new routes and four new destinations in October and is expanding its operations from Barcelona.
- The SAS Group reported a possible sale of SAS Flight Academy.
- Rezidor Hotel Group was listed on the stock exchange.
- Moody's upgraded its credit rating outlook of SAS from negative to stable.
- The European Commission proposed introducing an emission quota trading system.

After January 1, 2007

- Mats Jansson assumed the position of President and CEO on January 1, 2007.
- The Board of Directors of the SAS Group proposes to the Annual General Shareholders' Meeting that no dividend be paid for the 2006 fiscal year.
- The SAS Group is changing the structure of its intercontinental operations, adding the Stockholm-Beijing route and several frequencies to New York. The route to Shanghai is being closed down as of April 8, 2007. A new Stockholm-Bangkok nonstop route will begin at the end of October.
- The SAS Group announced new products and services for its largest customer segment - frequent flyers.
- SAS Flight Academy was sold in February.
- The SAS Group will offer its customers the opportunity to purchase carbon offsets.

2006 - a year of change

A strong market combined with new business models, and effective cost and capacity control resulted in improved earnings. Although the result reported for 2006 is a good sign, the level is too low to meet future investment needs.

Gunnar Reitan Acting President and CEO as of August 1, 2006

After Jørgen Lindegaard's departure, I was given the task of heading the SAS Group. It has been a challenging and very fruitful period. The year got off to a turbulent start with our difficult internal negotiations, which had an adverse impact on our earnings and delivery quality. Primarily during the late spring and to date, there has been a sharp increase in demand in most of the Group's markets, which was a significant reason for the improvement in earnings. In addition, the introduction of new business models, effective cost control and efficient capacity adaptation resulted in considerable earnings improvements, primarily in the SAS Scandinavian Airlines business area. Income before nonrecurring items totaled MSEK 1,279, an improvement of MSEK 1,165. We are satisfied with the pace of improvement, but the level of earnings remains far from the returns that our shareholders are entitled to demand.

Growth was highly favorable in the Baltic states and Spain, but there was also significant growth in the Norwegian market. The SAS Group is well-positioned in the growth markets through airBaltic and Spanair. In Norway, SAS Braathens stabilized its market position. Despite moderate growth, Scandinavian Airlines Sverige had the largest improvement in earnings in percentage terms. The Group's other airlines also enjoyed a favorable earnings trend, except for Blue1, which had major startup costs in connection with its expansion.

The cost-reducing measures at SAS Scandinavian Airlines and SAS Aviation Services, totaling SEK 2.5 billion, continue. Significant efficiency-enhancement measures are also being implemented by our other airlines. As Acting CEO, it has been my task to ensure that there has been a continued intense pace in the change processes. I feel that we have succeeded well in this, both in the commercial area and in terms of the cost trend. The new business models have given us a considerably improved load factor that provides opportunities for efficient control of revenue. During the year, a major step in the process to free up capital was implemented through the successful stock-exchange listing of the Rezidor Hotel Group. With this sale, the SAS Group increased its financial strength and we are now increasingly a streamlined airline group. It is my assessment that, through the work of recent years, we have created a more stable platform. However, much work remains before we can achieve acceptable returns for our shareholders.

Stockholm, March 15, 2007

Gunnar Reitan
Acting President and CEO
August 1-December 31, 2006

Mats Jansson, President and CEO

Following a two month period of knowledge gathering, I formally assumed the position of President and CEO on January 1, 2007. It feels incredibly positive and inspiring to have the opportunity to head one of Europe's largest and most respected airline groups. At the same time, it is an obligation because, in cooperation with my colleagues, my assignment and my mandate are to develop the SAS Group financially and conceptually. The aim is to enable the implementation of necessary investments, satisfy the owners' demands for returns and preserve the SAS Group as an independent company.

By meeting and talking to more than 2,000 employees, conducting detailed interviews with some 100 managers, Board members and trade union representatives, I have gained an initial impression of the challenges that lie ahead. This process also forms the basis for the strategy work that has been commenced within the Group and which will culminate in a specific plan called "Strategy 2011" that will be unveiled in May. The starting point for our strategy work is that we are progressing from a rescue or crisis phase to one of conceptually driven restructuring.

More clearly than ever, "Strategy 2011" will provide the answer to where we stand, what we will be, what we will offer, how we will behave and, last but not least, the results requirement or demand that we must achieve in order to fulfill future investments and the shareholders' right to returns. In other words, we will chisel out hard and soft aspects of the plan. These involve everything from further cost-saving measures, brand positioning, customer offering and measures for growth to a management model, but also consideration of climate issues and other key sustainability concerns, as well as basic cultural values.

What are my impressions and reflections after these first months?

First of all, SAS is a fine company that touches everyone. Competence and employee loyalty are high. We have lots of loyal customers, but expectations are also great. The brand is strong, as is the market position, particularly in Scandinavia. The result reported for 2006 is a good sign, but the level is too low to meet the shareholders' return requirements and future investment needs. The gap in earnings amounts to about SEK 3 billion for achievement of a satisfactory level of return. To fill the gap, further efficiency measures are required, as well as further strengthening and clarification of our business concept. In other words, a combination of cost and revenue measures.

A further reflection is that after completion of the necessary decentralization and incorporation, we require a clear description of our various roles to ensure quality and speed in the implementation of future improvement measures.

In conclusion, "Strategy 2011" will be no major revolution, rather a significant evolution with the principal aim of firmly establishing our future approach and target scenario for our customers, employees and shareholders.

In 2007, continued favorable growth is expected and there are currently no indications of a slowdown in the economy or the airline market. However, uncertainty remains regarding the strength of growth, the future competitive situation and the trend for jet fuel prices.

Stockholm, March 15, 2007

Mats Jansson
President and CEO

Questions addressed by "Strategy 2011"

Where do we stand?
- Markets and trends
- The SAS Group's strengths, weaknesses, opportunities and threats (SWOT)

What will we be?
- Business concept
- Vision/target scenario
- Demands on ourselves

What will we offer?
- Organic growth
- Commercial concepts
- Degree of commercial coordination
- Allocating roles among the airlines

How will we behave?
- Management/philosophy and basic cultural values
- Employee strategy/ways of getting along with unions
- Communication strategy

How will we be managed?
- Management model: allocating roles between the Group and subsidiaries
- Implications for the organization
- Portfolio strategy

What are the results that we want?
- Definition of long-term financial targets
- Costs
- Operational efficiency
- Financial simulations

The SAS Group's strengths are a solid foundation for building on:

- Brand position: trustworthy and reliable
- Strong market position: Northern Europe
- Extensive network with several hubs
- Customer-oriented
- Business structure with clear accountability
- Proud, competent personnel


Impressions and reflections from meetings with customers, managers and staff

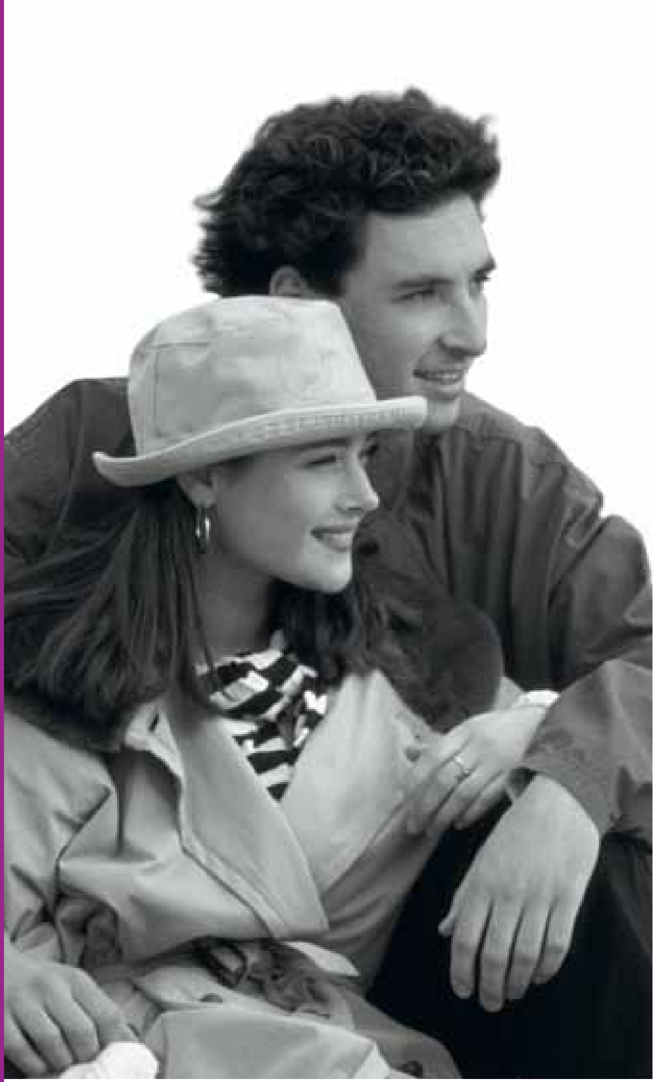
- We need clearer and more distinct concepts for our business and leisure travelers
- We must continue to streamline
- We need to grow
- We need a clearer description of our roles




"The earnings requirement of SEK 4-4.5 billion will ensure the SAS Group's returns to its shareholders and enable it to meet future investment needs and guarantee the Group's independence."

Business concept, vision, objectives & values

Strategy is being worked on in the Group and certain parts of the Group's strategic plan are being reviewed and may be amended. Called "Strategy 2011," the new plan will be available on the SAS Group's website in May.



Business concept

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

Vision

The preferred choice.

Objectives

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

Profitability
- The Group's financial target is a CFROI of at least 20% over a business cycle.

Products
- The SAS Group's products should be easy to purchase and be perceived as a good value.
- Travel is to be smooth and tailored to the customer's needs.

Market position
- SAS aims to be one of the leading airline groups in Europe.

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

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

Values

The SAS Group's overarching shared values are the basis of the Group's actions vis-à-vis all stakeholders as well as individuals and groups.

Consideration
- We care about our customers and employees and acknowledge our social and environmental responsibilities.

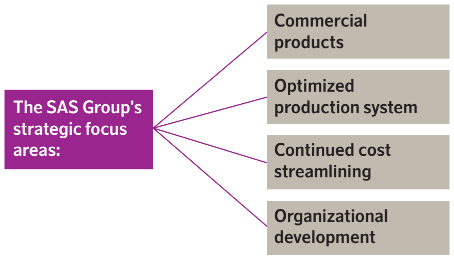
Reliability
- Safe, trustworthy and consistent in word and deed.

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.

Strategies, management model & philosophy

SAS Group companies have developed strategies to reach the objectives set by the Group.



Strategies and primary focus

Since 2001 the SAS Group has undergone considerable changes. New commercial concepts, Turnaround 2005, as well as the incorporation of operations have created a platform for the further enhancement of the Group's strategies. In 2003 the Group defined four strategic focus areas. Recent company disposals, the listing of Rezidor Hotel Group, and the sale of SAS Flight Academy have refocused the Group on its core business.

The SAS Group enjoys a strong position in the European market and works continuously to bolster it further. This takes place within the framework of the four focus areas. See the chapter on the further development of the Group's strategic focus areas on page 10.

The SAS Group's target scenario is to be one of the leading players in the European airline industry. The Group is also to be characterized by customer-friendliness, profitability, efficiency and a lower environmental impact.

The SAS Group's management philosophy

The basis of the SAS Group's management philosophy is that accountability promotes efficiency, value-creation and motivation.

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

Market prices in internal business relations shall be determined by supplier companies being able to show their competitiveness by objectively presenting:

- Implemented benchmarks.
- Price level for external market.
- Tenders for outsourcing all or portions of services.
- Other information about the market and competitors.

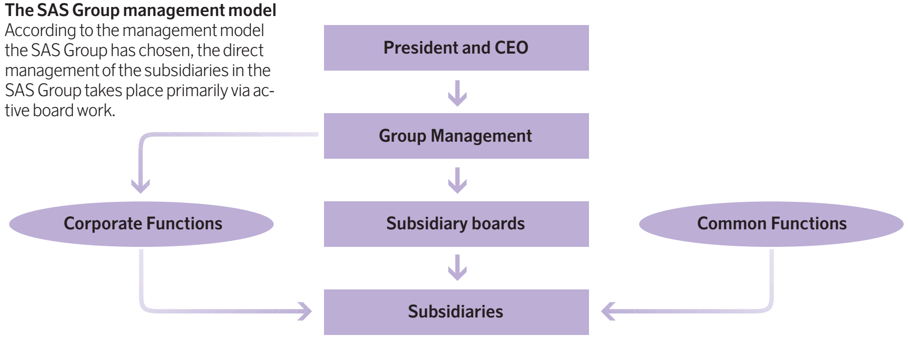
Strategies for sustainability

- Sustainable development is achieved through an endeavor for economic growth, meeting environmental standards and social responsibility.
- The Group shall optimize its resource use and systematically choose greener solutions.
- Employee motivation is fundamental to a successful enterprise.

Financial strategies are described on page 21.

The SAS Group management model

According to the management model the SAS Group has chosen, the direct management of the subsidiaries in the SAS Group takes place primarily via active board work.



President and CEO: *Appointed by the Board to lead the SAS Group & Group Management.*

Group Management: *Formulates and develops overarching tasks, objectives, and strategies for the SAS Group and determines the companies' tasks/roles and overarching objectives and strategies in a close dialog with the Group Board.*

Corporate Functions: *Support Group Management and the companies in reaching Group objectives. Functional responsibility within their areas.*

Common Functions: *Coordinate the subsidiaries within defined areas to achieve greater synergies and market power.*

Subsidiary boards: *The management of SAS Group subsidiaries takes place primarily through active board work.*

Subsidiaries: *Formulate and develop strategies and action plans to achieve objectives and break them down into different parts in their operations.*

Strategic focus areas of the Group

Since 2003 the Group has been working on four strategic focus areas: commercial products, production system optimization, continued cost streamlining, and organizational development.

Commercial products

- Positioning - differentiated products and fare structures
- New commercial relations
- Developing products
- New distribution platform

Commercial products

The SAS Group's airlines work continuously to develop and improve the business model with the aim of increasing customer value and competitiveness.

About 60-70% of SAS Group airlines' customers fly on business. There is high price awareness among all customers, but customer surveys show that around two-thirds of business customers want more than the basic product offered by the new airlines or an economy class product. There is a willingness to pay for enhanced service. Today about 50% of business passengers travel in Economy class.

The Group's customer satisfaction surveys show that there are business travelers that are dissatisfied with the Economy product and, accordingly, there is potential in designing an offering to satisfy these customers.

SAS Group shall offer a distinctly differentiated product compared with the new airlines. The Group flies to primary airports and is responsible for passengers and baggage during the entire journey. Customers save time using more flexible routines such as Internet check-in, allowing them to go directly to gate. The SAS Group has also introduced special "Fast Track" security controls for Business and Economy Extra travelers as a way of differentiating the product. For example, Spanair also offers a punctuality guarantee.

Since 2005, Group airlines have offered a new business model with demand-based one-way fares without complicated rules and restrictions.

SAS will expand its dialog with its largest customers, while improving its relations through new, customized corporate agreements with small and medium-sized enterprises.

In 2005 a new business model was introduced at SAS Scandinavian Airlines based on one-way fares and simpler rules for booking tickets. In the next phase, these products will be enhanced by tailoring this business model more to what the market wants (see page 12).

In autumn 2006, SAS Scandinavian Airlines launched a new, improved web site with a simpler booking dialog and clear price calendar. Pricing was also harmonized to simplify the process for passengers and to clarify price and product.

SAS Group airlines provide supplementary services that can easily be added to the journey. Some examples are rebookable tickets for Business class travelers, Flight Shop, hotels, car rental, etc. Business Class offers comfort amenities such as even more comfortable seats or sleeper seats on long flights, hot food on board, lounge access and vacant middle seats.

Production system optimization

- Ensure high-quality deliveries
- Continue capacity adjustments
- Dynamic traffic planning

Production system optimization

New planning processes will further improve punctuality and regularity.

SAS Group airlines are also doing more to adjust capacity to profitability and demand. Unprofitable routes will be closed down, and greater use of dynamic traffic planning will ensure that capacity matches demand throughout the year.

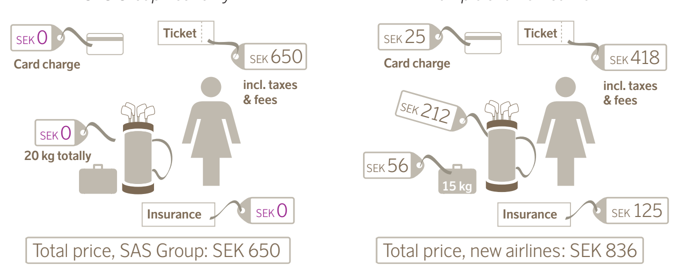
For example, SAS Scandinavian Airlines has 20% lower capacity during the low-season months January-February than in September-October.

In 2007, intercontinental capacity will see a greater degree of seasonal adjustment to demand.

The SAS Group's commercial initiative focuses on the entire travel chain

Efficiency throughout the travel chain is crucial. Everything from convenient booking to expedited security control, efficient check-in and being treated well on board are decisive factors for choosing an airline.

What does a trip from Stockholm to Paris cost?



With the new carriers it is often the case that in addition to the fare, passengers have to pay payment card charges, baggage charges etc. Flights from secondary airports often result in longer total travel times.

The price example is based on information on airline websites on March 12, 2007.

Continued cost streamlining		
• Complete decentralization process	• Local cost programs	• Flexible cost base

Cost adaptations

Lower unit costs require higher productivity, market compensation levels, more seats in aircraft and lower handling and distribution costs.

The SAS Group continuously compares cost levels in each unit to ensure competitiveness. The need for new efficiency-enhancement measures is being evaluated within the framework of the "Strategy 2011" program. Increasing efficiency is an ongoing feature of all of the Group's units.

SAS Scandinavian Airlines and the companies in SAS Aviation Services are currently carrying out cost-cutting measures corresponding to SEK 2.5 billion for 2006-2007. These measures include streamlining sales operations, ground services, technical maintenance, distribution, and the administration, as well as higher productivity and competitive terms for employees.

The breakdown of the SEK 2.5 billion is currently MSEK 600 for productivity, approximately MSEK 900 for efficiency enhancements at SGS and STS, and approximately MSEK 1,000 for administration and sales and other costs. By the end of 2006, measures corresponding to 79% of the SEK 2.5 billion had been implemented.

Spanair is working continuously to improve efficiency and further reduce unit costs. In all, Spanair is to implement efficiency enhancements of around MEUR 200 from the level of 2005 to 2009. In this connection, the airline concluded a four-year agreement with flight staff that makes possible higher productivity along with new, competitive pay scales. Widerøe identified cost measures of approximately MSEK 200 aimed at reducing unit costs.

All companies will increase the degree of flexibility in the cost base, which will be secured through changed crew agreements, aircraft leasing, purchasing agreements, etc.

The earnings effect from the cost program in 2006 amounted to MSEK 1,000. At the same time, the earnings effect in 2006 from Turnaround 2005 is around MSEK 1,600.

Organizational development		
• Strong leadership	• Greater employee involvement	• Sharing expertise

Organizational development

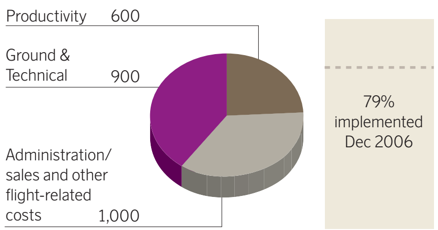
To be able to continue a change process it is crucial to ensure the organization's capacity to implement its plans. It is therefore essential to develop leadership, involve employees and develop human resources.

Evaluation, compensation and development of managers are to be directly linked to the strategic agenda and results attained. An ample supply of businesslike and strategic managers with focus on profitability is to be assured.

All employees are to see the connection between their own efforts, the company's commercial relations with the customer and the results attained. The ability to engage employees will weigh heavily in evaluations of managers.

There is a need to share expertise in a number of areas.

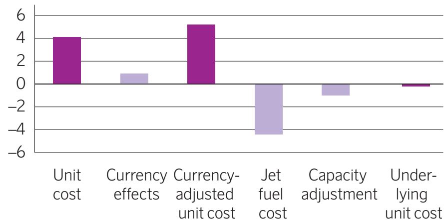
Cost savings of SEK 2.5 billion, 2006-2007
MSEK



Cost-cutting measures corresponding to SEK 2.5 billion are currently being carried out in SAS Scandinavian Airlines, SAS Technical Services, and SAS Ground Services. At year-end, MSEK 1,975 or 79% of the measures were implemented.

Adjusted for capacity adaptation (using dynamic traffic planning), currency effects, and sharply higher jet fuel prices, SAS Scandinavian Airlines' unit cost fell marginally in 2006. The reduction occurred despite pay inflation and other inflationary effects in operations.

Underlying unit cost, 2006
% (change over previous year)



SAS Scandinavian Airlines is taking the next step in developing its business model

1 Position

SAS Scandinavian Airlines will have a clear and competitive position in all markets.

- Offering flexible and efficient travel solutions for frequent business travelers.
- Focusing on frequent flyers, who value time and efficient travel and appreciate service.
- Taking the position: *"A friendly and reliable airline that enables smooth and efficient traveling"*

2 A clearer and harmonized product

The product and service on the ground and on board will be based on: Business, Economy Extra and Economy. Smooth solutions at the airport will simplify travel for frequent flyers through such innovations as:

- electronic travel
- mobile solutions
- biometric solutions.

3 Focus on frequent flyers

SAS Scandinavian Airlines will reward loyal customers and strengthen its relations with corporate customers.

- More benefits for frequent business travelers by enhancing the EuroBonus program.
- Launch of products for corporate customers that are more flexible and better adapted to the market.

4 Examples of SAS Scandinavian Airlines' new product concepts

- Better service in Business class.
- Economy Flex will become Economy Extra, with added benefits such as more baggage and better onboard service.
- Fast Track Security will be introduced for Business and Economy Extra at more airports.
- The Economy Extra fare will be lowered by introducing two new lower fare levels.
- EuroBonus Gold members will always be offered free food SAS Scandinavian Airlines even in Economy.
- Service on intra-Scandinavian routes will be harmonized with European routes.
- Automated check-in for Economy-class travelers.
- Economy class travelers will be offered travel to primary airports, seat reservation/Internet, etc.

Percentage of business travelers on SAS Group airlines 2006

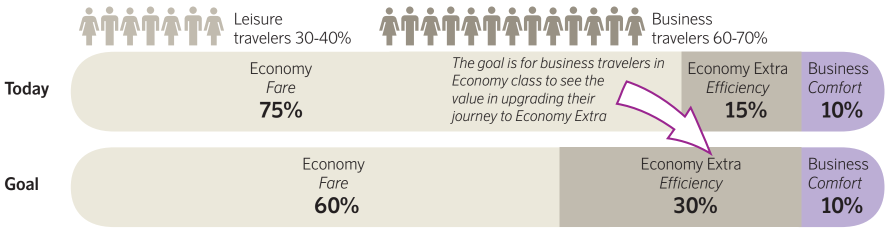
Scandinavian Airlines Danmark	70%
SAS Braathens	60%
Scandinavian Airlines Sverige	60%
Scandinavian Airlines International	50%
Spanair	50%
Widerøe	70%
Blue1	60%
airBaltic	60%
Estonian Air	50%

The SAS Group conducts annual large-scale customer surveys. They show that 60-70% of travelers fly on business. To better serve this key customer category, an extensive program is being launched this spring.

> *"It pays to be a loyal customer"*

Product development to increase the share of travelers in Economy Extra

50% of all Economy class travelers travel on business. The aim is for a larger share of business travelers to choose Economy Extra, which is attractive through its combination of lower fares, differentiated product and content. Examples of this are Business check-in, Fast Track Security, etc.



Flexible rebookable tickets are primarily sought by business travelers and have a potential of increasing in the future. Of business travelers, around 10% prefer the best of everything, around 15% choose comfort, around 30% give priority to efficient, smooth travel, and around 45% give priority only to the lowest fare.

In fall 2006 the SAS Group launched a new and improved website for booking. There you can get an overview of available seats in the various fare categories.

Strong brands in the Group's markets

Through a structure of locally based airlines, the SAS Group operates from eight markets. Local brands make possible local adaptation to customer needs.

Competitive offerings to customers

A key competitive factor is a strong, coordinated network tailored to customer demand. The SAS Group is able to tailor its offerings to local demand based on its structure of independent airlines and brands. In markets where the SAS Group has its own airline, the local airline is responsible for and coordinates the SAS Group's products and services.

In countries where the SAS Group does not have its own airline, its sales presence is coordinated through the SAS brand. Thus, on traffic flows between two markets with their own airlines, the SAS Group has a strategic advantage. Group affinity is underlined by the expression "SAS Group Company," which appears on SAS Individually Branded Airlines aircraft.

Economies of scale

Experience shows that economies of scale among the airlines' production platforms are limited. An IATA study shows that in 2005 there was no statistically significant correlation between high profit margins and airline size. The SAS Group's structure is based on decentralization and clear local accountability. Wherever there are opportunities to achieve business and cost synergies, they are coordinated.

Examples of such areas are:

- coordinating sales for Group airlines
- a common Internet platform
- administration
- purchasing.

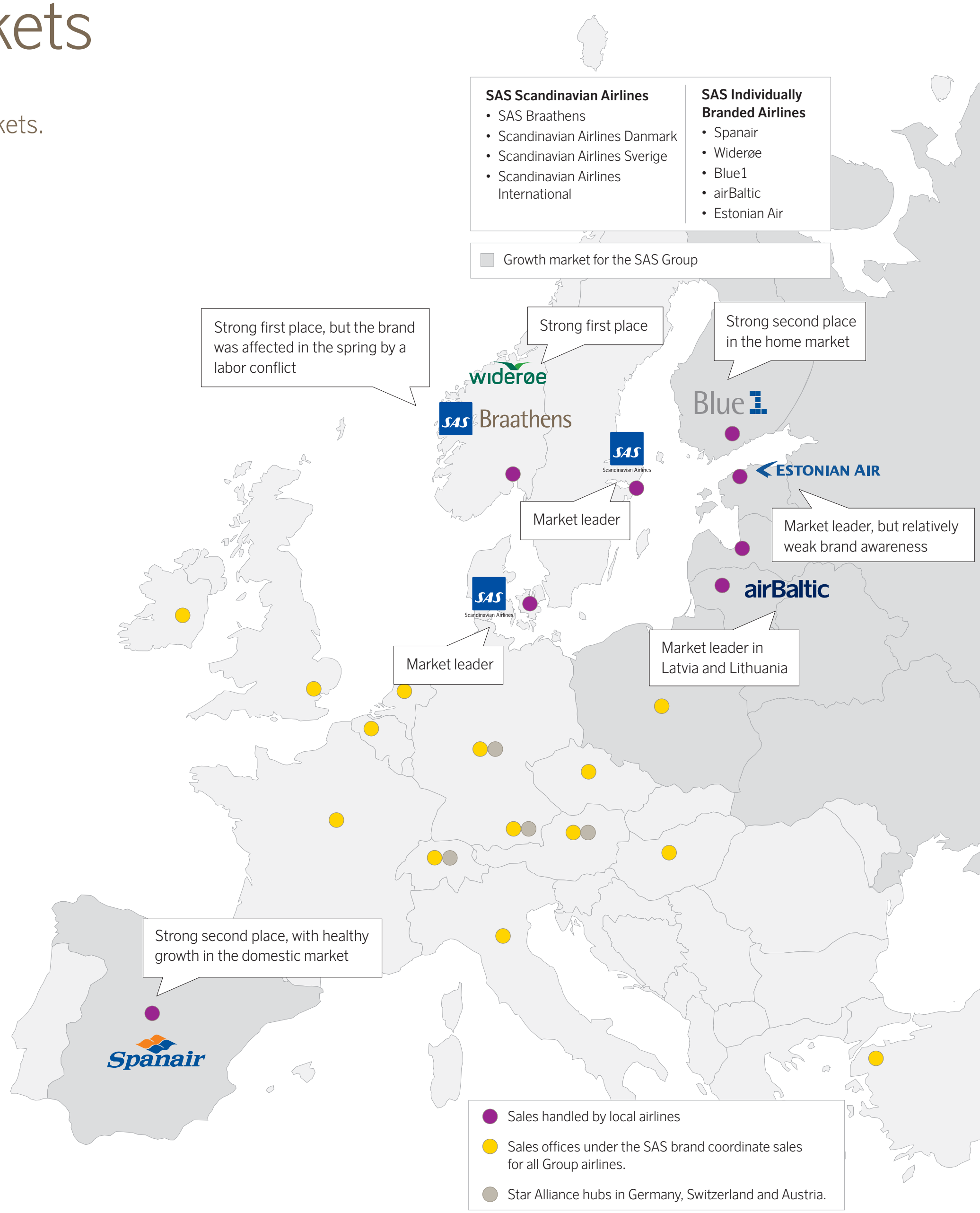
Routes within and to/from Scandinavia are primarily flown by the airlines in SAS Scandinavian Airlines. If SAS Scandinavian Airlines cannot attain profitability with a competitive product on a route, subsidiaries in the business area SAS Individually Branded Airlines may be given the opportunity to operate the route, assuming the airline can do so profitably. Where such a solution is not possible, passengers are offered either a transfer connection or service through a Star Alliance partner.

Value of the brand

Consideration
We show consideration in all we do by accommodating our customers in a professional and cordial manner. We do what we can to make all customers feel appreciated.

Simplicity
We strive for clarity and simplicity in our communication and in everything else we do. We do our utmost so that all customer contact and travel with us are perceived as flexible and efficient.

Reliability
We are reliable in all we do. We keep our promises - customers, coworkers, partners and owners are to rely on us. We offer safe, punctual and predictable travel.



Market growth & competition

The Group's airlines are active in different markets with different rates of growth. Growth has been the strongest in the Spanish, Baltic and Norwegian markets, but has been more moderate in Sweden and Denmark.

The airline industry from a global perspective
The airline industry has historically grown at a slightly higher rate than GDP, with traffic growth (RPK) of approximately 5% per year. The sales value of all air transportation in the world amounted to approximately MUSD 2,600 in 2006. Air traffic in Europe will grow by an estimated rate of approximately 4% per year until 2026. The biggest growth in the forthcoming 15-year period is expected to take place in the markets in, to and from Asia, by 6-9%. Overall traffic growth up to 2025 is expected to be between 4.8% and 4.9% according to Airbus' and Boeing's long-term forecasts.

Baltic Sea region boom
The SAS Group's primary home market is the Nordic countries and countries lining the Baltic Sea. The area has approximately 100 million inhabitants. The total value of air travel in, to and from this market is about SEK 100 billion per year, with 50-60 million passengers carried. In 2006 the SAS Group, including Estonian Air, carried 39.3 million passengers in scheduled service. The SAS Group is the leading airline group in the region and has a market share of approximately 25% in, to and from the Baltic Sea region.

The Baltic Sea region features both mature and rapidly growing markets. Scandinavia and northern Germany are relatively mature markets and the SAS Group has a high market share in these countries. In Scandinavia, international routes out of Norway and Sweden offer the greatest growth potential for the SAS Group. In Finland, the SAS Group has a good platform through Blue1 for growing faster than the market. In Latvia and Lithuania, the SAS Group leads the market with airBaltic. Growth in the market is high, and the SAS Group believes it is possible to grow somewhat faster than the market. Estonia is a growth market where through Estonian Air the SAS Group has a good platform for further growth at at least the level of the market.

Spain - a growth market
The SAS Group also operates out of Spain through its ownership of Spanair. Traffic flows between the Baltic Sea region and Spain are relatively high and growth is steady. This provides a basis for the Group to grow. The domestic market in Spain is also growing rapidly and is one of the largest in Europe.

The value of air travel in Spain is estimated to be SEK 30 billion and the Spanish domestic market is expected to grow 5-10% in the next few years. The Barcelona-Madrid route is the world's largest single air service in terms of number of departures and Spanair has a market share of more than 30%. Through Spanair the SAS Group claims a market share of more than 20% in Spain.

The value chain
The aviation value chain includes everything from aircraft manufacturers to distributors of plane tickets. The SAS Group operates in three segments: airlines, ground services and technical maintenance.

There has historically been an imbalance between financial earnings and return levels in the airline industry's value chain. While distributors and airports have traditionally earned very high returns, basically the only time airlines have been able to create value for shareholders is during economic booms.

Airports are being increasingly privatized, which means that state and municipal monopolies are being replaced by private monopolies with different profit requirements and investment calculations. Besides takeoff and landing fees, airports take in significant revenue from parking lots, duty-free sales, renting of retail space etc., which are not subject to regulation. The right to operate ground services at airports is partly regulated, hampering competition.

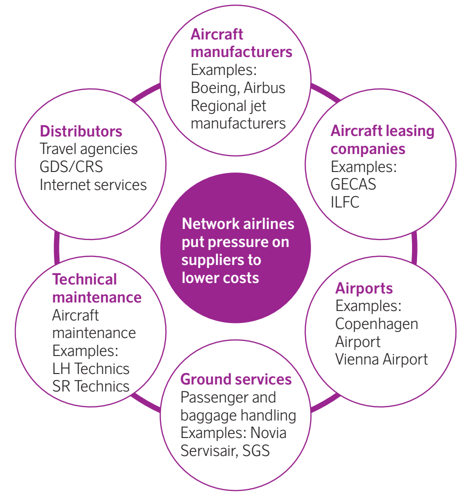
To achieve balance in the value chain IATA has listed the following focus areas:

- 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.

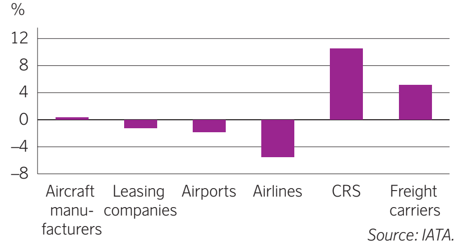
Although all posted positive earnings, SAS Group airlines did not achieve their return requirement in 2006. SAS Scandinavian Airlines posted the biggest earnings improvement. The SAS Group is working systematically to try to minimize the imbalance in the value chain.

Competitive situation
The Baltic Sea region
The competitive situation has stabilized somewhat after the major capacity increases by the new airlines in the Baltic Sea region in 2003-2005.

Airline industry value chain



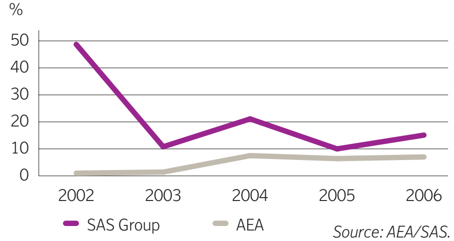
ROIC, 2001-2004



Source: IATA.

In 2001-2004 freight carriers and CRS, the distribution company, led all others in excess returns compared with a relevant return requirement.

RPK growth (Europe), 2002-2006



Source: AEA/SAS.

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

Several markets are still marked by a certain degree of overcapacity, and nearly all of the new airlines that the SAS Group competes with have reported large losses. In 2006 the new airlines were somewhat more restrained in adding capacity.

Part of the reason for the overcapacity was that after September 11, 2001, it became very cheap to lease aircraft. The boom economy has simultaneously pushed up the cost of leasing aircraft and reduced the number of available planes.

Spain

A handful of new players are expected to start operations in the Spanish market in 2007, requiring even further improvements in Spanair's cost position. A new high-speed train between Barcelona and Madrid will also impact the development of the market.

Intercontinental

Competition stiffened in 2006 in the intercontinental market after several American airlines under Chapter 11 protection shifted capacity from U.S. domestic to North Atlantic routes. As a result, traffic on European airlines increased by only 0.7% in 2006 and the passenger load factor declined by 1.1 percentage points.

New capacity based on overoptimistic market expectations, so-called irrational capacity, has dropped considerably. In the Asian market the growth in capacity is mainly taking place among airlines in the Middle East, a factor primarily affecting airlines in Central Europe.

Comments on the analysis of competitors

The Nordic market is predominantly mature with a growth rate of about 5% per year. With its 45% market share, the SAS Group, primarily through Scandinavian Airlines Danmark, Scandinavian Airlines Sverige and SAS Braathens, is the biggest player in the Nordic airline market. Blue1 is Finland's second largest airline and is expanding and taking market shares. Widerøe has a market share of 2% but is well positioned in regional aviation in Norway.

The Spanish market is a growth market, increasing 5-10% per year. However, competition has hardened since two new players entered the market. Spanair currently has a good position in the market and has plans to increase its market share in the Spanish market.

The Baltic market is the fastest-growing market in Europe, expanding by more than 10% in Estonia and more than 20% in Latvia and Lithuania per year. The SAS Group's carriers, airBaltic and Estonian Air, continue to take market share.

Analysis of competitors

Data for airline operations are based on production data (ASK) in 2006. Data for airline related operations are based on available public information and estimates.

Market share, Nordic countries

SAS Group	45%
SAS Scandinavian Airlines	33%
Finnair Group	14%
Sterling	7%
Norwegian	6%
Ryanair	5%
Air France/KLM	4%
Blue1	4%
airBaltic	4%
British Airways	2%
Widerøe	2%
Spanair	1%

Market share, Baltic Sea region

The Nordic countries, the Baltic countries, Poland, and northern Germany

SAS Group	25%
SAS Scandinavian Airlines	18%
Finnair Group	7%
Ryanair	5%
Sterling	4%
Air France/KLM	3%
Blue1	2%
airBaltic	2%

Market share, Spanish domestic

Iberia	40%
Spanair	22%
Air Europa	18%
Vueling	3%
Air Berlin	2%

Total number of passengers, million

Air France/KLM	72.7
Lufthansa	53.4
Ryanair	40.5
SAS Group	38.6
British Airways	36.1
Easyjet	33.7
Iberia	27.8
Finnair Group	7.6
Norwegian	5.1
Sterling *	2.7

** Pertains to 2005.*

Operating revenues of ground handling companies, SEK billion

Penauille Servisair, approx.	10
Swissport, approx.	9
SAS Ground Services, approx.	6

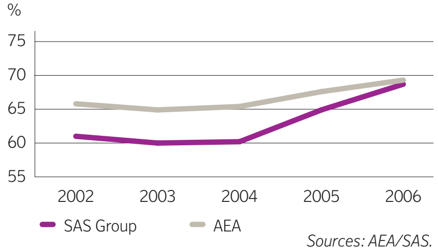
The Group's markets and expected GDP growth

Market	Expected 2007 GDP growth	The Group's share (of passenger revenue)	Trips/ capita
Norway	3.2%	28%	5.5
Sweden	3.6%	18%	2.9
Spain	3.3%	14%	1.7
Denmark	2.6%	10%	4.1
Finland	2.8%	4%	2.3
Latvia	9.5%	1%	1.1
Lithuania	7.4%	1%	0.4
Estonia	8.9%	1%	0.6

Sources: OECD Economic Outlook 80, Nordea Jan 2007.

The fastest economic growth is taking place in the Baltic countries. Healthy growth is expected in Scandinavia in 2007, and the Scandinavian market accounts for approximately 56% of the Group's revenue.

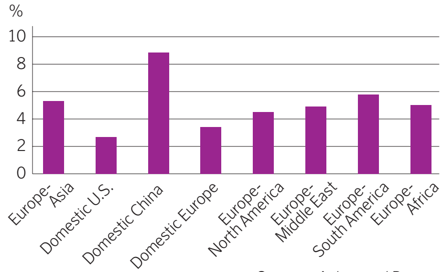
Passenger load factor (Europe) SAS Group vs. AEA, 2002-2006



Sources: AEA/SAS.

Thanks to the introduction of the new business model, the SAS Group's passenger load factor has increased and is now on par with the AEA. The new business model is based on simplified rules with lower unit prices

Expected market growth of the large global traffic flows 2006-2025



Sources: Airbus and Boeing.

The airline industry is expected to grow by an average of approximately 5% per year. Domestic travel in China and travel from Europe to South America are expected to see the fastest growth.

Alliances & partners

Membership in Star Alliance™ is a key part of the SAS Group's partner strategy. In 2006 the Group continued to develop its partnerships to benefit customers and travelers. This has enabled the SAS Group to offer an extensive route network with better choices for customers.

Customer benefits

By cooperating with selected partners, the SAS Group can offer a global route and services network. These partnerships focus on creating competitive products for the frequent international traveler. This primarily takes place through coordination of services, airport facilities and IT infrastructure.

Star Alliance

The global airline alliance Star Alliance was founded in May 1997 by SAS and four other airlines. In 2006 the SAS Group had three airlines in the alliance: Scandinavian Airlines, Spanair and Blue1.

At the end of 2006 the alliance consisted of 21 airlines. Swiss and South African Airways were added in spring 2006. In the coming year, Air China and Shanghai Airlines are expected to join the alliance. Turkish Airlines, too, intends to join within two years.

The alliance has three primary focus areas regarding what it offers customers:

- An attractive global route network
  The alliance reaches more destinations, more often and more quickly than other alliances.
- Flexible and efficient travel
  Passengers are offered seamless travel in the global system, regardless of the operator serving the particular segment.
- Global benefits
  Frequent flyers are to be given the same benefits system-wide, regardless of the airline they are flying on.

In 2007 Star Alliance will be teaming up with UNESCO, Ramsar and IUCN, to work actively on environmental issues under the name "Biosphere Connections."

In May 2007 Star Alliance celebrates its tenth anniversary. The occasion will be marked by a number of activities during the year.

Bilateral partnerships

SAS Group airlines have several bilateral partnerships. Each partnership is unique and has been developed to give passengers more choices, access to a global route network and bonus programs, and to help create efficient and resource-saving travel. The overall effect on earnings of these partnerships, including membership in Star Alliance, is estimated to be over MSEK 600 each year.

Since 1995 Lufthansa and Scandinavian Airlines have had a joint venture for traffic between Scandinavia and Germany. This partnership continued in 2006 after a market analysis was performed. Spanair and Blue1 also cooperate with Lufthansa. ECA, the European Cooperation Agreement, is a joint venture between Scandinavian Airlines, the U.K. carrier bmi and Lufthansa, in which the partners combine their route networks between London Heathrow and Manchester and the rest of Europe. The agreement runs until the end of 2007. Weak earnings have resulted in a negative impact on earnings for the SAS Group in the amount of MSEK 415 in 2006. During the year the SAS Group intensified its cooperation with Swiss, Thai Airways and Air China, among others.

A STAR ALLIANCE MEMBER

Year	
1995	SAS and Lufthansa announce a far-reaching strategic partnership. SAS and United begin a collaboration.
1996	SAS and Air Canada report plans to launch an alliance starting in 1997. SAS and Lufthansa begin code-sharing on flights.
1997	Air Canada, Lufthansa, SAS, Thai Airways International and United Airlines launch the Star Alliance network. *Varig joins Star Alliance.*
1998	Star Alliance member airlines carry 192.6 million passengers. Star Alliance opens a sales office in London.
1999	Star Alliance City Office opens in Paris, France. *ANA, Ansett Australia and Air New Zealand join Star Alliance.*
2000	*British Midland, Mexicana Airlines, Singapore Airlines and the Austrian Airlines Group join Star Alliance.*
2001	Official opening in Zurich of the first Star Alliance lounge.
2002	Star Alliance named the "best airline alliance" in the U.S. by Business Traveler magazine. Star Alliance's fifth anniversary.
2003	Star Alliance establishes a fuel purchasing company. *LOT Polish Airlines, Asiana Airlines and Spanair join Star Alliance.*
2004	Blue1 becomes the first regional member airline of Star Alliance. Star Alliance launches a common global e-ticket system. *US Airways joins Star Alliance.*
2005	Star Alliance named world's best airline alliance by Skytrax. *TAP Portugal joins Star Alliance.*
2006	Star Alliance named Best Airline Alliance by Skytrax. *Swiss and South African Airways join Star Alliance.*
2007	Star Alliance's tenth anniversary. At the beginning of 2007, Star Alliance has 21 members. *Air China and Shanghai Airlines are expected to become new members during the year.*

Framework for civil aviation

SAS Group airlines operate primarily in a free and deregulated market. Certain portions of the aviation industry, however, continue to be subject to regulation. The SAS Group's aim is to be at the forefront of green technology and other environmental initiatives.

Regulations

National government influence over aviation policy is shrinking in general, in step with new EU laws and directives. This pertains to ticket taxes, environmental charges, airport and airspace infrastructure, security measures and passengers' 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 aims for the bilateral markets, reserved to flag carriers, to be opened to all union airlines to the extent this is accepted by third countries.

Climate issues

Regulations in the areas of the environment and climate have increased and are expected to continue to do so. The airline industry is primarily regulated by international agreements reached within the framework set by the ICAO. This pertains, for example, to standards for noise and emissions of hydrocarbons (HCs), carbon monoxide (CO) and nitrogen oxides (NO_x). There are also national and local rules. For instance, around 40 airports in Europe and the U.S. have introduced various kinds of noise restrictions.

Civil aviation's share of global carbon dioxide (CO_2) emissions is relatively small, accounting for around 3% of total emissions. The focus is on the airlines owing to predicted growth (see page 15) and because their emissions are thought to contribute to climate change. The EU has decided to reduce total CO_2 emissions by 8% by 2010. To manage 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 2010.

Emissions trading

In December 2006 the EU made a new proposal regarding emissions trading, which includes the airline industry. The SAS Group is favorable towards such trading, since it is a precondition for responsible growth in the industry. The SAS Group offers its customers when booking travel the opportunity to purchase CO_2 compensation corresponding to their trips.

Tax on air travel

In accordance with an ICAO policy from the 1950s, fuel for international civil aviation is untaxed, which the European Parliament and parts of the European Commission deem unsatisfactory. For that reason, the Commission has worked through member states within the ICAO toward introducing a global carbon tax on jet fuel.

Norway is one of the few countries in Europe with a carbon tax on aviation. In all, the tax amounts to around MNOK 120 per year for Norwegian domestic traffic. A similar system exists in France.

Norway was also the first country in Europe to introduce, on January 1, 2007, a NO_x tax that does not comply with ECAC recommendations. Sweden previously had a carbon tax, which was repealed when it joined the EU. An environmental tax was planned for introduction in 2006 in Sweden, but was rejected in fall 2006.

Security

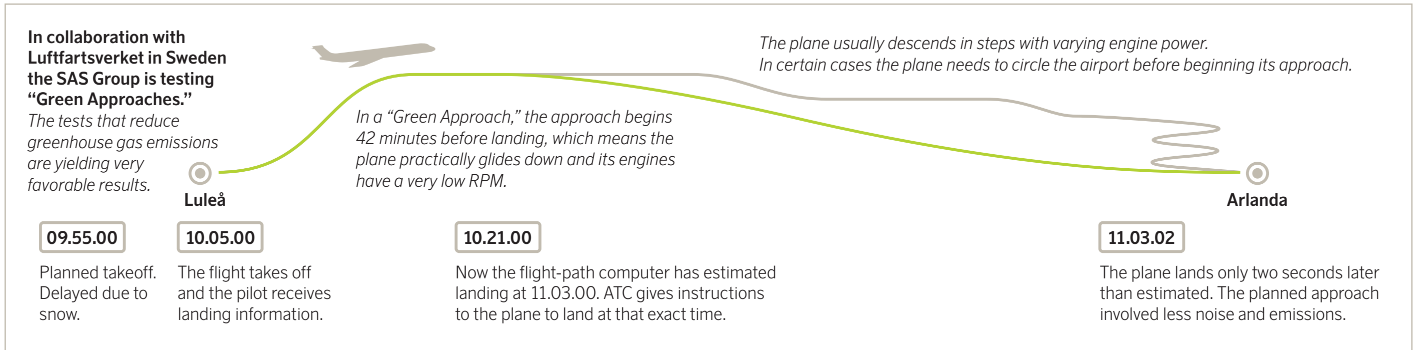
Demand for air travel is sensitive to external disturbances such as terrorist acts. Tightening security at airports and onboard has required substantial investment in the form of expanded security systems and controls. The SAS Group works to make these controls as effective as possible.

Infrastructure

The growth of the airlines is at risk of being restricted by capacity problems chiefly at European airports, crowded skies and a lack of air traffic coordination. There are still a number of secondary airports available, but they are generally in poorer locations than primary airports.

Airways

The Scandinavian countries have introduced new flight paths and coordination of traffic. This has resulted in substantial savings of time and fuel. Similar efforts are under way in the EU within the framework of Eurocontrol. The aim is a Single European Sky. According to the AEA, this will mean a reduction in fuel costs at current prices of around 12% through shorter flight paths and less congestion and waiting in the air. Air traffic in the U.S. is currently directed by three centers. In Europe the number of centers is 25. Progress is slow due to national considerations and the fact that each country protects its own air space.



A "Green Approach" by a Boeing 737 saves around 100 kg of jet fuel. At the same time, CO_2 emissions are cut by 314 kg and NO_x emissions by 1.1 kg.

Flight safety

All SAS Group airlines are certified according to the IOSA (IATA Operational Safety Audit). IOSA certification is important for safe aircraft operation.

In 2006 RAMS (Risk Assessment Method in SAS) was implemented in SAS Group airlines to improve quality and increase transparency. Cooperation among the Group airlines helps them to reach their safety targets. A further enhancement has been initiated to link RAMS with Scandinavian Airlines Flight Data Monitoring (FDM), which collects all flight data directly from aircraft. This will make the SAS Group a leader in flight safety operations.

SAS Scandinavian Airlines was the first airline recertified by IOSA (IATA Operational Safety Audit) without remarks in 2006. This certification may be described as the airline industry's version of ISO 9000.

Aircraft maintenance

The SAS Group's aircraft maintenance is largely performed by SAS Technical Services (STS). Quality work is performed together with the airlines based on reported incidents, inspections and audits that are analyzed and evaluated.

Maintenance carried out by other providers takes place under separate contracts that require incident reporting. Maintenance bases affected have to be formally approved by the airlines and the civil aviation authorities. Maintenance is performed according to strict rules and a stringent control system that ensures airworthy aircraft. There is particular focus on quality control in maintenance work and on the interface between providers of these services and the respective airlines.

In 2006 STS had certain quality problems including some involving the logistics of supplying spare parts.

Incidents

Despite all the safety initiatives and high safety awareness, incidents occurred in 2006, which prompted immediate actions:

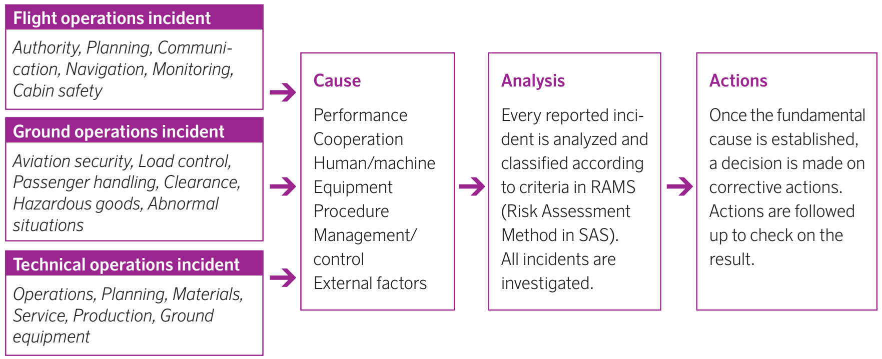
- An SAS Braathens aircraft was subjected to turbulence during a flight. The flight was formally classified as an incident since a member of the cabin crew had to be hospitalized after sustaining injuries in the cabin. No passengers were hurt. The incident is being investigated by the Norwegian Accident Investigation Board (AIB) and the SAS Braathens Investigation Group.
- In fall 2005 it was discovered that parts of scheduled inspections were not carried out on Airbus A340/330s and A321s. Several actions were taken to ensure improvements and prevent a recurrence. Despite this, parts or some scheduled inspections were not performed in 2006; however, the causes of the incident are being investigated to prevent a recurrence. The SAS Group takes the incident seriously and has carried out changes in routines as well as in personnel to avoid a recurrence.

SAS action plan approved by the authorities

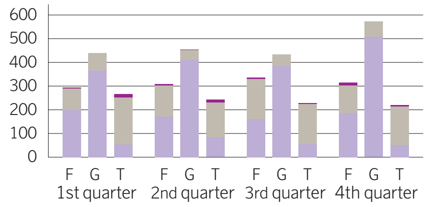
Scandinavian Operations Management, SOM, has submitted a plan for actions for technical maintenance to eliminate the risk the maintenance intervals are exceeded. The plan was approved by the OPS Committee. *

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

Flight safety management



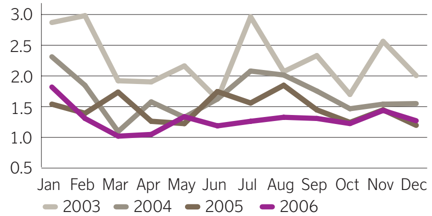
Reported incidents in SAS Scandinavian Airlines and SAS Aviation Services, 2006



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

- R1: High risk (No reported incidents in this category in 2006).
- R2: Elevated risk under all circumstances.
- R3: Elevated risk under adverse circumstances that periodically occur.
- R4: Non-elevated or elevated risk only under extreme circumstances. Employed for incidents showing possible safety problems.
- R5: Non-elevated risk, since the incident is not safety-related.

SAS Scandinavian Airlines Risk index, 2003-2006



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

Number of reported incidents in 2006

	R1	R2	R3	R4	R5
Flight operations	0	1	29	504	717
Ground operations	0	0	8	224	1 669
Technical operations	0	0	36	676	244
Total	0	1	73	1 404	2 630

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.

Security

In 2006 the SAS Group became the first airline company in Europe to introduce biometric solutions. In the future new solutions will enable a more secure and efficient travel flow at airports.

Tightened security at airports has entailed considerable investment in infrastructure in the form of expanded security systems and controls. This has prolonged the time it takes passengers to get through security checks.

SAS Group Security Standards

Work on security is ever evolving at Group airlines. In 2006 development work commenced with the creation of the SAS Group Security Standards, which will be applied in the following areas: aviation, real estate, training, human resources and IT.

Security events 2006

2006 was free of serious security events apart from the armed robbery of a SAS Scandinavian Airlines plane at Landvetter airport near Gothenburg in March 2006. Heavily armed perpetrators forced their way into the airport enclosure and attacked ground personnel as they unloaded a shipment of foreign currency. The incident led to an extensive investigation and has resulted in a review of the entire system for transporting valuables at SAS Group airlines. For one, SAS Scandinavian Airlines has taken the initiative to introduce security boxes for transporting valuables.

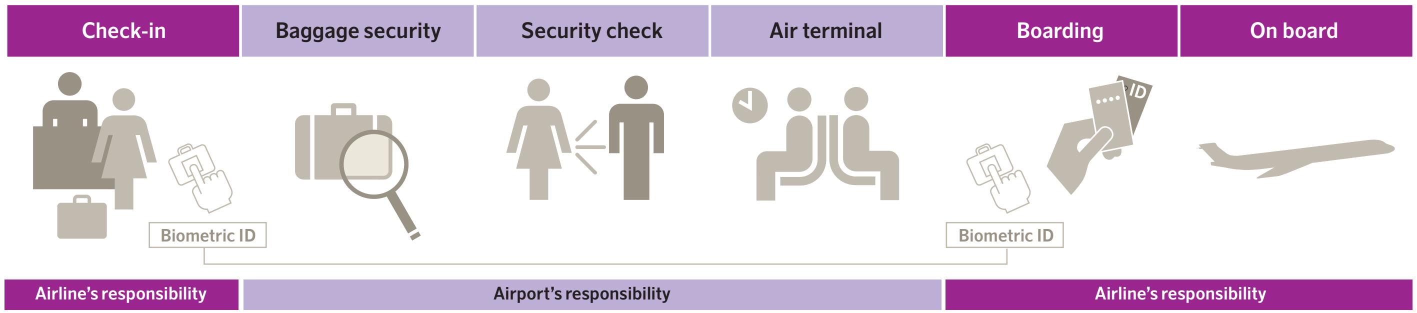
Above all, the situation in the Middle East has been tense with the bombings in Egypt. During the crisis in Lebanon last summer SAS's security department was heavily involved in coordinating evacuation flights.

In August in the U.K., police foiled a plot by a terrorist group that was planning attacks on the airline industry using liquid explosives. The discovery led to extensive restrictions on liquid carry-on items starting November 1, 2006. In addition to airports in the EU and U.S., the restrictions have also been put into effect in other parts of the world.

Biometrics

The SAS Group is working on biometric solutions that in the future will be capable of performing security checks on passengers every step of the travel flow process, thereby saving time and money. In 2006 the SAS Group introduced biometric solutions at Swedish airports. For security reasons passengers who check in a piece of luggage for a flight must also be physically onboard the same flight. This rule now applies to domestic travel too. To meet this requirement without jeopardizing the self-service flow, SAS Scandinavian Airlines introduced a biometric system this year for self-service passengers. 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 fingerprints are deleted at the end of the flight. Implementation of the system commenced at Swedish domestic airports last fall, with installation in Norway and Denmark scheduled in 2007. In the future biometric passports will afford further simplification of the travel flow process.



Quality processes

The SAS Group is committed to quality in all critical business processes.
High safety and reduced environmental impact are priority areas moving forward.

Airline operations

Defined as everything from delays to canceled flights, operational interruptions in traffic impose extra costs on the airline and adversely impact customers. Reasons may vary from computer glitches to difficult ground and weather conditions, which affect all airlines. Other problems may be accidents, such as a damaged aircraft interrupting traffic at an airport.

The SAS Group's large network as well as its cooperation with Star Alliance™ and other partners enable it to resolve problems quickly, minimizing adverse effects on passengers. Operational interruptions for intercontinental operations are more difficult to isolate due to the size of the aircraft and higher percentage of transferring passengers.

The SAS Group is highly committed to improving punctuality, which decreased in 2006, and has consequently introduced a special program for this featuring the following elements:

- A review of Line Maintenance in Copenhagen to improve delivery capacity in all key processes.
- Trial stationing at gates of a person who will have full responsibility for coordinating the aircraft from arrival to departure.
- Insuring higher delivery service of materials to STS from the subcontractor SAS Component.
- Clarifying specified requirements with subcontractors.
- Adjusting staffing at certain airports.
- Clearer control and increased focus on management.

Measuring quality

Flight safety is the top priority of the Group, followed by punctuality and other service. The quality of service is measured on the basis of how it is viewed by consumers. By measuring quality the Group can see how expectations concerning safety, punctuality and comfortable transportation are met. 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 Group is installing business applications to benefit its customers, partners, suppliers, etc. Access to these applications via the Internet is protected by Internet firewalls. Access via other communications pathways is protected by customer firewalls. The SAS Group has external experts regularly verify chosen solutions.

The demand and need for employees to work from home and on business trips through 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 computer.

In 2006, 583,000 computer viruses were detected and rejected on the SAS Group's network. Operations were not appreciably affected by computer viruses in 2006.

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.

Production

One of the ways quality in production is measured is by analyzing punctuality and regularity and continuously following them up against set targets (see each airline concerned).

Approvals and certifications

The long-term goal is for all environmental management systems in the Group to be documented and comply with the international ISO 14001 environmental management standard.

The following have ISO 14001 certification:

- Newco, Spanish ground handling operator
- SAS Cargo

The following have ISO 9001 certification:

- Spanair
- Newco
- SAS Cargo's terminal operations

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.

Research and development

Due to the nature of the industry, the SAS Group does not engage in any R&D activities. Nor does the Group capitalize any R&D costs.

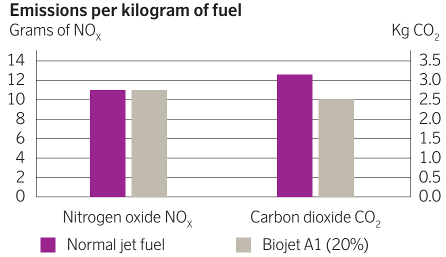
The SAS Group is working actively to reduce its environmental impact. "Green Approaches" is one such project aimed at reducing fuel consumption.

To protect the environment from deicing fluids, a research project involving infrared deicing of aircraft is taking place at Oslo Airport Gardermoen. Infrared deicing substantially reduces discharges of glycol. The project is being carried out by SAS Ground Services in Norway, Oslo Airport and Radiant. Aircraft taxi through a specially built hangar where infrared light removes snow and ice. Due to problematic test conditions with little snow and cold the tests will continue in 2007.

Alternative fuel

One of the most important long-term issues facing the airline industry is to reduce its need for fossil fuels.Reducing CO_2 emissions can take place through use of jet fuel produced by renewable raw materials. Together with the authorities and Volvo Aero, the SAS Group has lent support to the Swedish company Ecopar, which has produced a synthetic jet fuel, Biojet A1, from biomass. The Ecopar-tested jet fuel is judged to be within the technical criteria for jet fuel, but is not yet commercially available. However, emissions of NO_x and water vapor will not decline.

Emissions per kilogram of fuel



A possible future mixture of 20% synthetic jet fuel will provide correspondingly lower CO_2 emissions.

The capital market & Investor Relations

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 2006 the SAS Group's total market capitalization was MSEK 19,164.

Financial events 2006

- The volume of SAS shares traded was record high in 2006.
- The SAS Group's share rose 11.5%.
- The SAS Group carried out the listing of the Rezidor Hotel Group on the stock exchange.
- The SAS Group's equity/assets ratio increased from 21% to 32%.

Financial objective

The SAS Group's overall financial objective is to create value for its shareholders. Its financial target is to achieve a CFROI of at least 20% over a business cycle.

Financial strategies

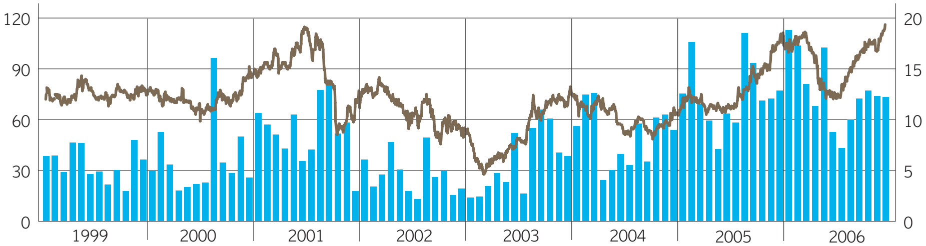
Capital market and risk management

- 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.

Financial key figures	Target	Result 2006
The Group's return requirement, CFROI	> 20%	15%
Equity/assets ratio	> 30%	32%
Financial net debt + 7 x Operating leasing/Equity	< 100%	168%
Financial net debt + NPV Operating leasing/Equity	< 100%	114%
Financial net debt/Equity	< 50%	25%

SAS Group share price performance and trading volume, 1999-2006

Share price, SEK — Number of shares traded/month, million



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

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

Sources: Reuters and the SAS Group.

IR/information policy

The SAS Group has an IR/information policy approved by SAS AB's Board of Directors to ensure the provision of accurate, relevant and timely information to the capital market. Investors and capital market players are to be provided unambiguous information on the company's operations with a focus on managing shareholder value and how sustainability-related issues contribute to value creation. (The full policy is available on www.sasgroup.net)

Dividend policy

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

See page 22 for the dividend proposal for 2006.

The share

The SAS Group is listed on the stock exchanges in Stockholm, Copenhagen and Oslo through its parent company, SAS AB. Its market capitalization as of December 31, 2006 amounted to MSEK 19,164 (17,190) and the value of the number of shares traded increased by 22%.

Performance of the SAS share

The SAS share performed poorly in the beginning of 2006 due to conflicts, rising jet fuel prices and jittery stock markets in May. Up to May 31, the value of the share fell by 25%. In the second half of 2006, stabilization of the market in combination with improved earnings drove the share price up 48% from June 1 to December 31. Overall, the SAS share increased by 11.5% for the full year.

The market capitalization for an average of the airlines in Europe surged in 2006, increasing 44.1% overall. Outperformed in the first half, the SAS share made stronger gains in the second half of 2006. The price performance of the SAS share was still 3.7 percentage points better than the corresponding index for 2005-2006.

Share liquidity and index

High liquidity is important for enabling major investors to buy and sell shares. In 2006 the liquidity of the SAS share was somewhat higher than in previous years and all together 153.6 (150.0) million shares changed hands.

While the volume of shares traded on the Stockholm Stock Exchange hit an all-time high, Oslo saw a 25% decrease. Trading in Copenhagen declined by 7% compared with the previous year.

Adjusted for the three Scandinavian states' 50% participation in the SAS Group, turnover corresponded to 187% (182%) of outstanding shares. Of the total trading volume, 46% (38%) was traded on the Stockholm Stock Exchange, 48% (53%) on the Copenhagen Stock Exchange and 7% (9%) on the Oslo Stock Exchange.

Trading value in 2006 amounted to SEK 13.9 (11.4) billion, an increase of 21.7%. This makes the SAS Group the eighth most traded airline share in Europe. Calculated in dollars, trading has increased 100% since 2001.

Besides the indexes linked to the stock exchange listings in Stockholm, Copenhagen and Oslo, the SAS share is included in more than 100 other indexes, including the Dow Jones STOXX Index, Morgan Stanley International, and S&P/Citigroup-BMI. The Group is included in some environmental indexes, such as Ethibell and EIRIS, which evaluate the ability of companies to successfully combine business activities with environmental work.

Shareholders

The SAS Group had 24,256 (22,821) shareholders on December 31, 2006. The biggest shareholders are listed in the table on page 23.

The total institutional holding is 37-40%, while the portion held by private individuals is approximately 10%. Holdings in the Nordic countries amount to approximately 85-90%, with Sweden accounting for 40%, Norway 16% and Denmark 30%. Holdings outside the EEA are below 5%, of which 4% are in the U.S.

Dividend

The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividend be paid to SAS AB shareholders for fiscal year 2006. 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 investments.

The SAS share's return

By the end of 2006, an investment of SEK 100 made on January 1, 1995 would have grown to SEK 223 including reinvested dividends. This corresponds to an average annual total shareholder return of 7.3%. The return in 2006 was 11.5%.

Investor Relations activities

The SAS Group's ambition is to offer prompt, relevant and timely information on its performance. The Group abides by an IR/information policy adopted by the SAS AB Board of Directors to ensure sound and fair provision of information to the market. The IR policy is posted on www.sas-group.net under Investor Relations, which also contains up-to-date information on the Group's financial performance, stock market information, financial calendar, traffic statistics, environmental index, corporate governance report, company information and other important data.

The SAS Group's 2005 Annual Report won the Farmandprisen award in Norway for the best annual report of a listed company. Moreover, the annual report was named the second best annual report in a global survey of 1,300 listed companies.

In connection with quarterly reports SAS Group holds press and telephone conferences along with analysts' meetings in Scandinavia and London. The SAS Group also takes part in various airline industry conferences and has held a large number of investor meetings and presentations for investment clubs.

Monitoring of the SAS Group by analysts

The number of analysts who follow the SAS Group has increased in the 2000s. In 2006, however, the number dropped due to reorganizations at a number of banks. The number of share analysts that continually monitor the business totaled 20 at year-end, of which 12 are in Scandinavia.

Share analysts who state they monitor the SAS Group

Scandinavian analysts	Contact
ABG Sundal Collier	Lars Heindorff
Carnegie	Lars Topholm
Danske Equities	Philip Christoffer Christensen
DnB Nor Markets	Martin Huseby Karlsen
Enskilda Securities	Steven Brooker
Erik Penser Fondkommission	Mats Hyttinge
First Securities	Hans Erik Jacobsen
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	Mike Powell
Goldman Sachs	Hugo Scott Gall
JP Morgan	Chris Avery
Merrill Lynch	Samantha Gleave
Morgan Stanley	Penelope Butcher
Sustainability analysts	
Storebrand Kapital	Hege Haugen
Robur	Anna Nilsson
GES Investment Services	Martin Persson
SiRi Company	Loubana Ait-si-ahmed

Share data

Key data per share, SEK	2006	2005	2004	2003	2002
Market capitalization, mill.	**19,164**	17,190	9,870	11,234	8,329
No. of shares traded, mill.	**153.6**	150.0	100.8	71.7	55,6
No. of shares at year-end, mill.	**164.5**	164.5	164.5	164.5	164,5
Net income for the year after tax	**28.10**	1.06	–10.70	–9.63	–1.22
Cash flow from operating activities	**12.78**	9.16	–8.75	–7.09	13.06
Dividend	**0.00**	0.00	0.00	0.00	0.00
Dividend as % of earnings after tax	**0%**	0%	0%	0%	0%
Book equity	**99.49**	69.93	67.09	78.40	91.91
Market price at year-end	**116.5**	104.5	60.0	68.0	49.4
Highest market price during the year	**116.5**	104.5	79.5	75.0	85.0
Lowest market price during the year	**72.25**	62.5	48.4	27.4	45.5
Average price	**96.1**	75.6	61.7	51.3	66.2
Share price/equity at year-end	**117%**	142%	88%	85%	53%
Dividend yield, average price	**0.0%**	0.0%	0.0%	0.0%	0.0%
P/E ratio, average	**3**	71	neg	neg	neg
P/CE ratio, average	**5**	8	neg	neg	neg

Distribution of shares Dec. 31, 2006	Number of shareholders	Number of votes	% of share capital	% of all shareholders
1-1,000	20,517	6,116,293	3.7%	84.6%
1,001-10,000	3,305	11,411,959	6.9%	13.6%
10,001-100,000	328	10,474,311	6.4%	1.4%
100,001-	106	133,439,343	81.1%	0.4%
Unknown owners		3,058,094	1.9%	
Total	**24,256**	**164,500,000**	**100.0%**	**100.0%**

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

The 15 largest shareholders in the SAS Group* Dec. 31, 2006	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	12,149,161	7.4%
SEB Funds	3,666,727	2.2%
National Bank of Denmark	2,289,294	1.4%
Handelsbanken Funds	1,741,091	1.1%
State of New Jersey	1,500,000	0.9%
Första AP-fonden	1,459,047	0.9%
Robur Funds	1,320,520	0.8%
Folksam	1,255,576	0.8%
Nordea Funds	1,019,128	0.6%
JP Morgan Chase Bank, nominee	1,000,774	0.6%
Livförsäkrings AB Skandia	928,700	0.6%
SSB CL Omnibus	917,989	0.6%
Other shareholders	53,001,993	32.1%
Total	**164,500,000**	**100.0%**

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

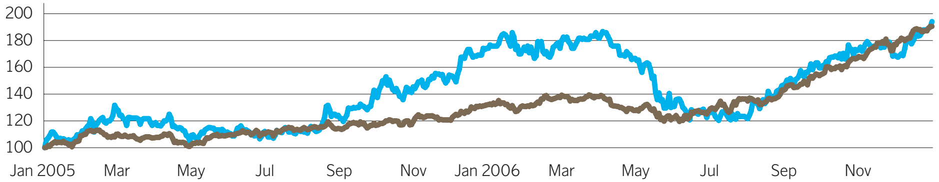
Trading codes - share distribution, ISIN code SE0000805574	Reuters	Bloomberg	Share distrib.
SAS AB, Copenhagen	SAS.CO	SAS DC	55 mill.
SAS AB, Oslo	SASNOK.OL	SAS NO	26 mill.
SAS AB, Stockholm	SAS.ST	SAS SS	83 mill.

Breakdown of shareholders by stock exchange	2006	2005	2004
Copenhagen	**17,891**	17,355	15,514
Oslo	**1,572**	1,239	1,612
Stockholm	**4,793**	4,227	5,144
Total	**24,256**	**22,821**	**22,270**

No. of shares traded on respective stock exchange (million)	2006	2005	Change
Copenhagen	**73.3**	79.0	–7%
Oslo	**10.2**	13.6	–25%
Stockholm	**70.1**	57.5	22%

Source: Reuters.

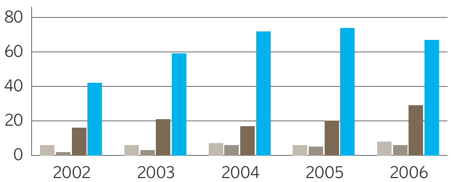
Share price performance of SAS share and a European industry average since January 1, 2005
Index = 100



The SAS share — Index for market capitalization of European airlines, industry average

Source: Reuters.

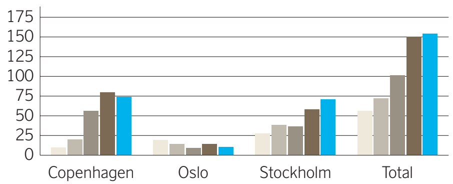
Activity level vis-à-vis the capital market, 2002-2006
Number of meetings



Analyst meetings, Telephone conferences, Group presentations, Personal meetings

The SAS Group held over 100 meetings with investors, owners and analysts in 2006.

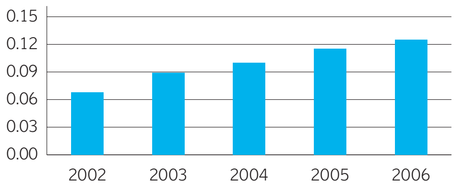
Volume of shares traded on the three exchanges, plus total, 2002-2006
Million shares



2002, 2003, 2004, 2005, 2006 *Source: Reuters.*

Trading of the SAS share increased by 22% in Stockholm, but fell in Copenhagen by 7% and by 25% in Oslo.

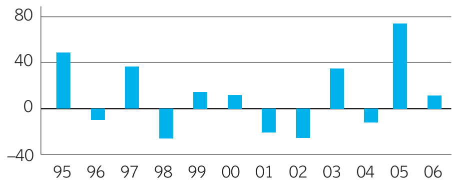
Share of total trading, in Swedish kronor, of SAS Group shares on the Stockholm Stock Exchange, 2000-2006
%



Sources: Stockholm Stock Exchange and the SAS Group.

The SAS share's share of the trading on the Stockholm Stock Exchange in 2006 was relatively stable despite sharply higher trading of the SAS share.

Annual total return on SAS Group share, 1995-2006
%



Average annual effective return for 1995-2006 was 7.3%.

External factors - cycles, trends & risks

The economy was robust in 2006, contributing to record high passenger load factors and passenger numbers. It is important to be able to quickly adapt operations to changes in the world around us. The SAS Group deals with these changes on an ongoing basis in the various parts of its business. (For information on financial risk management see Note 31 on page 78.)

The economy and seasonal variations

The airline industry is affected by not only the performance of the gross domestic product but also other economic factors such as export growth and developments in real wages. The correlation varies between different countries depending on the prosperity and industrial structure of the country. History shows that traffic growth has a multiplier of approximately 2.5 times the GDP increase. In mature markets such as Scandinavia a multiplier of 1.5 can be expected. In growth markets the multiplier can be 3-4.

Demand varies considerably depending on the time of year and season. Profitability swings sharply from one month to the next. A normal year opens with very low traffic levels and a low level of activity. This is because approximately 60-70% of the traffic on SAS Group airlines is business travel. For example, the SAS Group has 45% more passengers in October than in January. Volumes increase gradually from March to June. July is marked by vacation traffic. Spanair's high season is during the summer, however.

In 2006 the SAS Group adjusted its capacity to a greater degree to demand. This has resulted in considerably lower capacity during the midwinter months of December-February, during major weekends and the summer months in the Baltic Sea region. The capacity adjustments have made a major contribution to the improvement of profitability. During 2007 the Group will continue to remain highly focused on a considerably more dynamic adjustment of capacity. During the low season months of January-February, SAS Scandinavian Airlines and Spanair reduce capacity by approximately 20% compared with the high season period of September-October.

The SAS Group expects a somewhat higher capacity increase in 2007. The capacity increase in SAS Scandinavian Airlines will be small. One of the ways Spanair plans to increase productivity, which will bring about a higher capacity growth in scheduled traffic, is by redeploying charter planes. In 2007 Widerøe will increasingly adjust capacity to seasonal demand. Although its capacity increase will be lower than in 2006, Blue1 will have a full-year effect from new MD-90 production along with the installation of more seats in its existing aircraft fleet. airBaltic's fast growth is expected to continue at a slightly higher pace than 2006.

Planned capacity growth for SAS Group airlines 2007

SAS Braathens	+2%
Scandinavian Airlines Danmark	0%
Scandinavian Airlines Sverige	+6%
Scandinavian Airlines International	–4%
Spanair	+15%
Widerøe	–4%
Blue1	+20%
airBaltic	+30%
SAS Group	+5 to +7%

Capacity performance in the airline industry

A decisive factor for the profitability of the industry is the available capacity in the market. The number of aircraft delivered in 2006 is estimated at 5.2% (4.8%) of the world's total aircraft fleet.

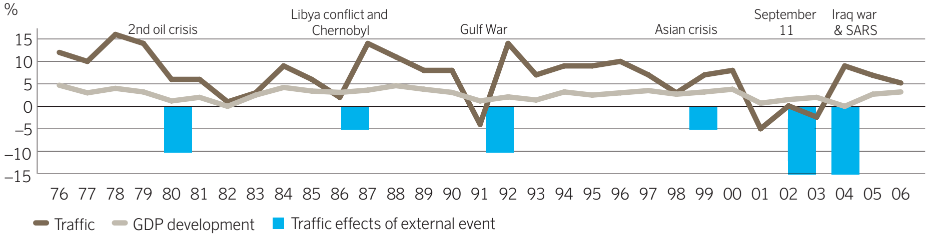
Total net addition during the year amounted to approximately 700 aircraft, corresponding to a net increase of 3.5% (3.7%). In 2007 net deliveries are expected to amount to 3.7% and, for 2008-2011, to 3.8% per year. Capacity (ASK) is expected to increase in 2008-2011 by approximately 5.5% due to larger aircraft (Airbus A380).

Capacity trends in the airline industry

Capacity in the next few years will increase on both existing routes and through new routes. Capacity increases between high traffic places will be accomplished with larger aircraft.

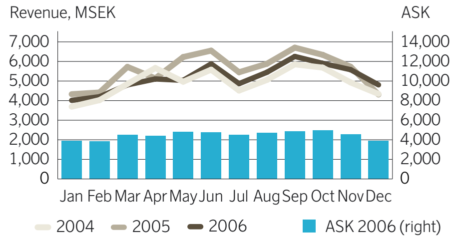
If all goes according to plan the first Airbus

Traffic and GDP and traffic effects in the world, 1976-2006



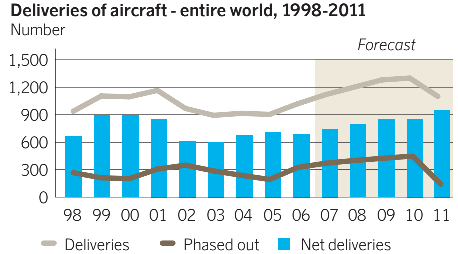
The airline industry is highly subject to world events. During the second oil crisis in the '80s, air traffic fell sharply due to high fuel costs. During the Gulf War air travel saw a very steep but relatively short-term drop in traffic volume. In combination, the events of September 11, the Iraq War and SARS had a long-term adverse impact on the airline industry.

Seasonal variations



Passenger volumes show a clear seasonal pattern. From January to June passenger volume soars by nearly 50%. The SAS Group is increasingly adjusting its capacity to the market.

Deliveries of aircraft - entire world, 1998-2011



Since 2001 deliveries have fallen while a large number of aircraft have been phased out. Net growth will therefore be relatively moderate at about 4% per year in the next few years.

A380 will be put into service in fall 2007. The aircraft is not expected to fly in commercial traffic to destinations in the Baltic Sea region. The Airbus A380 is not expected to affect intercontinental traffic flows for another two to three years.

New routes in Europe have increased by nearly 100% during the past 10-year period. Moving forward, the number of new nonstop connections is expected to increase the most on traffic flows between Europe and Asia. Many new air services will open out of the Nordic countries, and in March 2007 SAS Scandinavian Airlines will begin flying nonstop between Stockholm and Beijing.

Risks

The airline industry is complex and depends on many subcontractors. The industry is international and is exposed to sudden external events such as terrorist acts, war, epidemics, etc.

SAS Group airlines are continuously identifying risks and have action plans and policies in place to handle known risks such as changes in the price of oil or currency fluctuations.

The Group is working strategically on improving its handling of suddenly arising risks.

Increased variability in the cost base is strategically important for dealing with sudden external events that negatively impact demand. The SAS Group has therefore commenced activities aimed increasing capacity flexibility. A higher degree of flexibility will be ensured through an even distribution of aircraft leases, alternative production models (wetlease instead of in-house production for expansion), flexible agreements with personnel, improved planning processes and volume-variable agreements.

Geographic exposure - Operating risks are handled locally in SAS Group's various units. The Group is active in many different markets and is affected by differing business cycles. In 2006 economic growth was good in the countries that the SAS Group is primarily exposed to. The SAS Group follows anticipated developments and adapts production to ensure the appropriate capacity in the market.

Payment security - The SAS Group follows industry practices regarding the security of credit card payments, which means that no credit card purchase will be approved unless the SAS Group receives authorization from the credit card company regarding the validity of the card, the purchase amount and whether the CVV code is correct. In 2006 the SAS Group reviewed the Group's handling of credit card purchases according to the Payment Card Industry Data Security Standard (PCI DSS). Further security enhancement procedures, such as Master Card Secure Code and Verified by Visa, will be introduced in 2007.

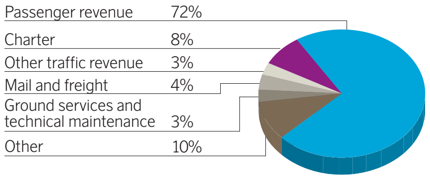
Jet fuel

Jet fuel policy - The Group's policy is to hedge on an ongoing basis 40-60% of the forecast consumption in the coming 12-month period.

The SAS Group's exposure risk concerning jet fuel has increased in line with the rise in the world market price and because of lower operating costs. In 2006 fuel costs accounted for approximately 18% (15%) of the Group's total costs including depreciation. The relative share will increase in 2007 due to the sale of the hotel business, Rezidor Hotel Group.

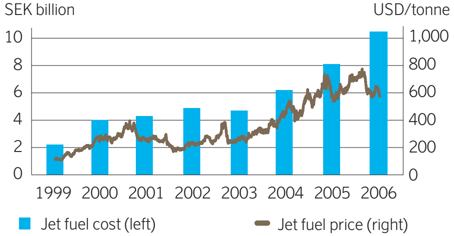
Total jet fuel costs amounted to SEK 10.5 billion in 2006, an increase of SEK 2.4 billion compared with 2005. In 2006 the SAS Group hedged 52% of fuel purchases at an average

SAS Group revenue breakdown, 2006



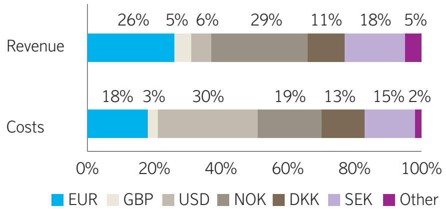
Passenger traffic is the SAS Group's core business, accounting for 72% of revenue after eliminations. Charter operations are especially significant in Spain.

Fuel costs in the SAS Group vs. jet fuel price



Oil prices and jet fuel prices were both record high in 2006. The peak price was USD 766/tonne in the beginning of August 2006.

Currency breakdown in the SAS Group 2006



The SAS Group's biggest revenue currencies are NOK, EUR and SEK. Its largest net cost currencies are USD and DKK.

Estimated currency breakdown, net, of operating income (EBITDA), 2006, MSEK

Surplus currencies		Deficit currencies	
NOK	7,200	USD	14,800
EUR	6,000	DKK	700
SEK	2,300		
GBP	1,100		
JPY	700		
Other	1,300		

EBITDA amounted to approximately MSEK 3,100.

price of USD 634/tonne, including premiums. Of the anticipated consumption in 2007, 57% is hedged at an average maximum price of USD 766/tonne. Hedging is primarily accomplished with options, but due to high premium levels swaps and other instruments have been used. Based on the forward curve of an average of USD 670/tonne, the Group's 2007 jet fuel cost is expected to amount to approximately SEK 10.0-10.5 billion.

Currency exposure

Due to its international operations, the SAS Group is exposed to the fluctuations of different currencies. Transaction risk arises during exchange rate fluctuations that affect the amount of commercial revenues as well as costs, thereby impacting the SAS 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. In the first half of the year the USD gained against the Group's biggest surplus currencies: SEK, NOK and EUR. In the second half the USD weakened relatively sharply and the average dollar exchange rate was somewhat lower in comparison to the surplus currencies in 2006. Compared with 2005, operating income was positively impacted including effects from currency hedging in the amount of MSEK 24. The SAS Group has hedged approximately 87% of the USD deficit with forward contracts and options in 2007.

SAS Group's insurance coverage

The SAS Group insures assets and employees to reduce the risk of major economic damage.

The SAS Group's airline insurance contracts are of the all risks type and cover the aircraft fleet, with the exception of damage to aircraft caused by weapons of mass destruction, spare parts and other equipment as well as liability exposure associated with airline operations. Airline insurance costs fell in 2006 by approximately 19% compared with 2005 and amounted to approximately MUSD 35.

Reporting of pension plans

Since 1996 the SAS Group has followed International Accounting Standards, IAS 19, for reporting the Group's defined benefit pension plans. The reporting of the size of the pension commitments is based on set parameters regarding interest, inflation, salary increases, etc. Any actuarial differences are amortized according to the remaining earning period, 15 years, in the pension plans. Overfunding exists in several of the SAS Group's pension plans, which means that as of December 31, 2006, the SAS Group had a positive difference of MSEK 647 between funded assets and commitments. (For detailed information see Note 20 on page 76.)

Tax

The SAS Group has approximately MSEK 8,200 in unutilized tax loss carryforwards. 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 reported for approximately 85% of the accumulated loss carryforwards.

The SAS Group's sensitivity analysis

Approximate relationships between the main operational key figures for SAS 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 SAS Scandinavian Airlines and the Group, respectively, in the current situation.

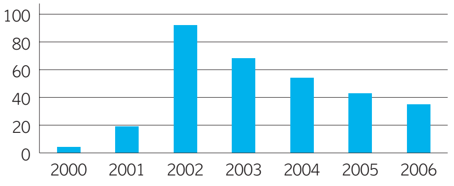
Airline operations		SAS Scandinavian Airlines, annual effect	Group total, annual effect
Passenger traffic	1% change in RPK, MSEK	250	350
Passenger load factor	1 percentage point change in passenger load factor, MSEK	340	490
Unit revenue (Yield)	1% change in passenger revenue per passenger km, MSEK	320	440
Unit cost	1% change in airline operations' unit cost, MSEK	280	380
Jet fuel	1% change in the price of jet fuel, MSEK	70	100
	1% change in consumption of jet fuel, corresponding to 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			
Revenue and expenses	1% weakening of SEK against USD		–150
	1% weakening of SEK against NOK		70
	1% weakening of SEK against DKK		–10
	1% weakening of SEK against EUR		60
	1 percentage point decrease of average interest rate		40

Comments

Airlines operations: A 1% increase in passenger traffic represents MSEK 350 in increased operating revenues for the SAS Group. In general a 1% increase of the passenger load factor is also worth more than a 1% weakening of the yield.

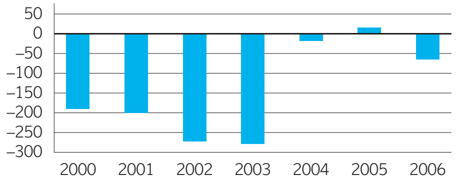
Net currency effect and interest rate sensitivity: The SAS Group's largest deficit currency is USD due to aircraft leasing and jet fuel costs. A 1% appreciation of USD would negatively impact the SAS Group's earnings by MSEK 150 per year before currency hedging. Because a USD gain often leads to higher fares the net effect is limited.

SAS Group's insurance costs
MUSD



After September 11, 2001 the cost of insurance rose sharply. Since 2002 costs have fallen by more than half.

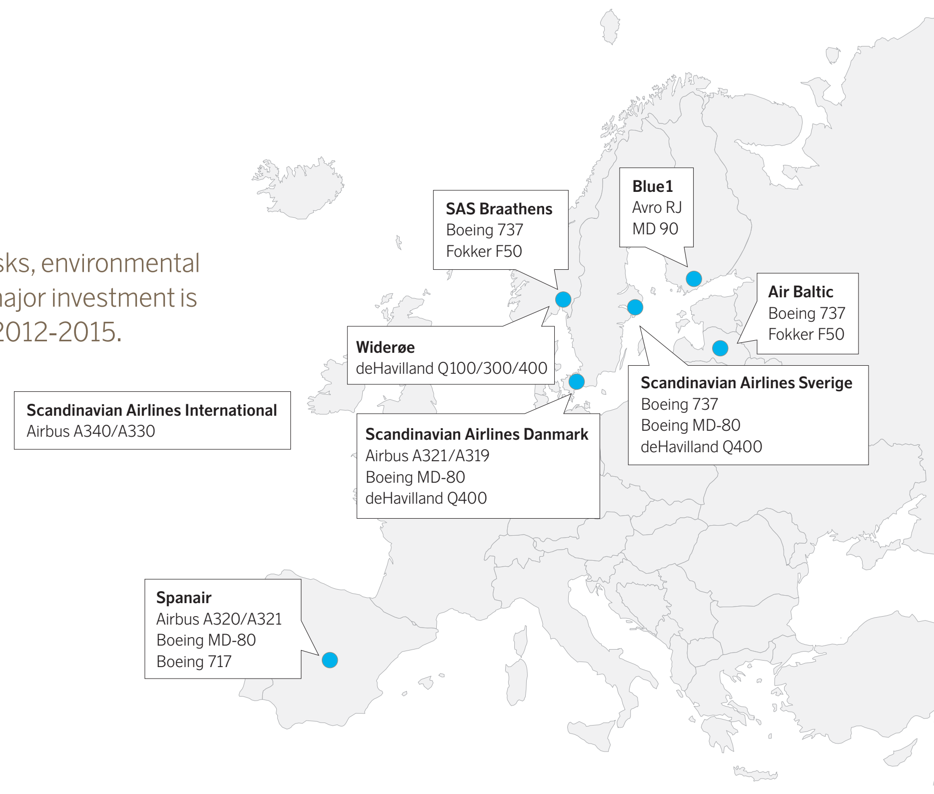
SAS Group's tax paid
MSEK



With unutilized tax loss carryforwards of MSEK 8,200, the tax payable by the SAS Group will be low in the future.

Aircraft fleet

The SAS Group's aircraft fleet has an average age of approximately 11 years. Need, flexibility, risks, environmental aspects and overall economics are analyzed when the Group invests in new aircraft. The next major investment is expected to take place when the MD-80 aircraft is to be replaced, which will probably begin in 2012-2015.



The SAS Group has a total of 301 aircraft and 10 different types of planes. In recent years, the capital market has been focused on the number of types of aircraft. New low-fare carriers that mostly operate in a single market often have only one type of aircraft, which simplifies maintenance, training of pilots, etc. For a group that is active in markets with different characteristics and has gone through more than one investment cycle in aircraft, a single type of aircraft entails more constraints than advantages. The SAS Group flies to markets with different demands and therefore has a need for different sizes of aircraft. The right size of aircraft for the market is financially more important than just the type of aircraft.

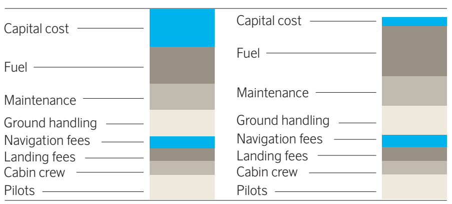
SAS Scandinavian Airlines has organized its operations so that types of aircraft are concentrated at different bases. SAS Braathens has an aircraft fleet consisting solely of Boeing 737s. While Scandinavian Airlines Danmark basically has MD-80s, it also has Airbus A321s and A319s. This has simplified maintenance and organization in the respective airlines.

MD-80

The SAS Group has 82 MD-80s, with an average age of 17 years. Technical speaking, using aircraft that are 30-35 years old does not represent a problem. SAS Group aircraft are, however, usually phased out at a younger age. Efficient maintenance, low capital costs and good technical performance make the seat cost of an MD-80 highly competitive in relation to, for example, a Boeing 737. However, the fuel consumption of an MD-80 is somewhat higher than other newly manufactured types of aircraft, and the Group's calculations show that the cost per seat is the same as for a Boeing 737-700 with a jet fuel price of as much as 2.5 times the average price in 2006.

The noise level of an MD-80 is higher, and stricter public requirements have prompted the SAS Group to consider investing in engine modification kits. Further information see page 107.

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



Average age of the SAS Group's total MD-80 fleet is 17 years. However, the cost per seat is lower than for Boeing 737s since low capital costs will offset somewhat higher fuel and maintenance costs.

Aircraft size is more important than aircraft type

Illustrative example with demand ranging from 50 to 180 passengers per departure

Single type of aircraft, Boeing 737-800 (189 seats)

Trip cost	SEK 80,000
Revenue	100 passeng. x 800 = SEK 80,000
→ Result	SEK 0
→ Passenger load factor	52.9%

Choice of aircraft adjusted to demand (72-189 seats) Boeing 737, deHavilland Q400, MD-80

Trip cost, average	SEK 70,000
Revenue, average	100 passeng. x 800 = SEK 80,000
→ Result	SEK 10,000
→ Passenger load factor	71.4%

SAS Group's total aircraft fleet, December 2006 *(For technical information about the aircraft fleet see page 120.)*

	Average age	Owned	Leased [1]	Total	Leased out	Order
Airbus A330/A340	4.6	5	6	11		
Airbus A321/A320/A319	3.9	4	27	31		2
Boeing 737 series	9.1	20	63	83	4	2
Boeing 717 (MD-95)	5.5		5	5		
Douglas MD-80 series	17.5	13	69	82	2	
Douglas MD-90 series	9.9	8		8	3	
Avro RJ-85/100	5.2		9	9		
Fokker F50	17.1		14	14		
deHavilland Q series	9.0	17	36	53		
SAAB 2000	9.6		5	5	5	
Total	**10.9**	**67**	**234**	**301**	**14**	**4**
Breakdown per airline						
SAS Scandinavian Airlines	10.7			180	9	4
Spanair	11.0			59		
Widerøe	11.5			29		
Blue1	6.8			17	5	
airBaltic	15.1			16		
Total	**10.9**			**301**	**14**	**4**

[1] *Refers to aircraft under operating leases.*

In addition to the above aircraft fleet, the SAS Group has wet lease agreements for three CRJ200s and three Fokker F100s. Beginning February 2006 an Avro RJ-70 will also be wet leased. Total market value of the aircraft fleet amounted to SEK 39.4 billion, of which owned aircraft accounted for SEK 10.4 billion and leased aircraft for SEK 29.0 billion.

Financing, investment, liquidity & capital employed

The SAS Group's financial situation strengthened in 2006 thanks to a positive cash flow, continued releasing of capital and the divestment of the Rezidor Hotel Group. In 2007 four new aircraft will be delivered to the SAS Group, which will then not have any on firm order.

Financing and interest rates

The SAS Group uses commercial paper, bank loans, bond issues, debenture loans and leasing as sources of financing. In 2006 the Group took up MSEK 1,900 in new loans and implemented sale and leaseback transactions amounting to MSEK 3,622.

At the opening of 2006 the SAS Group had MSEK 5,246 in unutilized credit facilities. During the year the largest facility, MEUR 400 maturing in May 2007, was replaced by a new contracted credit facility of MEUR 366 maturing in June 2010. Furthermore, a new credit facility of MSEK 250 was raised. At the end of 2006 the SAS Group had contracted credit facilities of MSEK 5,520, of which MSEK 5,336 was unutilized.

The SAS Group's interest-bearing debt amounted at the beginning of 2006 to MSEK 26,337 and declined by MSEK 9,859 during the year. Besides amortizing MSEK 5,800, interest-bearing liabilities of MSEK 1,500 in conjunction with aircraft transactions and a loan commitment of MSEK 900 were repaid. In addition to that, MSEK 1 700 in loans due for repayment in 2007 were amortized. New borrowing during the year totaled MSEK 1,900. The remaining reduction of the interest-bearing debt is attributable to the strong Swedish krona. At the end of 2006 the SAS Group's interest-bearing debt amounted to MSEK 16,478.

In 2006 the SAS Group renegotiated parts of its interest-bearing gross debt with the aim of achieving a more even and longer amortization profile. In 2007 approximately MSEK 2,300 of the SAS Group's interest-bearing debt matures.

Interest rates

At year-end, the SAS Group's financial net debt amounted to MSEK 4,134. 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, forward rate agreements (FRAs) and futures are used to adjust interest rate terms. The average fixed-rate period varied in 2006, but was an average of approximately 3.5 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 Group has financial targets for equity/assets and debt/equity ratios. The equity/assets ratio improved in 2006, amounting at year-end to 32% (21%). Financial net debt came to MSEK 4,134, a decrease of MSEK 10,094 in one year. At the end of 2006 the SAS Group's lease-adjusted financial net debt (7 x annual leasing costs) relative to shareholders' equity was 168% (290%).

In October, Moody's changed the SAS Group's credit rating outlook from negative to stable. In December 2006, the SAS Group's Baseline Credit Assessment was upgraded from B2 to B1 with a continued stable outlook. The SAS Group's goal is to have an Investment Grade credit rating. The Japanese rating institute Rating and Investment Information Inc. also rates the SAS Group's credit, which during 2006 had a long-term rating of BB+.

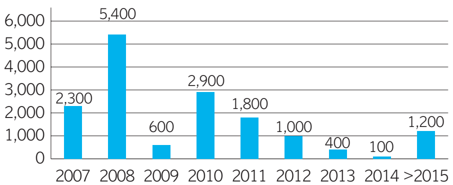
Investment and investment needs

Investment in new aircraft accounts on average for the lion's share of the Group's capital expenditure. After having invested approximately MSEK 36 billion in new aircraft from 1998 to 2004, the SAS Group is in the midst of a period of low investment. At the end of 2006, the SAS Group had firm aircraft orders valued at MUSD 109 (MSEK 749). Besides investment in aircraft the Group invests approximately MSEK 1,500 per year in spare parts and other operational investments.

Environmental investment

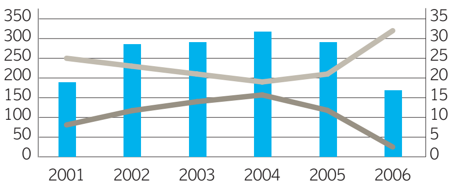
The SAS Group carried out a number of sustainability-related investments, mainly in the form of reinforcing cockpit doors. Total capital expenditure on sustainability is the highest since 2000. See also page 111

Amortization of interest-bearing liabilities, Dec. 31, 3006
MSEK



In 2006 the Group amortized MSEK 5,800. MSEK 900 of loan commitments was also repaid and the Group amortized, in advance, MSEK 1,700 in loans due for repayment in 2007. A further MSEK 1,500 has been amortized In connection with aircraft transactions.

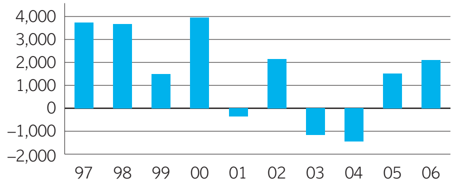
Debt/equity ratio and equity/assets ratio
% %



Adjusted financial net debt (x7)/equity (left)
Debt/equity ratio (left) Equity/assets ratio (right)

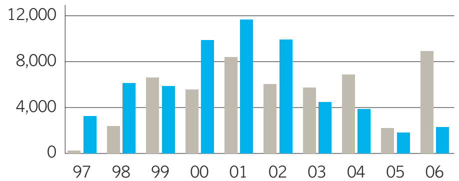
The SAS Group's financial position improved substantially in 2006, thanks to an improved cash flow and the divestment of the Rezidor Hotel Group.

Cash flow from operating activities, 1997-2006
MSEK



The SAS Group's cash flow from operating activities improved in 2006 by MSEK 595, but has to increase further in the future to enable the Group to undertake new investment.

Total investment and divestments, 1997-2006
MSEK



Total divestments Total investment

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

Investment in aircraft

At December 31, 2006, the market value of the SAS Group's owned and leased aircraft amounted to approximately SEK 39.4 billion. The SAS Group has prepared guidelines concerning the composition of owned and leased aircraft. The most important criteria are assessing capital costs, residual value risk, and operational flexibility. In 2006, the SAS Group purchased four previously leased McDonnell Douglas MD-80s and one previously leased Boeing 737.

In 2006, two A319s on firm order were delivered. With the exception of capital expenditure for environmental purposes, investment in aircraft will be limited until after 2012, when the next major investment program is expected to commence with the replacement of the MD-80 fleet.

Operating lease commitments

The stock market uses a multiple of seven in calculations of relevant key figures, mainly regarding debt/equity ratio. In the loan market, the present value calculation is more relevant since it measures contracted leasing commitments. At the end of 2006, the Group's capitalized leasing cost (x7) was MSEK 24,682 (21,924) in continuing operations and the present value of the leasing contracts was MSEK 12,748 (12,518).

Distribution of owned and leased aircraft

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 means the ability to adjust the size of the aircraft fleet as needs change. The SAS Group's norm is that 75% of the fleet is to be leased, and that it should be possible to divest 10% of the fleet each year.
- Market value risks refer to changing market values that have a negative impact on divestment. Aircraft owned by the Group should have an expected high residual value and be readily leased or sold. The Group's norm is to own aircraft valued at under MSEK 18,000.
- Interest rate risks are inherent in the fact that leases are linked either to an underlying fixed or floating interest rate, where the underlying interest rate risk can be measured and hedged if needed. The SAS Group's norm is that an interest rate increase of 1% shall not increase annual leasing costs by over 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. An opposite currency effect is created by having a share of the currency exposure in the net debt in USD. The SAS Group's norm is to have 50% of the book value of the aircraft fleet as USD currency exposure in the net debt.

Financial preparedness

Due to the major operational risk of exposure to external events, the Group has chosen to maintain a high level of financial preparedness. As of December 31, 2006 liquid assets amounted to MSEK 10,803. Liquid assets shall be held in instruments with good liquidity or short maturity with a credit rating of no lower than A3 according to Moody's.

The SAS Group supplements liquid assets with credit facilities. At year-end, total unutilized credit facilities amounted to MSEK 5,336.

The goal is for liquid assets to amount to SEK 7-9 billion with the addition of approximately 5 billion in unutilized credit facilities, providing a total financial preparedness of SEK 12-14 billion.

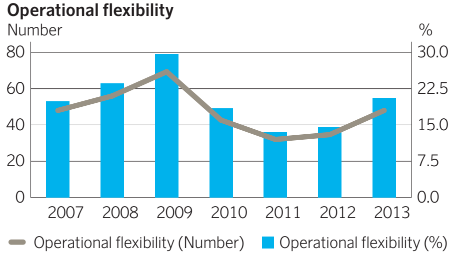
Focus on releasing capital

In recent years the Group has had a major focus on releasing capital. In 2006, the Group effected sale and leaseback transactions for four Airbus A321s, two Airbus A319s, 12 McDonnell Douglas MD-80s, three Boeing 737s along with the sale of three MD-80s and two Fokker F50s, for a total sales value of MSEK 3,805. In 2006, the Rezidor Hotel Group was listed on the stock market. The sale provided a capital gain of MSEK 4,243 and a cash contribution of MSEK 4,860. Jetpak Group, European Aeronautical Group and 67% of SAS Component were sold in 2005.

Working capital

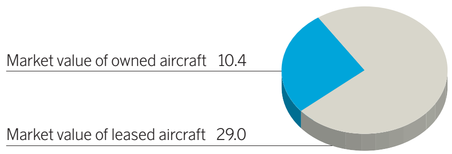
The SAS Group has positive working capital with a net value of approximately SEK 7.5 billion, although its size varies according to the season. The Group is working continually to release capital. In 2006 a number of projects were carried out whereby the full-year effect is expected to improve working capital by approximately SEK 0.5 billion.

Operational flexibility



Breakdown of the SAS Group's total aircraft fleet

SEK billion, as of December 31, 2006



A high share of leased aircraft with a steady renewal 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. The SAS Group's norm is that 75% of the fleet is to be leased, and that it should be possible to divest 10% of the fleet each year.

Leasing, MSEK	as of December 31, 2006
Capitalized leasing costs (x7)	24,682
Leasing costs (NPV)	12,748

Aircraft on firm order	**Total**	2007
CAPEX (MUSD)	109	109
Number of aircraft	4	4

At the close of 2006 neither Spanair nor Widerøe nor Blue1 had any aircraft on order.

Existing committed credit facilities for the SAS Group at December 31, 2006

Facility	MSEK Total facility	Countervalue in MSEK Utilized facility	Countervalue in MSEK Unutilized facility	Expiration of validity period
Revolving credit facility, MEUR 366	3,312	-	3,312	2010
Revolving credit facility, MSEK 250	250	-	250	2007
Bilateral bank facilities	1,000	-	1,000	2007
Bilateral facility	500	-	500	2009
Other facilities	460	186	274	
Total	**5,522**	**186**	**5,336**	

Ten-year financial overview

Statements of income & balance sheets, cash flow and key figures

The SAS Group [1]	2006 [2]	2005 [2]	2004 [3]	2003 [3,5]	2002 [3,5]	2001 [5]	2000 [5]	1999 [5]	1998 [5]	1997 [5]
Statements of income, MSEK										
Revenue	**60,777**	55,501	58,093	57,655	64,906	51,433	47,540	43,746	40,946	38,928
Operating income before depreciation	**3,090**	2,548	1,779	597	3,463	743	3,710	2,731	4,101	4,102
Depreciation	**–1,964**	–2,170	–2,846	–3,046	–2,953	–2,443	–2,192	–2,087	–2,125	–1,880
Share of income in affiliated companies	**59**	76	157	39	–409	–70	–1	77	–20	88
Income from the sale of shares in subsidiaries and affiliated companies	**0**	41	5	651	817	–24	1,033	283	1	1
Income from the sale of aircraft and buildings	**88**	182	113	649	–320	1,165	490	726	1,014	83
Income before tax	**292**	–246	–1,833	–1,699	–543	–1,140	2,829	1,885	2,921	2,314
Income from discontinued operations	**4,576**	577	-	-	-	-	-	-	-	-
Income before capital gains and nonrecurring items	**1,279**	114	–1,701	–2,450	–829	–2,282	1,291	459	1,905	2,215
Balance sheets, MSEK										
Fixed assets	**31,189**	36,439	38,458	42,768	46,845	42,407	33,422	28,587	26,491	23,003
Current assets, excluding liquid assets	**9,172**	12,893	10,748	9,441	9,244	8,693	7,024	7,133	5,958	4,833
Liquid assets	**10,803**	8,684	8,595	9,066	10,721	11,662	8,979	8,495	8,024	9,828
Total shareholders' equity	**16,388**	12,081	11,044	12,926	15,261	15,807	17,651	16,145	15,359	13,738
Long-term liabilities	**17,846**	23,608	25,193	25,633	27,096	24,569	14,895	12,418	11,188	13,452
Current liabilities	**16,930**	22,327	21,564	22,716	24,453	22,386	16,879	15,652	13,926	10,474
Total assets	**51,164**	58,016	57,801	61,275	66,810	62,762	49,425	44,215	40,473	37,664
Cash flow statements, MSEK										
Cash flow from operating activities	**2,102**	1,507	–1,440	–1,167	2,138	–350	3,949	1,483	3,665	3,739
Investments	**–2,299**	–1,827	–3,865	–4,488	–9,919	–11,676	–9,886	–5,845	–6,112	–3,256
Sale of fixed assets, etc.	**9,784**	2,797	6,853	5,535	6,055	8,382	5,559	6,601	2,360	252
Cash flow before financing activities	**9,587**	2,477	1,548	–120	–1,726	–3,644	–378	2,239	–87	735
New issue	**-**	-	-	-	197	-	-	-	-	-
Dividend	**-**	-	-	-	-	–754	–666	–637	–678	–493
External financing, net	**–7,438**	–2,426	–2,016	–1,480	588	7,081	1,528	–1,131	–1,039	–1,488
Cash flow for the year	**2,149**	51	–468	–1,600	–941	2,683	484	471	–1,804	–1,246
Key figures										
Gross profit margin, %	**5.1**	4.6	3.1	1.0	5.3	1.4	7.8	6.2	10.0	10.5
Return on capital employed (ROCE), %	**18.2** [4]	5.0	–1.1	0.0	3.5	0.0	10.9	8.7	13.4	11.6
Return on book equity after tax, %	**37.8** [4]	1.4	–14.9	–11.7	–1.4	–6.3	13.6	9.4	15.5	13.7
Equity/assets ratio, %	**32**	21	19	21	23	25	36	37	38	36

Earnings performance

In 1996 the SAS Group posted lower earnings mainly due to higher personnel costs. In 1997 earnings improved in line with traffic. In 1998 and 1999 earnings were again negatively impacted by higher costs. In 2000 earnings were dampened by high jet fuel prices.

2001 opened very strongly, but the terrorist attacks of September 11 precipitated the start of the biggest crisis in the airline industry since the Gulf War in 1990-91. Earnings improved in 2002, but the market in Europe struggled with slow economic growth and competition. For this reason the SAS Group initiated Turnaround 2005.

Earnings in 2003 were very poor in the wake of external events such as the SARS epidemic and the war in Iraq. Although traffic recovered in 2004, tough competition in Scandinavia exerted heavy pressure on prices, causing the Group to post a loss for 2004 despite huge cost savings.

In 2005 traffic was stable and the Group posted a profit mainly attributed to a combination of increasingly stable traffic results and the effect of the Group's cost-cutting measures under Turnaround 2005.

Performance in 2006

- The Group's passenger load factor was record high.
- The number of passengers rose by 6.3%.
- Jet fuel costs rose by MSEK 2,371.
- Income before capital gains and nonrecurring items amounted to MSEK 1,279.

1 *Pertains to the SAS Group pro forma 1997-2000.*
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 the earnings and capital gains from the Rezidor Hotel Group and other 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.

Ten-year financial overview

Financial key figures and return requirements

The SAS Group[1]	2006	2005	2004[2]	2003[2,4]	2002[2,4]	2001[4]	2000[4]	1999[4]	1998[4]	1997[4]
Income and capital concepts included in CFROI, MSEK										
Income before depreciation, EBITDA	**3,663**	2,984	1,779	597	3,463	743	3,710	2,731	4,101	4,102
+ Operating lease costs, aircraft	**3,527**	3,133	2,689	2,935	3,747	2,425	1,898	1,346	1,027	859
EBITDAR	**7,190**	6,117	4,468	3,532	7,210	3,168	5,608	4,077	5,128	4,961
– Operating lease revenue, aircraft	**–194**	–155	–163	–145	–85	–16	–15	–66	–161	–179
Adjusted EBITDAR, MSEK	**6,996**	5,962	4,305	3,387	7,125	3,152	5,593	4,011	4,967	4,782
Adjusted average capital employed, MSEK										
+ Total shareholders' equity	**12,706**	11,921	11,823	13,655	14,914	17,105	16,369	15,393	14,549	13,091
+ Surplus value, aircraft	**371**	–161	–674	167	1,318	4,638	5,420	4,911	4,073	3,277
+ Capitalized leasing costs, net (x7)	**22,567**	18,967	18,130	22,844	21,766	14,818	10,840	7,670	5,383	4,686
– Equity in affiliated companies	**–1,132**	–853	–676	–519	–803	–1,087	–895	–1,126	–1,102	–705
+ Financial net debt	**11,136**	16,119	18,592	19,031	16,905	8,661	4,465	3,720	1,026	255
Adjusted capital employed	**45,648**	45,993	47,195	55,178	54,100	44,135	36,199	30,568	23,929	20,604
Cash Flow Return On Investments CFROI, %	**15.3**	13.0	9.1	6.1	13.2	7.1	15.5	13.1	20.8	23.2
Other financial data, MSEK										
Financial income	**488**	492	357	1,096	1,150	618	518	868	634	674
Financial expenses	**–1,422**	–1,465	–1,399	–1,684	–2,291	–1,129	–729	–713	–684	–754
Interest-bearing liabilities	**16,478**	26,337	27,280	28,866	29,782	26,124	14,563	11,802	10,277	10,589
Operating leasing capital	**23,331**	20,846	17,682	19,530	25,634	16,863	13,181	6,960	6,062	4,760
Net debt	**–4,671**	5,865	9,956	11,466	11,574	7,652	794	–107	484	–185
Financial net debt	**4,134**	14,228	17,377	18,122	17,872	12,824	4,372	2,336	1,707	345
Debt/equity ratio[3]	**0.25**	1.18	1.57	1.40	1.17	0.81	0.25	0.14	0.11	0.03
Adjusted financial net debt (NPV)/equity	**1.14**	2.21	2.53	2.18	2.01	1.37	0.45	0.35	0.25	0.13
Adjusted financial net debt (x7)/equity	**1.68**	2.90	3.17	2.91	2.85	1.89	1.00	0.73	0.58	0.46
Interest expenses/average gross debt, %	**6.1**	5.2	4.3	6.5	6.9	4.4	5.2	5.4	6.1	6.3
Interest coverage ratio	**4.4**	1.3	–0.3	0.0	0.7	0.0	5.0	3.6	5.3	4.0

[1] *Pertains to the SAS Group pro forma 1997-2000.*
[2] *Comparative figures for 2004 have been restated according to IFRS.*
Errors relating to Spanair's accounts have been corrected for 2002-2004.
[3] *Calculated on financial net debt.*
[4] *For 2003 and previous years SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations.*
For differences between IFRS and previous accounting policies see the SAS Group's 2005 Annual Report.
Definitions and concepts, see back flap.

Return measure

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

The capital concept has been adjusted to include the hidden value of the aircraft fleet and capitalized operating lease costs (x7) for the aircraft fleet.

The SAS Group's goal is to achieve a market value that at the very least is on par with the industry average and its target is a minimum average CFROI of 20% over a business cycle.

The Group's return measure is currently being revised.

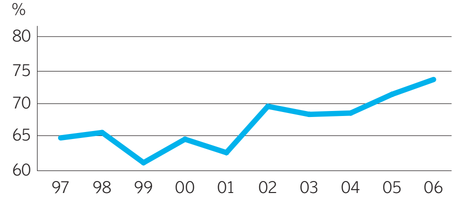
Group operational key figures

The key figures pertain to consolidated units. Spanair was consolidated in March 2002 and airBaltic in 2005. Blue1 and Widerøe have been included in the key figures since 1999.

The SAS Group	2006	2005	2004	2003	2002	2001	2000	1999	1998 [2]	1997 [2]
Passenger traffic-related key figures										
Number of cities served, scheduled	**164**	147	146	130	123	128	92 [2]	97 [2]	101	102
Number of flights, scheduled	**552,899**	554,838	530,597	502,145	536,768	445,584	460,496	460,749	334,693	320,410
Number of passengers carried, total (000) [1]	**43,138**	41,033	38,253	36,399	38,775	25,103	25,310	23,990	21,699	20,797
Number of passengers, scheduled (000)	**38,609**	36,312	34,250	31,005	32,562	24,689	25,155	23,755	21,499	20,607
Available seat kilometers, total (mill.) [1]	**63,555**	62,445	60,173	54,800	54,235	38,120	36,334	35,491	31,766	31,333
Available seat kilometers, scheduled (mill.)	**53,771**	52,755	51,000	47,634	47,079	36,765	34,754	33,930	31,704	31,333
Revenue passenger kilometers, total (mill.) [1]	**46,770**	44,566	41,287	36,985	37,237	23,906	23,519	21,722	20,883	20,339
Revenue passenger kilometers, scheduled (mill.)	**38,443**	35,223	32,885	30,403	30,882	23,567	23,243	21,639	20,821	20,339
Passenger load factor, total (%) [1]	**73.6**	71.4	68.6	67.5	68.7	62.7	64.7	61.2	65.7	64.9
Average passenger distance, total (km)	**1,084**	1,086	1,079	1,016	960	952	929	905	962	978
Weight-related key figures [4]										
Available tonne kilometers, ATK, total (mill. tonne km)	**7,775**	7,614	7,302	6,227	6,084	4,922	4,699	4,698	4,501	4,346
Available tonne kilometers, scheduled (mill. tonne km)	**6,461**	6,376	6,068	5,201	5,171	4,873	4,660	4,637	4,459	4,291
Available tonne kilometers, other (mill. tonne km)	**1,314**	1,238	1,233	1,026	914	49	38	61	42	55
Revenue tonne kilometers, RTK, scheduled (mill. tonne km)	**6,790**	6,157	5,393	4,544	4,523	3,320	3,269	2,957	2,680	2,571
Passengers and excess baggage (mill. tonne km)	**4,489**	4,298	3,844	3,234	3,312	2,295	2,237	2,076	1,877	1,828
Total load factor, scheduled (%)	**87.3**	80.9	73.9	73.0	74.3	67.5	69.6	62.9	59.5	59.2
Traffic revenue/RTK (SEK)	**7.65**	7.57	8.06	9.91	11.41	11.69	11.38	11.50	11.90	11.94
Key figures for costs and efficiency										
Total unit cost	**0.75**	0.70	0.71	0.89	0.96	1.01	0.91	0.88	0.93	0.89
Paid jet fuel price, average (USD/tonne)	**707**	564	434	314	268 [2]	295 [2]	311 [2]	199 [2]	218	248
Revenue-related key figures										
Passenger revenue/Revenue pass. km, scheduled, yield (SEK)	**1.15**	1.12	1.12	1.41	1.62	1.55	1.44	1.40	1.36	1.34
RASK, Pass. revenue/Available seat km, scheduled, (SEK)	**0.82**	0.75	0.72	0.91	1.08	1.00	0.96	0.89	0.89	0.87
Environmental key figures										
CO_2, gram/RPK	**134**	143	154	158	159	176	179	192	196	194
Environmental index [2,3]	**71**	72	76	78	78	87	88	88	96	97

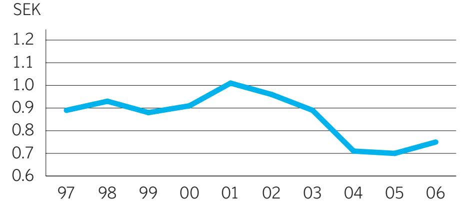
[1] *Total production includes scheduled traffic, charter, ad hoc flights and bonus trips, etc. This means that the figures deviate from the traffic statistics of the respective airlines.*
[2] *Refers to SAS Scandinavian Airlines.*
[3] *The goal is an improvement of 3 points per year on average.*
[4] *Excludes Blue1 in 1997-2004 and Braathens in 2002-2003.*
Definitions and concepts, see back flap.

SAS Group, passenger load factor, total



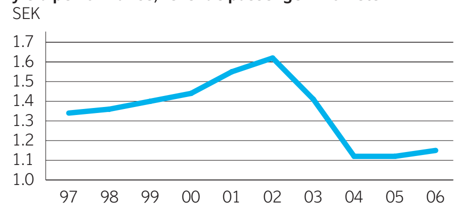
The passenger load factor trend for 2004-2006 was very good.

SAS Group, total unit cost



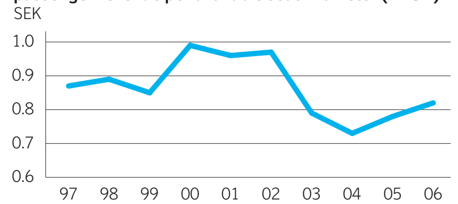
The unit cost decreased sharply in 2002-2005 thanks to Turnaround 2005. SEK 2.5 billion worth of cost-saving measures are currently being implemented.

SAS Group, yield performance, revenue passenger kilometer



The yield performance from 1996 to 2000 increased at a relatively stable rate. The highest yield was noted in 2001 but by 2005 the yield had fallen by 24% since the peak year.

SAS Group, passenger revenue per available seat kilometer (RASK)



RASK is affected by the passenger load factor and the yield. RASK performance was good in 1999-2001 mainly because of high yields. The improved RASK from 2004 is mainly due to high passenger load factors.

Business area

SAS Scandinavian Airlines

The business area comprises the airlines SAS Braathens, Scandinavian Airlines Danmark, Scandinavian Airlines Sverige and Scandinavian Airlines International. Passenger revenue rose by 6% to MSEK 31,603 (29,810). The yield rose by 6.7%, adjusted for higher fuel costs. Total revenue rose by 4.8% to MSEK 38,631 (36,859). Operating expenses rose by 0.4% to MSEK 33,555 (33,424). Jet fuel costs rose by MSEK 1,154 to MSEK 6,883 (5,729). The unit cost for jet fuel rose by about 25%. Payroll expenses amounted to MSEK 7,844 (7,790).

The currency-adjusted unit cost rose by 5.2% and by 0.8% adjusted for higher fuel prices. The ECA joint venture with British Midland and Lufthansa had a negative impact on income of MSEK –415 (–415). EBITDAR amounted to MSEK 5,076 (3,435), an improvement of MSEK 1,641. Income before nonrecurring items improved by MSEK 1,626 and amounted to MSEK 1,252 (–374).

Earnings and degree of achievement of targets relative to the Group's requirements over a business cycle

	Income before nonrecurring items Negative	Income before nonrecurring items Positive	Target achievement	Improvement since 2005
SAS Braathens		●		
Scandinavian Airlines Danmark		●		✔
Scandinavian Airlines Sverige		●	◐	✔
Scandinavian Airlines International		●		✔

Statement of income, MSEK	2006	2005	2004
Passenger revenue	**31,603**	29,810	29,480
Charter revenue	**1,740**	1,523	1,036
Other traffic revenue	**2,531**	2,512	2,363
Other revenue	**2,757**	3,014	2,794
Revenue	**38,631**	36,859	35,673
Payroll expenses	**–7,844**	–7,790	–8,106
Selling costs	**–473**	–617	–882
Jet fuel	**–6,883**	–5,729	–4,508
Government user fees	**–3,540**	–3,843	–4,383
Catering costs	**–1,242**	–1,170	–1,019
Handling costs	**–4,962**	–5,460	–5,519
Technical aircraft maintenance	**–3,825**	–3,942	–4,074
Computer and telecommunications costs	**–1,798**	–1,731	–1,757
Other operating expenses	**–2,988**	–3,142	–3,302
Operating expenses	**–33,555**	–33,424	–33,550
Income before depreciation and leasing costs, EBITDAR	**5,076**	3,435	2,123
Leasing costs, aircraft	**–2,102**	–1,927	–1,557
Income before depreciation, EBITDA	**2,974**	1,508	566
Depreciation	**–1,187**	–1,346	–1,553
Share of income in affiliated companies	**58**	61	62
Capital gains	**58**	394	162
Operating income, EBIT	**1,903**	617	–763
Net financial items	**–667**	–656	–701
Income before tax, EBT	**1,236**	–39	–1,464
Income before nonrecurring items	**1,252**	–374	–1,448

→ Despite continued stiff competition, SAS Scandinavian Airlines showed sharply improved operating income. Its good earnings performance is due to a strong economy, success in the market with the new business model, better tailoring of capacity to demand, and continued cost saving.

Business area

SAS Scandinavian Airlines

The business area comprises the airlines under the SAS brand: SAS Braathens, Scandinavian Airlines Danmark, Scandinavian Airlines Sverige and Scandinavian Airlines International.

In 2006 the passenger load factor was 74.4%, 2.3 percentage points higher than the year before.

SAS Scandinavian Airlines System was founded in 1946 with the first intercontinental flight to New York. At the end of 2004 operations were organized in three airlines, one each in Denmark, Norway and Sweden. Intercontinental flights were organized in the business unit Scandinavian Airlines International. SAS Scandinavian Airlines is a founding member of Star Alliance and also cooperates with several other partners.

All told, SAS Scandinavian Airlines has 180 aircraft and served 124 destinations during the year. The total number of passengers was approximately 25.1 million within Scandinavia, to/from Europe, North America, and Asia. The business area is the Group's largest, accounting for 54% of the Group's gross revenue (revenue in 2006 before Group eliminations).

Customers

SAS Scandinavian Airlines has designed product concepts on a basic service model for frequent business and leisure travelers. Beyond this basic service, customers can already customize their own air travel, a model that will be developed further in the future. SAS Scandinavian Airlines operates charter flights on its own behalf and in cooperation with tour operators.

Punctuality and regularity

SAS Scandinavian Airlines' goal is to be Europe's most punctual airline. In 2006 this target could not be reached. This was due to labor conflicts in January and April and to logistics problems involving technical maintenance and for other reasons.

Punctuality within 15 minutes amounted to 78.1% (84.5%). The target for punctuality is an average of 90%. Punctuality on arrival was 78.4%. The target for regularity, the percentage of non-canceled flights, is a minimum of 99% in the summer months and 98% in the winter months. In 2006 an average regularity of 97.8% (98.4%) was attained.

Sustainability

Environmental performance matters a great deal to SAS Scandinavian Airlines, which since 1996 it has been measuring and reporting in an eco-efficiency index. Since 1996 the target has been a three-point improvement in the index

	SAS Scandinavian Airlines			SAS Braathens			Scandinavian Airlines Danmark			Scandinavian Airlines Sverige			Scandinavian Airlines International		
Key figures	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
EBITDAR margin	**13.1%**	9.3%	6.0%	**11.2%**	14.3%	10.4%	**8.9%**	3.3%	-	**14.5%**	4.8%	-	**11.5%**	8.4%	-
CFROI	**-**	-	-	**15%**	16%	13%	**5%**	5%	-	**18%**	7%	-	**-**	-	-
Number of destinations	**124**	109	100	**45**	39	40	**51**	66	61	**45**	45	44	**11**	11	11
Average flight distance, scheduled, km	**811**	793	795	**631**	609	591	**662**	649	662	**739**	721	771	**7,193**	6,822	6,761
Number of aircraft	**180** [1]	191 [1]	200 [1]	**58**	56	59	**54**	59	64	**42**	45	47	**11**	11	11
Number of daily departures (average)	**832**	882	918	**340**	344	351	**283**	307	325	**190**	211	222	**18**	20	20
Regularity	**97.8%**	98.4%	98.3%	**97.6%**	98.0%	-	**97.2%**	98.3%	98.3%	**99.0%**	99.3%	98.8%	**98.7%**	98.6%	98.7%
Punctuality (% within 15 minutes)	**78.1%**	84.5%	87.1%	**80.1%**	82.8%	86.0%	**73.7%**	80.7%	88%	**82.2%**	87%	86%	**67.0%**	75.2%	73%
Punctuality (% within 2 minutes)	**47.4%**	59.3%	62.1%	**55.4%**	59.8%	-	**39.0%**	59.2%	60.1%	**49.0%**	58%	62%	**37.6%**	47.5%	42.6%
Average number of employees [5]	**7,588**	8,244	9,254	**2,604**	2,840	3,048	**1,982**	1,628 [3]	-	**1,615**	1,468 [3]	-	**650**	671	-
of which women	**53%**	53%	-	**55%**	54%	61%	**53%**	71%	-	**61%**	72%	-	**73%**	63%	-
Carbon dioxide (CO_2), 000 tonnes	**4,069**	4,245	3,747 [2]	**1,059**	1,031	-	**998**	1,065	1,153	**787**	859	852	**1,226**	1,290	1,263
Nitrogen oxides (NO_X), 000 tonnes	**17.3**	16.2	14.1 [2]	**3.5**	3.2	-	**4.3**	4.0	4.3	**2.7**	2.9	2.6	**6.7**	6.0	5.9
Environmental index	**71**	72	76	**91**	100	-	**87**	91	100	**89**	95	100	**102**	102	102 [4]

[1] *Including aircraft being leased out.* [2] *Excluding Braathens.* [3] *Excluding pilots.* [4] *Restated owing to a change in calculating nitrogen oxides* [5] *For other employee key figures, see page 113.*

per year, which, however, was not reached in 2006.

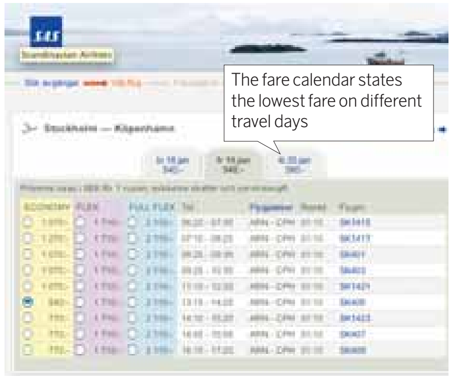
Loyalty program

SAS Scandinavian Airlines' loyalty program EuroBonus had 2.6 million members at year-end. This is a reduction of approximately 0.6 million compared with 2005, due to members being removed from the loyalty program to comply with the Swedish Personal Data Act. The number of new members in 2006 amounted to 9%. In 2006 new agreements were signed with the Swiss airline Swiss, also a Star Alliance member, the Swedish City Airline from Gothenburg, Air China, and Sixt, which bring added customer benefits. During the year the partnership with Icelandair ended.

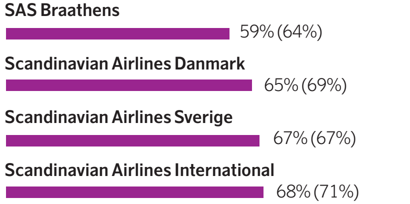
Traffic

Traffic results in 2006 were good, and SAS Scandinavian Airlines' passenger volume rose by 0.3% despite a capacity reduction of 3.9%. The passenger load factor improved by 2.3 percentage points to 74.4%. The yield improved by 6.7%. The positive performance was due to the strong economy and favorable reception of a new business model.

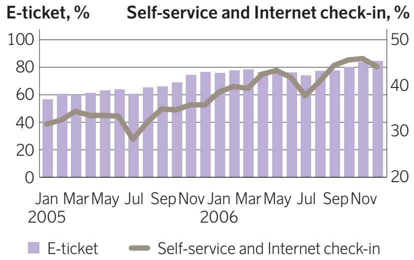
- SAS Braathens' traffic saw the greatest increase among business area airlines, increasing by 7.7%.
- Scandinavian Airlines Danmark and Scandinavian Airlines Sverige posted record-high passenger load factors.
- Scandinavian Airlines International's passenger load factor fell in 2006, amounting to 82.8%.



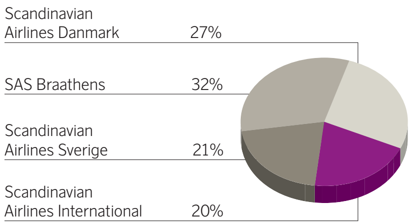
Customer satisfaction, CSI 2006 (2005)



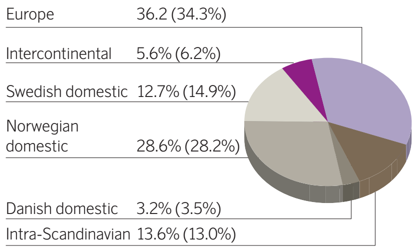
In 2007 SAS Scandinavian Airlines is implementing a number of measures to improve customer satisfaction.



Breakdown of business area revenue



Traffic breakdown for 2006, million passengers, and change over 2005



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

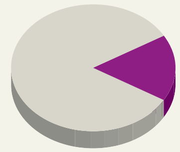
Traffic, production and yield	2006	2005	Change
Total passenger traffic			
Number of passengers, (000)	**25,099**	25,015	0.3%
Revenue pass. km (RPK), mill.	**27,506**	27,724	–0.8%
Available seat km (ASK), mill.	**36,971**	38,454	–3.9%
Passenger load factor	**74.4%**	72.1%	+2.3 pts.[1]
Yield, currency adjusted, SEK	**1.15**	1.08	6.7%
Total unit cost incl. charter			5,2%
SAS Braathens			
Number of passengers, (000)	**9,554**	9,208	3.8%
Revenue pass. km (RPK), mill.	**6,839**	6,349	7.7%
Available seat km (ASK), mill.	**9,948**	9,590	3.7%
Passenger load factor	**68.8%**	66.2%	+2.5 pts.[1]
Yield, currency adjusted			–2.2%[2]
Scandinavian Airlines Danmark			
Number of passengers, (000)	**8,246**	8,019	2.8%
Revenue pass. km (RPK), mill.	**6,018**	5,941	1.3%
Available seat km (ASK), mill.	**8,351**	8,939	–6.6%
Passenger load factor	**72.1%**	66.5%	+5.6 pts.[1]
Yield, currency adjusted			5.7%
Scandinavian Airlines Sverige			
Number of passengers, (000)	**5,892**	6,250	–5.7%
Revenue pass. km (RPK), mill.	**4,441**	4,547	–2.3%
Available seat km (ASK), mill.	**6,349**	6,845	–7.3%
Passenger load factor	**69.9%**	66.4%	+3.5 pts.[1]
Yield, currency adjusted			7.6%
Scandinavian Airlines International			
Number of passengers, (000)	**1,407**	1,539	–8.5%
Revenue pass. km (RPK), mill.	**10,207**	10,888	–6.3%
Available seat km (ASK), mill.	**12,323**	13,079	–5.8%
Passenger load factor	**82.8%**	83.2%	–0.4 pts.[1]
Yield, currency adjusted			13.9%

[1] *Change in percentage points (pts.).*
[2] *Higher fuel costs negatively impacted the unit cost by 4.4 percentage points.*

Key figures for EuroBonus *	2006	2005
Number of members, (000)	**2,642**	3,244
in Denmark, (000)	**462**	550
in Norway, (000)	**863**	1,011
in Sweden, (000)	**683**	783
international, (000)	**633**	900
Percentage of Gold Members	**2.7%**	2.1%
Percentage of Silver Members	**6.0%**	4.9%

** Change in calculation method implemented in 2006 due to application of amended legislation.*

SAS Braathens



Booking channels 2006

Key figures	2006	2005	2004[1]
SAS Group's holding	**100%**	100%	100%
Share of Norwegian:			
domestic market, approx.	**61%**	65%	67%
international market, approx.	**39%**	41%	44%
Block hours, aircraft, hours/day	**8,4**	8,2	7,9
Block hours, pilots, hours/year	**588**	582	564
Block hours, cabin crew, hours/year	**614**	592	535
Unit cost, NOK/ASK	**0.80**	0.77	0.84
Average no. of employees (55% women in 2006)	**2,604**	2,840	2,965

Statement of income, MSEK	2006	2005	2004[1]
Passenger revenue	**10,173**	9,733	9,012
Other revenue	**2,406**	2,525	2,406
Revenue	**12,579**	12,258	11,418
Total operating expenses	**–11,166**	–10,506	–10,231
EBITDAR	**1,413**	1,752	1,187
Leasing costs	**–1,063**	–1,087	–1,133
EBITDA	**350**	665	54
Depreciation	**–28**	–44	–108
Capital gain	**8**	268[2]	–69
EBIT	**330**	889	–123
Net financial items	**8**	8	–39
Income before tax, EBT	**338**	897	–162
Income before nonrecurring items	**404**	630	4

[1] *Pro forma.*
[2] *Pertains to internal capital gain from the sale of Braathens AS to the SAS Consortium prior to the implementation of the merger.*

Important events in 2006

- 12 new routes, primarily serving southern Europe, were opened.
- Passenger record during the summer months.
- Conflicts and irregularity in January and April negatively impacted earnings by MSEK 240.
- Ola Strand was named new CEO in November.
- SAS Braathens was found not guilty of abusing its dominant position on the Oslo-Haugesund route.
- The Norwegian Competition Authority's investigation of the Oslo-Ålesund route concluded without any action taken. SAS Braathens was also found not guilty of charges regarding unlawful access to Norwegian's data in the Amadeus reservation system. Both judgments have been appealed.

SAS Braathens has been a wholly owned subsidiary in the SAS Group since 2004. The airline is the product of the merger of Braathens and Scandinavian Airlines in Norway. SAS Braathens flies to 45 destinations and is the market leader in domestic routes in Norway. SAS Braathens is also a significant operator in terms of business destinations in Europe and leisure destinations in southern Europe. With the exception of routes to and from Denmark and certain routes to and from Sweden, SAS Braathens operates the SAS Group's service to, from and in Norway. SAS Braathens coordinates the Group's sales operations in Norway. SAS Braathens has 2,604 FTEs and operates 340 flights daily. In 2006 the airline carried 9.6 million passengers (10 million including charter). SAS Braathens has 52 Boeing 737s and six Fokker F-50s.

Targets

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

The environmental target is a 1.5 point per year improvement in the index.

Strategic focus

SAS Braathens will:

- offer a comprehensive network via its own routes or those of its partners
- offer consumers the opportunity to purchase through tickets and check-in
- offer competitive fares with simple and flexible products and services
- work to achieve a competitive unit cost.

Traffic and earnings performance

SAS Braathens' overall traffic increased 7.7% in 2006. SAS Braathens' 3.3% increase in traffic on Norwegian domestic routes was accompanied by a 13.5% increase in European routes after 12 new European destinations were opened. The number of passengers increased by 3.8%. Total capacity increased by 3.7% and the passenger load factor improved by 2.5 percentage points to 68.8%.

During 2006, revenue rose by 2.6%, amounting to MSEK 12,579. Operating expenses rose 6.3%, amounting to MSEK 11,166 as a result of higher capacity and increased fuel costs. Income before nonrecurring items fell by MSEK 226, amounting to MSEK 404. The MSEK 240 reduction in earnings was largely caused by labor conflicts.

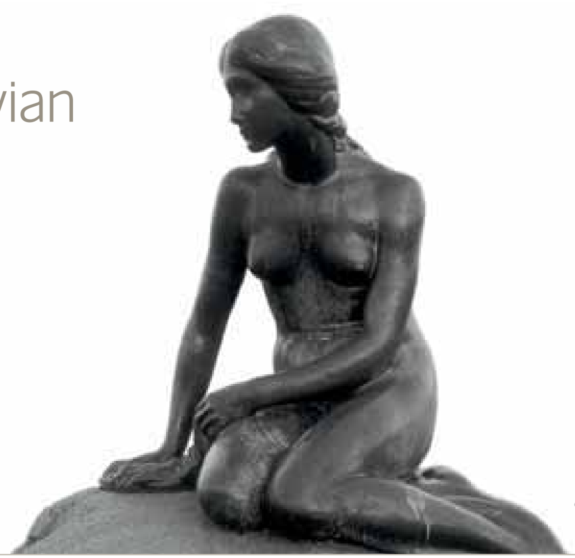
Market outlook

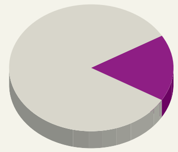
The sharp growth is expected to continue in 2007, with the largest increase on the European routes. Stiff competition and pressure on prices are expected to continue. SAS Braathens anticipates an annual total market growth rate of 3-4% for the next few years.

SAS Braathens

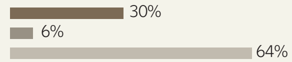
Chairman
John S. Dueholm
CEO Ola H. Strand
www.sasbraathens.no

Scandinavian Airlines Danmark





Booking channels 2006



Key figures	2006	2005	2004
SAS Group's holding	**100%**	100%	100%
Market share of the Danish domestic and international market	**45%**	50%	50%
Block hours, aircraft, hours/day	**7.2**	7.3	8.1
Block hours, pilots, hours/year	**534**	533	-
Block hours, cabin crew, hours/year	**626**	616	-
Unit cost, DKK/ASK	**0.81**	0.78	-
Average no. of employees (53% women in 2006)	**1,982**	1,628 [1]	-

Statement of income, MSEK	2006	2005	2004[2]
Passenger revenue	**9,045**	8,443	-
Other revenue	**1,879**	1,820	-
Revenue	**10,924**	10,263	-
Total operating expenses	**–9,949**	–9,924	-
EBITDAR	**975**	339	-
Leasing costs	**–788**	–956	-
EBITDA	**187**	–617	-
Depreciation	**–1**	–1	-
EBIT	**186**	–618	-
Net financial items	**–4**	3	-
Income before tax, EBT	**182**	–615	-
Income before nonrecurring items	**182**	–615	-

[1] *Excluding pilots (employed by the SAS Consortium).*
[2] *Founded as a limited company in October 2004.*

Important events in 2006

- In January a wildcat strike negatively impacted earnings by MSEK 110.
- 700 pilots transferred from the SAS Consortium to Scandinavian Airlines Danmark in March.
- New charter agreement worth MDKK 350 with Star Tour.
- The first two Airbus A319s of four delivered.
- The Danish government passenger tax was cut in half in 2006 and eliminated on January 1, 2007.

Scandinavian Airlines Danmark was founded as a separate airline in 2004 and serves 51 destinations. The airline operates SAS Group's service to/from and within Denmark, coordinates the Group's sales activities in Denmark and develops Copenhagen as a main hub between Northern Europe and the rest of the world.

Denmark's leading airline, Scandinavian Airlines Danmark has 1,983 employees and carries out 283 flights each day. In 2006 the airline carried 8.2 million passengers (8.6 including charter). The total aircraft fleet consists of 54 Airbus A319/A320s, MD-80s and deHavilland Q400s.

Targets

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

The environmental target is a three-point per year improvement in the index.

Strategic focus

Scandinavian Airlines Danmark will:

- refine its business model based on one-way fares
- focus on a dynamic and robust traffic program where all routes contribute and add value
- strive toward attaining a competitive unit cost
- invest in developing human resources and the organization.

Traffic and earnings performance

The introduction of one-way fares was a success and resulted in more customers choosing Scandinavian Airlines Danmark. Passenger volume rose in 2006 by 2.8% despite capacity, ASK, being lowered by 6.6%. The passenger load factor improved by 5.6 percentage points to a record-high 72.1%.

Revenue was up 6.4% to MSEK 10,924 due to higher passenger volume and a positive yield. Operating expenses increased by MSEK 25, primarily due to higher fuel prices.

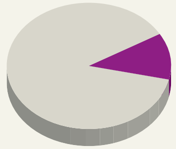
The unit cost rose marginally, adjusted for jet fuel prices, despite lower capacity. Income before tax improved over the previous year by MSEK 797, totaling MSEK 182. The earnings improvement is due to success with new business models, sharper focus on capacity, as well as cost-cutting measures.

Market outlook

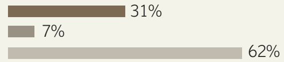
Copenhagen Airport saw total passenger growth of 4% in 2006. This growth occurred primarily in the local market, while transfer traffic was stable. The market trend for air travel from Copenhagen is still positive. The airline's position has stabilized compared with that of the new carriers in the market, and the new business model has boosted competitiveness substantially. The competitive situation is expected to remain tough, and Scandinavian Airlines Danmark anticipates stable market growth in the next few years.

Chairman of the Board
John S. Dueholm
CEO Susanne Larsen
www.sas.dk

Scandinavian Airlines Sverige



Booking channels 2006



Key figures	2006	2005	2004
SAS Group's holding	**100%**	100%	100%
Market share of the Swedish domestic market, approx.	**48%**	55%	60%
Market share of the Swedish international market, approx.	**31%**	40%	40%
Block hours, aircraft, hours/day	**7.0**	7.2	7.9
Block hours, pilots, hours/year	**582**	544	-
Block hours, cabin crew, hours/year	**677**	700	-
Unit cost, SEK/ASK	**0.86**	0.85	-
Average no. of employees (61% women in 2006)	**1,615**	1,468[1]	-

Statement of income, MSEK	2006	2005	2004[2]
Passenger revenue	**6,333**	5,982	-
Other revenue	**1,940**	1,795	-
Revenue	**8,273**	7,777	-
Total operating expenses	**–7,072**	–7,405	-
EBITDAR	**1,201**	372	-
Leasing costs	**–671**	–736	-
EBITDA	**530**	–364	-
Depreciation	**–5**	–6	-
EBIT	**525**	–370	-
Net financial items	**–18**	–27	-
Income before tax, EBT	**507**	–397	-
Income before nonrecurring items	**504**	–338	-

[1] *Excluding pilots (employed by the SAS Consortium).*
[2] *Founded as a limited company in October 2004.*

Important events in 2006

- 475 pilots were transferred from the Consortium to Scandinavian Airlines Sverige in March 2006.
- Scandinavian Airlines Sverige signed a general agreement with the Swedish government for all routes.
- The proposed airline tax was withdrawn by the Swedish government.
- Biometrics were introduced to match checked baggage with passengers on domestic routes.
- "Green Approaches" were begun.

Scandinavian Airlines Sverige was founded as a separate airline in 2004 and serves 45 destinations. The airline operates SAS Group's air service to/from and within Sweden and coordinates the Group's sales activities in that country.

Sweden's leading airline, Scandinavian Airlines Sverige has 1,615 employees and carries out 190 flights each day. In 2006 the airline carried 5.9 million passengers (6.4 including charter). Its fleet comprises 42 Boeing 737, MD-80 and deHavilland Q400 aircraft.

Targets

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

The environmental target is a three-point per year improvement in the index.

Strategic focus

Scandinavian Airlines Sverige will ensure its position as the leading airline for travel within, to and from Sweden by:

- endeavoring to be perceived in Sweden as "the people's airline" and focus on those who travel often.
- offering flexible and uncomplicated one-way concepts on domestic and European routes, combined with the benefits of both a low cost carrier and business class service.
- striving toward attaining a competitive unit cost.

Traffic and earnings performance

In 2006 Scandinavian Airlines Sverige refined its concepts "Nya Inrikesflyget" and "Nya Europaflyget" for domestic and European destinations, respectively. The new business models were well received by the market and noticeably improved Scandinavian Airlines Sverige's competitiveness. Capacity, ASK, shrank during the year by 7.3%, while traffic, RPK, fell only 2.3%. This resulted in a 3.5 percentage point improvement in the passenger load factor to 69.9%. On European routes, traffic was up 5.4%. The total number of passengers carried was down by 5.7%.

Revenue increased in 2006 by 6.4%, totaling MSEK 8,273. The rise is due to a sharp improvement in the yield. Operating expenses fell by 4.5%, despite sharply higher fuel costs. Income before tax improved by MSEK 904 and amounted to MSEK 507. The earnings improvement is due to diligent cost control, a focus on capacity and positive yield trend.

Market outlook

In 2006 the overall Swedish market saw growth of 2-3%. International growth was good, while domestic traffic fell by 2%. Growth is expected to continue in 2007, and will be greatest on international routes but somewhat weaker in 2008-2009. Competition is expected to be stiff during the period, and Scandinavian Airlines Sverige will continue its efficiency-enhancing measures.

Chairman of the Board
John S. Dueholm
CEO Anders Ehrling
www.sas.se

Scandinavian Airlines International

Important events in 2006

- Installation began of SAS Business Sleepers, as well as video-on-demand.
- Chinese cabin crew were recruited to improve customer service on routes between Scandinavia and China.
- A decision was made to continue the focus on China with a new Stockholm-Beijing route in March 2007.
- The route between Bangkok and Singapore was closed down, and Singapore is now served by an expanded partnership with Thai Airways International, which also means better connections to the rest of Southeast Asia.

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

- Intercontinental routes to the U.S. and Asia.
- Sales operations in Europe, Asia and North America.

Scandinavian Airlines International has 650 employees and carried 1.4 million passengers in 2006. Scandinavian Airlines International flies to eight destination, four in Asia and four in the U.S. The aircraft fleet consists of seven Airbus A340-300s and four Airbus A330-300s.

Targets

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

The environmental target is 1.5-point improvement in the index per year.

Strategic focus

The airline will be business customers' first choice for travel to and from North America/Asia. Its focus will be on nonstop-traffic with Copenhagen and Stockholm as hubs. The airline will:

- achieve the highest utilization and seasonal adjustment of its aircraft fleet through a dynamic network structure
- offer transportation in three different classes with a clearly differentiated product content
- enable customers to select and combine products as needed through a flexible fare structure
- attain a competitive unit cost.

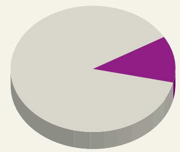
Traffic and earnings performance

Competition in the airline's market, primarily over the North Atlantic, increased in 2006. Capacity on Asian routes was reduced by 7%. This is primarily due to the end of flights between Bangkok and Singapore and a reduction in the airline's total traffic of 6.3%. The total passenger load factor averaged 82.8%.

The yield rose by 13.9% owing to a better mix of service classes and increased travel in Economy Extra. The unit cost rose by 8.6% due to high fuel prices and product enhancements. Revenue amounted to MSEK 7,805. Income before tax amounted to MSEK 169, an improvement of MSEK 212. The earnings improvement is due to a good performance in the yield and cost control, as well as a focus on capacity.

Market outlook

Copenhagen's and Stockholm's favorable geographical locations make Scandinavian Airlines International a natural operator of 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 7-9%. Competition is expected to stiffen further through an increase in capacity over the North Atlantic and between Europe and Asia.



Booking channels 2006

Internet	8%
Telephone	8%
Agents	84%

Key figures	2006	2005	2004
SAS Group's holding	100%	100%	100%
Block hours, aircraft, hours/day	15.3	16.3	16.1
Block hours, pilots, hours/year	574	593	-
Block hours, cabin crew [1], hours/year	-	-	-
Unit cost, SEK/ASK	0.52	0.48	-
Average no. of employees (73% women in 2006)	650	671	-

Statement of income, MSEK	2006	2005	2004[2]
Passenger revenue	6,060	5,675	-
Other revenue	1,745	2,061	-
Revenue	**7,805**	7,736	-
Total operating expenses	–6,907	–7,089	-
EBITDAR	898	647	-
Leasing costs	–726	–713	-
EBITDA	172	–66	-
Depreciation	–3	–8	-
Capital gain	0	5	-
EBIT	169	–69	-
Net financial items	0	26	-
Income before tax, EBT	169	–43	-
Income before nonrecurring items	169	–48	-

[1] Hired in from other airlines in SAS Scandinavian Airlines.

[2] Established as a business unit in October 2004.

Chairman of the Board John S. Dueholm
CEO Lars Lindgren
www.scandinavian.net

www.saswebshop.com

Greater focus on ancillary revenues through SAS Business Opportunities

Founded in 2004, SAS Business Opportunities (SBO) is a wholly owned company in the SAS Group. SBO helps increase the profitability of the Group's airlines by generating ancillary revenues in addition to sales of plane tickets.

Its activities consist of six areas: SAS Mobile Portal - Internet services via cellphone; SAS Web Shop - online shopping; SAS Flightshop - sales of goods on board; SAS Marketing Partnerships - cooperation with other airlines who are given the opportunity to reach SAS customers; Travel Related Partnerships - online travel-related services such as hotel and rental car reservations; and SAS Licensing - granting use of the SAS trademark. The company has 20 employees.

SBO pays airlines in SAS Scandinavian Airlines to sell goods and media on board and use the SAS trademark. This compensation amounted to MSEK 28 in 2006.

Operations focus not only on developing existing areas but also developing new sources of revenue. SBO's success largely depends on how well the airlines market SBO's products and services to their customers and provide SBO access to their marketing channels.

Ancillary revenues have become an ever more significant source of revenue for the new airlines. Approximately 10-15% of the revenue of the new airlines comes from ancillary revenues. It is a goal of SAS Group airlines to increase revenue from additional products. For example, Spanair derived approximately 6% of passenger revenue from additional products in 2006.

Focus on our new areas

SAS Web Shop is an Internet shop open to all. Its range of goods is concentrated on travel-related and SAS-branded products with a Scandinavian design.

The assortment includes products designed specially for SAS by well-known designers. Examples of other unique products are pilot and flight attendant uniforms for children, model aircraft and the popular retro-style SAS tote bags from the '40s and '50s. The SAS Web Shop is at www.saswebshop.se/dk/no/com

www.sasmobile.se

SAS Mobile Portal provides SAS passengers access to an array of Internet services via cellphone. Connection to SAS Mobile Portal provides access to check-in, flight status, EuroBonus point status and links to news, weather and travel services such as airport buses, rental cars, hotel and city guides. SAS Web Shop and SAS Flightshop are in the SAS Mobile Portal. SBO is working to develop services so that the SAS-specific services provide customers with added value and help reduce costs.

SAS Business Opportunities

Business Area

SAS Individually Branded Airlines

The business area comprises the airlines Spanair, Widerøe, Blue1, and airBaltic, as well as the Spanish ground handling company Newco. The business area includes the strategic affiliated company Estonian Air, as well as the affiliated companies Air Greenland, Skyways and British Midland. Passenger volume was up 19.6% to 13.5 million. Traffic, RPK, rose by 25.2%.

Total revenue rose by 22.6%, amounting to MSEK 17,592 (14,352). The yield was positive for Spanair, Widerøe and airBaltic, but fell for Blue1 owing to new, longer routes and keen competition. Operating expenses rose in 2006 by MSEK 3,034 to MSEK 15,466 (12,432), due to higher volumes, higher jet fuel prices and phasing-in costs of new aircraft. In 2006, EBITDAR amounted to MSEK 2,126 (1,920), an increase of MSEK 206.

Income before nonrecurring items amounted to MSEK 241 (264).

Earnings and degree of achievement of targets relative to the Group's requirements over a business cycle

	Income before nonrecurring items Negative	Income before nonrecurring items Positive	Target achievement	Improvement since 2005
Spanair		●		✔
Widerøe		●		
Blue1	●			
airBaltic		●	◐	✔

Statement of income, MSEK	2006	2005	2004[1]
Passenger revenue (scheduled)	12,436	9,536	7,470
Freight revenue	154	127	118
Charter revenue	2,953	2,758	2,736
Other traffic revenue	550	352	280
Other revenue	1,499	1,579	1,254
Revenue	**17,592**	14,352	11,858
Payroll expenses	–3,342	–3,007	–2,485
Selling costs	–409	–375	–350
Jet fuel	–3,616	–2,400	–1,746
Government user fees	–2,238	–1,905	–1,696
Catering costs	–612	–634	–721
Handling costs	–1,130	–950	–786
Technical aircraft maintenance	–1,361	–1,057	–818
Computer and telecommunications costs	–296	–263	–258
Other operating expenses	–2,462	–1,841	–1,543
Operating expenses	**–15,466**	–12,432	–10,403
Income before depreciation and leasing costs, EBITDAR	**2,126**	1,920	1,455
Leasing costs, aircraft	–1,484	–1,247	–1,132
Income before depreciation, EBITDA	**642**	673	323
Depreciation	–340	–312	–309
Share of income in affiliated companies	43	39	70
Capital gains	0	15	53
Operating income, EBIT	**345**	415	137
Income from other shares and participations	–1	-	-
Net financial items	–157	–136	–110
Income before tax	**187**	279	27
Income before nonrecurring items	**241**	264	-

[1] *In October 2004 Braathens was integrated into SAS Scandinavian Airlines and is not included in the 2004 statement of income, which is also adjusted for a restated result at Spanair.*

Spanair underwent considerable changes in 2006 and posted higher passenger volumes in the domestic and international markets. Blue1 saw healthy growth from its focus on the European market, though lower earnings. Widerøe's earnings declined due to cost increases. airBaltic enjoys a strong position and is expanding with good profitability.

Business area

SAS Individually Branded Airlines

- The business area comprises the consolidated airlines Spanair, Widerøe, Blue1, and airBaltic, as well as the affiliated companies Estonian Air, British Midland (bmi), Skyways and Newco Airport Services.
- The passenger load factor improved by 4.0 percentage points and came to 65.1%.

Spanair is Spain's second largest airline, providing scheduled and charter service within and to/from Spain with a primary focus on the business segment. Widerøe operates regional air service in Norway and regional international routes. Blue1 provides air service within and to/from Finland and is Finland's fastest-growing airline. Operating from its Riga and Vilnius hubs, airBaltic is the leading airline in the Baltics. Both Spanair and Blue1 are members of Star Alliance™.

The affiliated company Estonian Air operates from its Tallinn hub. All together the consolidated airlines in the business area had 121 aircraft and flew to 108 destinations with an average of 683 daily departures in 2006.

The business area also includes the affiliated companies Air Greenland, British Midland (bmi), and Skyways, as well as Newco Airport Services which provides passenger and ramp service at Spanish airports.

Customers

The airlines in the business area offer travel in both the leisure and business segments, with business models tailored to their particular markets. Spanair also has well developed charter services.

Punctuality and regularity

The airlines are working to meet punctuality and regularity targets set on the basis of their market assumptions. During the year Spanair's punctuality for departures was 78.7%. Spanair has a punctuality guarantee on domestic routes that compensates Avant Class passengers with a free ticket in the event of a delay of more than 15 minutes caused by Spanair.

In 2006, 83.9% of Blue1's flights departed within 15 minutes of scheduled departure times, and 98.6% of scheduled flights were completed.

Sustainability

The airlines in SAS Individually Branded Airlines work continuously to improve environmental performance. In 2006 Widerøe's, Blue1's, and airBaltic's environmental indexes improved considerably. Spanair continued efforts to improve its environmental performance and its environmental management system.

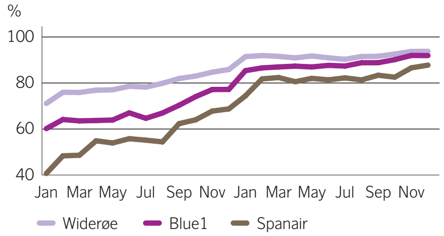
	Total SAS Individually Branded Airlines			Spanair			Widerøe			Blue1			airBaltic			Not consolidated Estonian Air		
Key figures	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
EBITDAR margin	**12.1%**	13.4%	12.3%	**12.9%**	15.3%	15.8%	**9.9%**	11.8%	13.9%	**7.6%**	12.2%	4.4%	**13.7%**	9.0%	13.1%	**5.8%**	15.4%	16.0%
CFROI	-	-	-	**16%**	13%	12%	**18%**	22%	21%	**18%**	22%	6%	**22%**	20%	19%	**7%**	18%	15%
Number of destinations	**108**	101	73	**31**	28	25	**41**	42	42	**26**	14	14	**54**	36	26	**18**	14	17
Average flight distance, scheduled, km	-	-	-	**840**	851	873	**229**	222	225	**689**	557	632	**898**	909	791	**1,266**	1,258	1,015
Number of aircraft	**121**	103 [2]	97 [2]	**59**	59	53	**29**	30	30	**17**	14	14	**16**	16	14	**4**	5	5
No. of daily departures (average)	**683**	638	532	**246**	214	177	**270**	270	271	**87**	90	84	**80**	64	44	**12**	11	21
Regularity	-	-	-	**98.9%**	99.1%	99.3%	**96.2%**	95.3%	95.1%	**98.6%**	98.4%	98.3%	**99.2%**	99.2%	99.8%	**99.1%**	99.5%	99.6%
Punctuality (% within 15 min.)	-	-	-	**78.7%**	78.7%	84.0%	**87.1%**	85.8%	85.3%	**83.9%**	91.4%	90.0%	**85.3%**	87.9%	93.5%	**84.5%**	87.4%	89.0%
Punctuality (% within 2 min.)	-	-	-	**61.0%** [3]	59.6% [3]	65.9% [3]	**65.8%**	65.1%	64.8%	**57.8%**	72.7%	71.3%	**69.1%**	74.3%	82.7%	**66.2%**	70.4%	70.9%
Average no. of employees [4]	**7,402**	5,903	5,145	**3,570**	3,393	2,631	**1,393**	1,331	1,277	**491**	444	366	**790**	626	413	**424**	380	347
of which women	**45%**	48%	46%	**40%**	48%	44%	**35%**	37%	37%	**46%**	49%	53%	**57%**	55%	52%	**54%**	54%	-
Carbon dioxide (CO_2), 000 tonnes	**2,123**	1,928 [1]	1,603	**1,500**	1,405	1,275	**132**	129	129	**249**	199	199	**242**	195	120	**127**	124	105
Nitrogen oxides (NO_X), 000 tonnes	**7.97**	7.10 [1]	6.19	**6.09**	5.63	5.36	**0.34**	0.33	0.33	**0.77**	0.51	0.50	**0.77**	0.67	0.32	**0.44**	0.45	0.29
Environmental index	-	-	-	**95**	100	99	**85**	95	93	**53**	61	73	**61**	72	82	**87**	88	86

[1] Incl. airBaltic. [2] Excluding airBaltic when it was consolidated as of August 2005. [3] Within 5 minutes. [4] For other employee key figures, see page 113.

Customer satisfaction 2006 (2005 *)

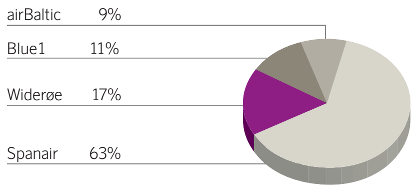
** Not comparable among the airlines.*

E-ticket



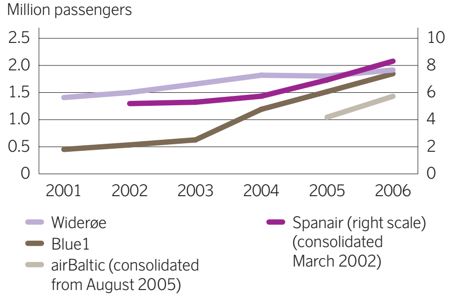
All business area airlines saw steady growth in the number of passengers flying on electronic tickets.

Breakdown of business area revenue



Business area operating revenue rose in 2006 by 22.6%. Spanair accounts for 63% of the revenue in SAS Individually Branded Airlines.

Passenger growth, 2001-2006



Business area airlines saw healthy growth. In 2006 growth was especially good for Spanair, Blue1 and airBaltic.

Loyalty program

Blue1, Widerøe, airBaltic and Estonian Air are linked to the SAS Group's loyalty program, EuroBonus. Spanair has its own loyalty program, Spanair Plus, which was developed for the Spanish market and offers frequent flyers extra benefits. Spanair Plus is a quick and easy way to earn points, and just like EuroBonus, it can be used on the Star Alliance network. There is a cooperation between EuroBonus and Spanair Plus that enables passengers to earn points while traveling on each other's airlines.

Traffic

In 2006 the airlines in the business area carried more passengers than in previous years. Passenger volume was up 19.6%, totaling 13.5 million. airBaltic and Blue1 had the biggest gains, with 36.8% and 21.8%, respectively. Spanair introduced new domestic and European routes in 2006, resulting in an increase in traffic, RPK, of 21.5%. In all, the business area's traffic rose by 25.2% and accounted for 28% of the Group's total traffic. The passenger load factor improved by 4.0 percentage points to 65.1%.

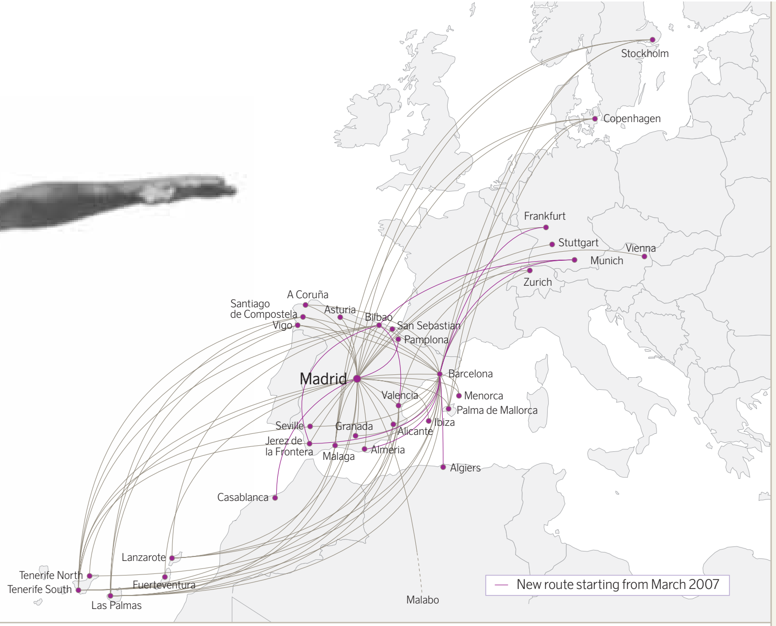
- Spanair increased capacity in 2006 by 13.5% by higher utilization of its aircraft fleet and increasing the fleet by three aircraft. Traffic was up 21.5% following a sharp rise in both international and Spanish domestic traffic. The passenger load factor improved by 4.4 percentage points to 66.6% (62.2%).
- Widerøe increased capacity by 2.3%. Traffic was up 7.6% and 2.8% on Norwegian domestic service. The overall passenger load factor improved by 2.8 percentage points to 57.0%.
- Blue1's traffic increased by 51.2% after it phased in three MD-90 aircraft and opened eleven routes. Finnish domestic traffic was up 39.3% and international traffic up 53.6%. Capacity grew by 45.6%, and the passenger load factor improved by 2.5 percentage points to 66.6%.
- airBaltic increased its capacity by 24.0% and introduced ten new routes. Traffic grew by 32.0% and, accordingly, the passenger load factor improved by 3.7 percentage points to 60.6%. Traffic growth at the Riga hub was 31.1% and 33.9% at the Vilnius hub.

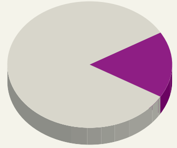
Traffic, production and yield	2006	2005	Change
Total passenger traffic			
No. of passengers, (000)	**13,510**	11,297	19.6%
Revenue pass. km (RPK), mill.	**10,938**	8,736	25.2%
Available seat km (ASK), mill.	**16,800**	14,300	17.5%
Passenger load factor	**65.1%**	61.1%	+4.0 pts.
Spanair			
No. of passengers, (000)	**8,315**	6,931	20.0%
Revenue pass. km (RPK), mill.	**7,358**	6,057	21.5%
Available seat km (ASK), mill.	**11,042**	9,731	13.5%
Passenger load factor	**66.6%**	62.2%	+4.4 pts.
Yield, currency adjusted			5.0%
Widerøe			
No. of passengers, (000)	**1,916**	1,804	6.3%
Revenue pass. km (RPK), mill.	**608**	565	7.6%
Available seat km (ASK), mill.	**1,067**	1,042	2.3%
Passenger load factor	**57.0%**	54.2%	+2.8 pts.
Yield, currency adjusted			1.0%
Blue1			
No. of passengers, (000)	**1,848**	1,517	21.8%
Revenue pass. km (RPK), mill.	**1,432**	947	51.2%
Available seat km (ASK), mill.	**2,150**	1,476	45.6%
Passenger load factor	**66.6%**	64.1%	+2.5 pts.
Yield, currency adjusted			–24.7%
airBaltic			
No. of passengers, (000)	**1,430**	1,045	36.8%
Revenue pass. km (RPK), mill.	**1,540**	1,167	32.0%
Available seat km (ASK), mill.	**2,542**	2,050	24.0%
Passenger load factor	**60.6%**	56.9%	+3.7 pts.
Yield, currency adjusted			3.1%

Affiliated company Estonian Air	2006	2005	Change
No. of passengers, (000)	**690**	643	7.1%
Revenue pass. km (RPK), mill.	**936**	833	12.4%
Available seat km (ASK), mill.	**1,427**	1,285	11.2%
Passenger load factor	**65.6%**	64.9%	+0.7 pts.

Key figures Loyalty program	2006	2005	Change
Spain (Spanair Plus)	**636,859**	558,205	14.1%
Finland (EuroBonus)	**180,611**	191,780	–5.8%
Estonia (EuroBonus)	**21,409**	23,086	–7.3%
Latvia (EuroBonus)	**17,710**	8,510	–2.5%
Lithuania (EuroBonus)	**8,265**	18,164	–2.9%
Total number of members	**864,854**	799,745	8.1%

Spanair





Booking channels 2006

Internet	27%
Telephone	4%
Agents	65%
Other	4%

Key figures	**2006**	2005	2004[1]
SAS Group's holding	**95%**	95%	95%
CFROI	**16%**	13%	12%
Market share of home market	**22%**	20%	15-20%
Block hours, aircraft, hrs./day	**8.8**	8.1	8.6
Block hours pilot, hrs./year	**741**	650	620
Block hours, cabin crew, hours/year	**798**	795	790
Unit cost, local currency EUR/ASK	**0.063**	0.064	0.062
Average no. of employees (40% women in 2006)	**3,570**	3,393	2,631

Statement of income, MSEK	**2006**	2005	2004[1]
Passenger rev. (scheduled)	**7,299**	5,797	4,726
Charter revenue	**2,920**	2,745	2,733
Other traffic revenue	**394**	340	252
Other revenue	**399**	333	258
Revenue	**11,012**	9,215	7,969
Total operating expenses	**–9,595**	–7,809	–6,828
EBITDAR	**1,417**	1,406	1,141
Leasing costs	**–1,078**	–1,142	–1,048
EBITDA	**339**	264	93
Depreciation	**–128**	–108	–126
Share of income in affiliated companies	**0**	–1	0
Capital gain	**0**	0	47
EBIT	**211**	155	14
Net financial items	**–142**	–108	–66
Income before tax, EBT	**69**	47	–52
Income before nonrecurring items	**96**	47	–99

[1] *The statement of income for 2004 is a restatement since errors were discovered in Spanairs' accounts during 2005. An itemized statement of income is available at: www.sasgroup.net*

Chairman of the Board
Gunnar Reitan
CEO Lars Nygaard
www.spanair.com

Important events in 2006

- Spanair opened new routes to Zurich and Stuttgart, plus three domestic destinations.
- Spanair signed a four-year agreement with pilots and cabin crew that makes higher productivity possible.
- Spanair won an award for market-leading service via telephone and for www.spanair.com

Spanair was founded in 1986 by the SAS Group and the Spanish company Teinver and today is 95% owned by the SAS Group. The airline operates the Group's airline service in Spain and most of the traffic to/from Spain. Spanair also includes the tour operator Club de Vacaciones and the sales unit Fuerza de Ventas. With over 3,500 employees and 246 scheduled daily departures to 31 destinations and 8.3 million passengers, Spanair is the second largest airline in Spain.

Spanair is a member of Star Alliance and offers a full-service concept based on a low-cost platform. Spanair also has a charter operation, carrying 2.3 million charter passengers from the Nordic countries, the U.K., Ireland and Italy. Spanair's business model is based on freedom of choice concerning fares, flexibility and service needs aimed at the business segment. Low fares and a focus on direct sales have bolstered Spanair's position. Spanair differentiates itself by a punctuality guarantee and a large network.

The fleet consists of 59 Airbus A320/A321, MD-80 series and Boeing 717 aircraft.

Targets

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

The environmental target is an improvement in the index of one point per year.

Strategic focus

Spanair has four strategic focus areas:

Growth: Continuing to build a strong position domestically and growing internationally.

Management: Through high motivation Spanair will reach the highest levels in terms of quality, productivity and cost control.

Innovation: Products and services will be developed according to customer needs, price sensitivity and the airline's brand position.

Flexibility: Efficient and transparent organization that quickly adapts to changes.

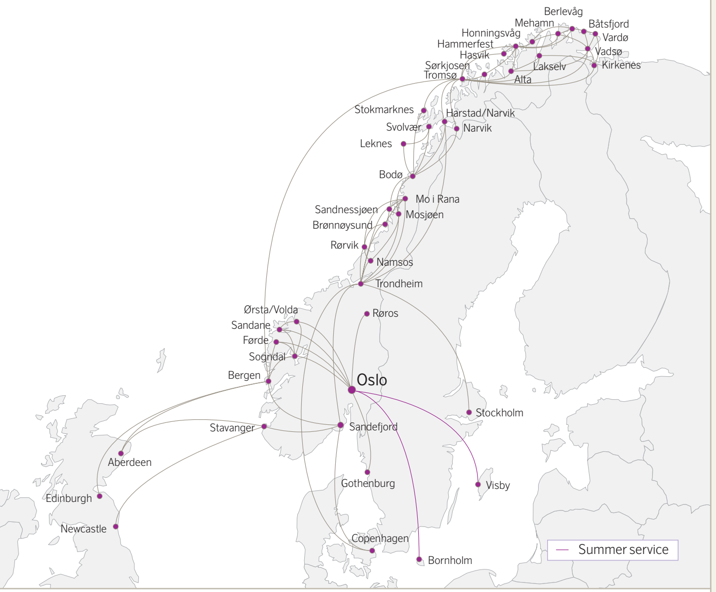
Traffic and earnings performance

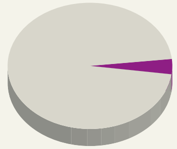
Spanair improved its capacity utilization, and the passenger load factor was up 4.4 percentage points to 66.6%. Traffic was up considerably, with the number of passengers carried totaling 8.3 million, a 20% increase. On Spanish domestic routes, passenger volume was up 16.2%. Passenger revenue rose by 25.9% to MSEK 7,299, owing to higher volumes and a rise in the yield. The higher capacity resulted in operating expenses rising by 22.9% to MSEK 9,595. Income before nonrecurring items was MSEK 96, an improvement of MSEK 49.

Market outlook

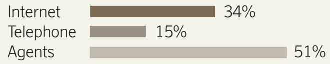
Demand is expected to remain healthy in both the business and leisure segments. New competing carriers are expanding quickly with new bases in Madrid, and the expansion of high-speed rail will add to the competition. Spanair will continue to grow with new destinations in Spain, Germany and North Africa. Spanair anticipates a total annual market growth rate of 5-10% for the next few years.

Widerøe





Booking channels 2006



Key figures	2006	2005	2004
SAS Group's holding	**100%**	100%	100%
CFROI	**18%**	22%	21%
Market share of the home market	**13%**	14%	15%
Block hours, aircraft, hours/day	**6.7**	6.7	6.7
Block hours, pilots, hours/year	**449**	478	530
Block hours, cabin crew, hours/year	**434**	436	490
Unit cost, local currency NOK/ASK	**2.13**	2.02	1.92
Average no. of employees (35% women in 2006)	**1,393**	1,331	1,277

Statement of income, MSEK	2006	2005	2004
Passenger revenue (scheduled traffic)	**1,990**	1,736	1,532
Other revenue	**951**	1,095	970
Revenue	**2,941**	2,831	2,502
Total operating expenses	**–2,650**	–2,497	–2,153
EBITDAR	**291**	334	349
Leasing costs	**–103**	–92	–94
EBITDA	**188**	242	255
Depreciation	**–153**	–153	–140
Capital gain	**0**	17	0
EBIT	**35**	106	115
Net financial items	**–13**	–29	–31
Income before tax, EBT	**22**	77	84
Income before nonrecurring items	**22**	61	84

Important events in 2006

- Widerøe was the most punctual airline at Oslo Airport Gardermoen in 2006, a title it has claimed since 2002.
- Widerøe came in second after SAS Braathens in the travel industry's 2006 Best Domestic Airline category.
- Widerøe introduced cost-saving measures amounting to approximately MSEK 200.

Widerøes Flyveselskap AS was founded in 1934. Initially, the company operated aerial taxi, ambulance and photography services but in the 1950s it expanded its activities considerably following the opening of short runway airports in Norway. Widerøe is the largest regional airline in the Nordic countries and operates 267 daily domestic and international flights to 41 destinations.

The airline has 1,393 employees and has been a subsidiary in the SAS Group since 1998, with responsibility for regional service in, to and from Norway. In 2006, Widerøe carried 1.9 million passengers with a single-aircraft fleet consisting of 29 turboprop aircraft.

Targets

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

The environmental target is a 1.5 point per year improvement in the index.

Strategic focus

Widerøe is working to become the leading regional airline in Northern Europe. By offering services that save customers time, Widerøe will ensure profitable growth and increase the number of passengers. Widerøe will focus on:

- streamlining its cost base
- improving regularity and punctuality
- achieving a higher share of sales in own channels
- increasing customer satisfaction
- introducing a deHavilland Q400 single-aircraft fleet at Torp outside Oslo.

Traffic and earnings performance

Widerøe saw a favorable traffic trend during the year, with the number of passengers increasing by 6.3%. Traffic, RPK, increased by 7.6% compared with the preceding year. Capacity, ASK, grew by 2.3%, which meant that the passenger load factor improved by 2.8 percentage points to 57.0%. Revenue rose by 3.9% to MSEK 2,941. Passenger revenue increased during the year by 14.6% to MSEK 1,990 thanks to more passengers. The yield increased by 1%.

Operating expenses increased by 6.1% to MSEK 2,650, due to the negative impact of high fuel costs and increasing technical and personnel-related costs. The unit cost rose by 5.4% during the year.

Income before nonrecurring items dropped by MSEK 39 to MSEK 22.

Market outlook

The total Norwegian market grew sharply in 2006, increasing by more than 10%. Growth is expected to continue in 2007, but at a slower pace. Widerøe is well positioned in the regional market plus to and from Norway. No contracting will be carried out in 2007.

To accommodate anticipated growth on the commercial routes, some of the 50-seat aircraft will be replaced by 76-seat deHavilland Q400s.

widerøe

Chairman of the Board
Gunnar Reitan
CEO Per Arne Watle
www.wideroe.no

Blue1

Important events in 2006

- Blue1 phased in three MD-90 aircraft, while phasing out SAAB 2000s from its fleet.
- Eleven new nonstop routes opened from Helsinki to European destinations.
- Blue1 was the only Finnish carrier to receive a renewed IOSA quality certificate.
- Blue1 won a bronze medal in the competition for the year's best airline sponsored by the European Regions Airline Association.

A wholly owned Finnish subsidiary in the SAS Group since 1998, Blue1 flies to 26 destinations. The airline operates SAS Group's air service to/from Finland and handles sales in the Finnish market for Group airlines.

In 2006 Blue1 introduced the business concept "Smart Travel," featuring a basic product at central airports, a network that enables transfers, and supplementary services that provide good value. The concept has proved successful and will be enhanced. Blue 1 has 491 employees and carries out 87 daily flights. Blue1 has been a member of Star Alliance since October 2004. Blue1 carried 1.8 million passengers in 2006. Its aircraft fleet consists of nine Avros and three MD-90s.

Targets

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

The environmental target is six-point improvement in the index per year.

Strategic focus

Strategic focus areas are:

- Developing supplementary services to the basic product that attract new travelers.
- Cost-effective operation to be able to offer low fares.
- High punctuality - Blue1 is traditionally the most punctual airline in Finland.

Traffic and earnings performance

Blue1's traffic, RPK, rose by 51% over the previous year.

Passenger volume rose by 22% compared with the year before. Capacity, ASK, was 46%, resulting in an improvement in the passenger load factor of 2.5 percentage points to 66.6%.

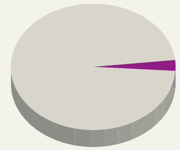
Owing to the higher volume, total revenue rose by MSEK 314 to MSEK 2,018 (1,704). Income before tax amounted to MSEK –18 (62). Charged to 2006 earnings is approximately MSEK 90 in nonrecurring costs related to phasing in MD-90 aircraft.

Unit costs fell by 16.2% over the previous year primarily owing to longer flight distances.

Market outlook

Blue1 enjoys a strong position in the Finnish market, with market share of around 30% on existing domestic routes. Its total share of the domestic market rose during the year to 15%.

The Finnish airline market has fewer players than other segments of the Nordic and European markets. The assessment is that there is growth potential in the Finnish domestic market and on nonstop routes to and from Europe. In addition, traffic eastward to Russia will open up new opportunities in the longer term. Blue1 anticipates continued good annual market growth in the coming years.



Passenger breakdown 2006

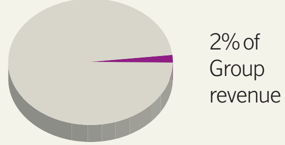
Domestic 24%
International 76%

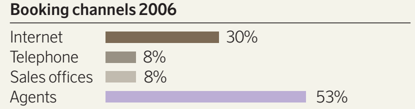
Key figures	**2006**	2005	2004
SAS Group's holding	**100%**	100%	100%
CFROI	**18%**	22%	6%
Market share of home market, approx.	**15%**	12%	10%
Block hours, aircraft, hours/day	**8.2**	8.0	7.8
Block hours, pilots, hours/year	**635**	693	690
Block hours, cabin crew, hours/year	**638**	696	750
Unit cost, local currency EUR/ASK	**0.09**	0.11	0.10
Average no. of employees (46% women in 2006)	**491**	444	366

Statement of income, MSEK	**2006**	2005	2004
Passenger revenue (scheduled)	**1,777**	1,523	1,213
Other revenue	**241**	181	93
Revenue	**2,018**	1,704	1,306
Total operating expenses	**–1,864**	–1,496	–1,248
EBITDAR	**154**	208	58
Leasing costs	**–162**	–135	–139
EBITDA	**–8**	73	–81
Depreciation	**–8**	–13	–11
EBIT	**–16**	60	–92
Net financial items	**–2**	2	–19
Income before tax, EBT	**–18**	62	–111
Income before nonrecurring items	**–18**	62	–111

Chairman of the Board
Gunnar Reitan
CEO Stefan Wentjärvi
www.blue1.com

airBaltic





Important events in 2006

- airBaltic opened 12 new routes from Riga and four routes from Vilnius as well as one route from Kaliningrad to Copenhagen.
- airBaltic expanded its charter service.

Founded in 1995, airBaltic is owned by the Latvian state, the SAS Group and Transaero. airBaltic was consolidated in the SAS Group as of August 2005. The leading airline in Latvia and Lithuania, airBaltic carried 1.4 million passengers in 2006. airBaltic operates the SAS Group's air service to/from Latvia and Lithuania as well as sales in both countries for Group airlines. From Riga airBaltic serves 39 destinations in the Nordic countries, the Baltic states, Africa and Eastern and Central Europe. From Vilnius airBaltic serves 14 destinations in the Nordic countries and Central and Eastern Europe. airBaltic participates in SAS's EuroBonus program. The aircraft fleet consists of eight Boeing 737-500s and eight Fokker 50s.

Targets

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

Strategic focus

The business model is based on point-to-point and transit traffic. airBaltic will continue to strengthen its leading position in the Baltic states for travelers to Western Europe, the Nordic countries and Eastern Europe. airBaltic aims to focus on:

- strengthening its nonstop flights to the Nordic countries and Western Europe.
- strengthening its position in existing markets and opening new routes to Eastern Europe.
- entering into alliances with airlines in Eastern Europe and code-share arrangements.
- establishing new hubs.
- cutting distribution costs and developing Internet sales.

Traffic and earnings performance

Passenger volume to/from the Riga hub rose by 32% and in Vilnius by 50%. The total number of passengers rose by 37% thanks to robust market growth and new routes. In 2006 the total increase in capacity, ASK, amounted to 24%. Traffic, RPK, grew by 32%, and the passenger load factor improved by 3.7 percentage points to 61%.

Revenues rose by 28% to MSEK 1,551, owing to more passengers and an uptick in the yield. Operating expenses increased by 21.6% due to higher capacity, amounting to MSEK 1,339. Income before tax was MSEK 49.

Market outlook

Network carriers and point-to-point airlines in the EU have increased the number of flights to the Baltic states. Growth is expected to be about 20% from both Riga and Vilnius airports. 0.6 million passengers flew eastward (Russia, Ukraine, etc.) in 2006. In the next five to eight years, the growth in these markets is expected to be 40-80% per year, with an estimated passenger volume of 2.2 million.

airBaltic's growth is expected to be higher than the market in the coming years. Nonstop routes are planned from Riga to Stavanger, Gomel, and Monastir, among others, in 2007 and ten new destinations in 2008-2009. From Vilnius new routes are planned to Brussels, Zurich, Milan, and Rome, among others, in 2007 as well as to eight further destinations in 2008-2009.

Key figures	2006	2005[1]	2004[2]
SAS Group's holding	**47.2%**	47.2%	47.2%
CFROI	**22%**	20%	19%
Market share of Riga Airport, approx.	**42%**	40%	50%
Block hours, aircraft, hours/day	**9.1**	8.7	7.3
Block hours, pilots, hours/year	**820**	786	740
Block hours, cabin crew, hours/year	**757**	751	780
Unit cost, local currency LVL/ASK	**0.041**	0.037	0.046
Average no. of employees (57% women in 2006)	**790**	626	413

Statement of income, MSEK	2006	2005	2004
Passenger revenue (scheduled)	**1,370**	1,084	605
Other revenue	**181**	127	103
Revenue	**1,551**	1,211	708
Total operating expenses	**–1,339**	–1,101	–615
EBITDAR	**212**	110	93
Leasing costs	**–147**	–106	–70
EBITDA	**65**	4	23
Depreciation	**–10**	–9	–5
EBIT	**55**	–5	18
Net financial items	**–6**	–14	–29
Income before tax, EBT	**49**	–19	–11
Income before nonrecurring items	**49**	–19	-

[1] *Consolidated as of August 1, 2005.*
[2] *Not consolidated.*

Chairman of the Board Gunnar Reitan
CEO Bertolt Flick
www.airbaltic.lv

Affiliated company

Estonian Air

Important events

- Three new destinations opened: Barcelona, Dubrovnik and Simferopol.
- Boeing 737-300s were phased in to handle the growing charter market.
- The airline celebrated its 15th anniversary.

Founded in 1991 when Estonia regained its independence, Estonian Air is owned by the SAS Group, the Estonian state and AS Cresco.

The leading airline in Estonia, Estonian Air operates both scheduled and charter flights. In 2006 the airline carried 690,000 passengers.

Estonian Air has 424 employees and operates 12 daily flights. From Tallinn, Estonian Air flies to 18 destinations using a full-service model.

Estonian Air has two subsidiaries: Amadeus Estonian and Estonian Aviation Fuelling Services. Its aircraft fleet consists of three Boeing 737-500s and one 737-300.

Target

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

Strategic focus

Estonian Air is working to become the first choice for air travel for Estonians and visitors to Estonia. Estonian Air will focus on developing its network in existing markets and growing in new European markets by:

- having a flexible fleet that can take advantage of business opportunities.
- having stable and safe operation as well as a strong cost position.
- increasing Internet sales.
- strengthening the brand in all markets.
- increasing the share of ancillary revenues.

Traffic and earnings performance

The overall Estonian market saw growth of 11%, amounting to 1.5 million passengers in 2006. Estonian Air's market share was 45%. During the year Estonian Air's traffic grew by 12.4%. Passenger volume was 690,000, an increase of 7.1%. Capacity, ASK, was increased by 11.2%, and the passenger load factor improved by 0.7 percentage points to 65.6%.

Passenger revenue increased in 2006 by 12.4%, totaling MSEK 744. Operating expenses rose due to the higher volume and high jet fuel prices by 24.3%, totaling MSEK 712.

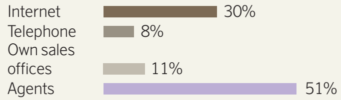
Income before tax amounted to MSEK –35, down MSEK 74.

Market outlook

The favorable growth in air traffic to and from Estonia is expected to continue. The estimate is that in the coming years growth will be over 10%. Estonia's economy is growing rapidly, and the country is becoming more attractive as a tourist destination. New airlines are expected to increase the competition.

Estonian Air will work to achieve a lower unit cost and offer product enhancements to boost its competitiveness.

Booking channels 2006



Key figures	2006	2005	2004
SAS Group's holding	**49%**	49%	49%
CFROI	**7%**	18%	15%
Market share at Tallinn Airport, approx.	**45%**	45%	55%
Block hours, aircraft, hours/day	**10,5**	10,2	9,1
Block hours, pilots, hours/year	**607**	708	680
Block hours, cabin crew, hours/year	**622**	721	740
Unit cost, EEK/ASK	**0.89**	0.79	0.86
Average no. of employees (54% women in 2006)	**424**	380	347

Statement of income, MSEK	2006	2005	2004
Passenger revenue (scheduled)	**744**	662	522
Other revenue	**9**	16	30
Revenue	**753**	678	552
Total operating expenses	**–712**	–573	–464
EBITDAR	**41**	105	88
EBITDA	**38**	101	26
EBIT	**–38**	29	10
Net financial items	**3**	10	7
Income before tax, EBT	**–35**	39	17

ESTONIAN AIR

Chairman of the Board Gunnar Reitan
CEO Børge Thornbech
www.estonian-air.ee

Business area

SAS Aviation Services

The SAS Aviation Services business area comprises SAS Ground Services (SGS), SAS Technical Services (STS), and SAS Cargo. Since January 2006 it also includes SAS Flight Academy (SFA), which was sold in February 2007. SGS is a fullservice provider in ground handling and airportrelated services. STS provides technical maintenance of aircraft within and outside the SAS Group. SAS Cargo is a leader in transporting freight in the Baltic region and SAS Flight Academy operates training centers for pilots and crew.

The business area's revenue declined in 2006 to MSEK 14,746 (14,964). The decline can be explained by the fact that STS and SGS were affected by sharp falls in volume and prices. Income before nonrecurring items deteriorated by MSEK 744 and amounted to MSEK –111 (633).

Earnings and degree of achievement of targets relative to the Group's requirements over a business cycle

	Income before nonrecurring items Negative	Income before nonrecurring items Positive	Target achievement	Improvement since 2005
SAS Ground Services		●		
SAS Technical Services	●			
SAS Cargo		●	◖	✔
SAS Flight Academy		●	●	

Statement of income, MSEK	**2006**	2005	2004[1]
Revenue	**14,746**	14,964	14,213
Payroll expenses	**–6,314**	–6,462	–6,204
Handling costs	**–1,063**	–1,356	–1,158
Technical aircraft maintenance	**–2,551**	–1,447	–1,695
Computer and telecommunications costs	**–542**	–589	–603
Other operating expenses	**–4,298**	–4,099	–3,476
Operating expenses	**–14,768**	–13,953	–13,136
Income before depreciation, EBITDA	**–22**	1,011	1,077
Depreciation	**–358**	–419	–491
Share of income in affiliated companies	**–40**	–23	0
Capital gains	**3**	34	5
Operating income, EBIT	**–417**	603	591
Net financial items	**–110**	–101	–84
Income before tax	**–527**	502	507
Income before nonrecurring items	**–111**	633	502

[1] *Refers to the former business area Airline Support Businesses, which included SGS, STS, SAS Cargo, etc.*

Business area earnings declined in 2006, primarily due to lower volumes for SAS Technical Services. SAS Technical Services and SAS Ground Services continue efforts to improve profitability and adjust their cost base in view of lower market prices. SAS Cargo showed improvement in profitability.

Business area

SAS Aviation Services

SAS Aviation Services companies provide ground handling and airport-related services, technical aircraft maintenance, freight services, and training.

Represented in 20 countries, SGS is a full-service provider of ground handling. STS provides technical maintenance of aircraft and line maintenance at a large number of airports in Scandinavia. SAS Cargo is a leader in freight transportation to/from and in the Baltic Sea region. SAS Flight Academy, which has training centers for pilots and cabin crew, was sold in February 2007. In 2006 the number of passengers handled by SGS rose by 3.1%, STS had 120 airlines as customers of technical maintenance, and SAS Cargo's flown tonnage rose by 2.5%.

Customers

The customers of SGS, STS, and SFA are primarily airlines. In 2006 SGS signed new contracts with Air China, bmi, Emirates and Icelandair, among others. Contracts were also renewed with Lufthansa, MyTravel and Novair etc. Tailoring products to various airlines' needs increases the number of external customers. During the year SFA signed a new contract with Wizzair for line maintenance in Poland. SAS Cargo offers transportation solutions primarily to business customers.

Sustainability

The units in SAS Aviation Services work actively to reduce their environmental impact and to promote sustainable development. SGS has introduced greener deicing fluids and is testing deicing using infrared light. STS has improved its purification process for 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.

Closure of the Sola base in Stavanger

Due to overcapacity in the SAS Group and stiffer competition especially in airframe maintenance, the SAS Group closed the technical base at Sola outside Stavanger in September 2006. The base primarily performed maintenance on Boeing 737 Classic aircraft. The decision entailed moving all heavier maintenance to Oslo Gardermoen, adjusting total capacity to demand and ensuring more competitive and more cost-effective operations. 265 employees in Stavanger were affected by the closure. The shut-down took place through a gradual phasing-out of operations in fall 2006.

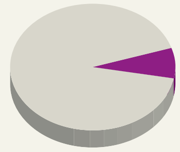
A program was initiated to help find new jobs for the idled employees. As of now, all of them have been offered new jobs. Employees over 59 were guaranteed continued employment in the SAS Group.

	Total SAS Aviation Services			SAS Ground Services			SAS Technical Services			SAS Cargo			SAS Flight Academy		
Key figures	**2006**	2005	2004 [3]	**2006**	2005	2004	**2006**	2005 [1]	2004	**2006**	2005	2004	**2006**	2005	2004
Revenue, MSEK	**14,746**	14,964	14,213	**5,867**	6,185	6,212	**4,896**	5,167	5,302	**3,648**	3,308	2,833	**441**	447	515
of which external revenue	**38.3%**	37.0%	32.6%	**17.5%**	17.3%	16.9%	**16.2%**	19.6%	18.8%	**98.5%**	95.6%	96.0%	**54.0%**	48.8%	41.2%
EBITDA margin	**–0.1%**	6.8%	7.6%	**1.6%**	6%	6.8%	**–4%**	5%	11.3%	**3%**	6%	2.7%	**20.0%**	27.1%	25.8%
Income before tax, EBT	**–527**	502	507	**–7**	97	279	**–437**	244	230	**52**	63	14	**43**	75	46
EBT before nonrecurring items	**–111**	633	502	**43**	228	279	**–249**	274	230	**99**	67	9	**40**	41	46
Average number of employees [4]	**10,470**	10,846	11,893	**6,627**	6,952	6,962	**2,509**	2,678	3,594	**1,312**	1,328	1,266	**168**	163	156
of which women	**28%**	26%	27%	**37%**	37%	36%	**7%**	8%	7%	**21%**	18%	18%	**31%**	31%	36%
Unsorted waste, tonnes [2]	**399**	529	344	-	-	-	-	-	-	-	-	-	-	-	-
Energy consumption, GWh [2]	**198**	193	183	-	-	-	-	-	-	-	-	-	-	-	-
Ground environmental index [2]	**75**	72	87	-	-	-	-	-	-	-	-	-	-	-	-

[1] *Pro forma, excluding SAS Component* [2] *The environmental numbers are total figures for SAS Aviation Services and all units owned or managed by SAS Facility Management (buildings and land).*
[3] *Refers to the former business area Airline Support Businesses, which included SGS, STS, SAS Cargo, etc.* [4] *For other employee key figures, see page 113.*

SAS Ground Services

Airports with SGS personnel

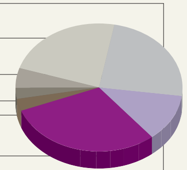


Key figures	2006	2005	2004
SAS Group's holding	**100%**	100%	100%
EBITDA-marginal	**1.6%**	3.6%	6.8%
Average no. of employees (37% women in 2006)	**6,627**	6,952	6,962
No. of contract customers	**77**	72	70
Number of stations with own personnel	**66**	57	61
No. of flights handled	**487,835**	506,257	512,299
No. of passengers handled (mill. departures and arrivals)	**75.9**	73.6	72.1
Delivered punctuality (% within 15 minutes)	**88.8**	98.7	98.2
Baggage quality (reports per 10,000 pass.)	**128**	88	80

Statement of income, MSEK	2006	2005	2004
Revenue	**5,867**	6,185	6,212
of which external revenue	**17.5%**	17.3%	16.9%
Operating expenses	**–5,773**	–5,960	–5,792
Operating income before depreciation EBITDA	**94**	225	420
EBIT	**6**	110	273
Income before tax, EBT	**–7**	97	279
Income before nonrecurring items	**43**	228	279

Share of sales

Denmark	24%
Sweden	23%
U.K.	5%
Germany	3%
Finland	3%
Norway	30%
Others	12%



Important events in 2006

- SAS Ground Services' international growth continued with new customers primarily in the U.K., plus higher volumes in Finland.
- Ramp operations were established in Aberdeen, at London Heathrow and in Malmö.

Founded as a company in 2004, SAS Ground Services (SGS) is the Nordic region's largest full-service provider of airport-related services, offering everything from ground handling of passengers, baggage, and aircraft to efficient solutions such as automated check-in and boarding and centralized departure control.

SGS has 77 contracted customers and serviced a total of 129 airlines in 2006. During the year SGS handled 75.9 million travelers, 487,835 departures and 366,000 tonnes of freight and mail. SGS has subsidiaries in the Nordic countries and the U.K. There are also operations in the rest of Europe, the U.S. and Asia. The company has 6,627 full-time equivalents and is represented at around 160 airports in 43 countries.

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

Objectives

The financial target is an EBITDA margin of at least 6% over a business cycle.

SGS is to be competitive in all units and contribute actively to the efficiency, simplification, and quality of the airlines' activities at airports.

Quality objectives

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

Sustainability

SGS will comply with environmental laws and regulations. In the area of working environment, sick leave, work-related injuries, employee perceptions of management, and job satisfaction are measured and followed up on.

Strategic focus

SGS will:

- grow in new markets, offering new products
- have a competitive cost base
- offer good value services to all airlines, based on an efficient production platform.

Earnings performance

SGS's revenue fell by 5.1% to MSEK 5,867. The drop was due to lower volumes, lower prices, and changes in products. SGS saw its biggest declines in volumes in Denmark and Sweden. The ongoing cost program has cut the unit cost by 1.1%. Income before tax declined by MSEK 104 to MSEK –7 (97). Restructuring costs of MSEK 50 primarily related to Denmark were charged to earnings.

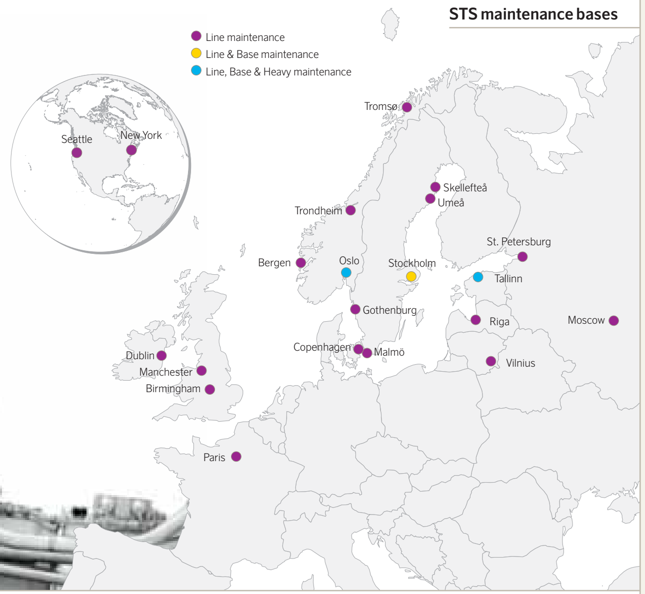
Market outlook

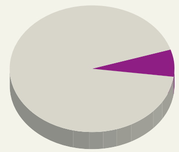
The level of activity in passenger aviation determines growth in ground handling. Competition and price pressure in the ground handling business has resulted in streamlining in all SGS companies and may lead to consolidation in the market. Efforts to ensure full profitability in all parts of SGS will continue. The market is expected to perform at the same rate in 2007 as in 2006.

SAS Ground Services

Chairman of the Board Gunnar Reitan
CEO Hans-Otto Halvorsen
www.sasground.com

SAS Technical Services



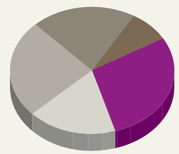


Key figures	2006	2005	2004
SAS Group's holding	**100%**	100%	100%
ROIC	**–5.0%**	5.0%	7.0%
Average no. of employees (7% women in 2006)	**2,509**	2,678	3,594
Number of customers	**120**	130	160

Statement of income, MSEK	2006	2005[1]	2004
Revenue	**4,896**	5,167	5,302
of which external revenue	**16.2%**	19.6%	18.8%
Operating expenses	**–5,091**	–4,661	–4,703
Operating income before depreciation, EBITDA	**–195**	506	599
EBIT	**–363**	310	300
Income before tax, EBT	**–437**	244	230
Income before nonrecurring items	**–249**	274	230

[1] *Pro forma, excluding SAS Component.*

Revenue breakdown, 2006



Important events in 2006

- Airframe Maintenance was consolidated through the closure of the base in Sola (Stavanger).
- STS established a separate function responsible for supplying materials as part of the sale of SAS Component.
- STS sharpened its focus on delivery quality for both Line and Airframe.

Founded as a company in 2004, SAS Technical Services AB (STS) is a leading provider of maintenance, repair and overhaul (MRO) services to the airline industry in the Nordic region.

STS's headquarters are at Stockholm-Arlanda. Around 80% of revenue comes from the airlines in the SAS Group. Operations are certified under European and U.S. regulations.

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, Engine Management, Engineering Services, and Maintenance Training. STS has around 2,500 employees.

Objectives

The financial target is an ROIC of at least 12% over a business cycle.

STS aims to be "best in its class" regarding safety, quality, and profitability.

Quality objectives

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

Sustainability

STS has obtained government approval for choosing greener chemical products for aircraft maintenance.

Strategic focus

SAS Technical Services will:

- consolidate and bolster its position through operational and commercial excellence
- sell surplus capacity on the external market
- increase focus in the long run on the external market to win new customers and create growth
- continue to implement Lean Maintenance Production, optimizing the production and cost structure.

Earnings performance

In 2006, revenue fell by MSEK 271 compared with 2005 and amounted to MSEK 4,896. The decrease is due to the sale of SAS Component as well as lower volumes and prices. External revenue in 2006 totaled MSEK 793, down MSEK 220 over the previous year. MSEK 187 in restructuring costs, of which the closure of the Sola base accounted for MSEK 147, was charged to operating expenses in 2006. Operating expenses totaled MSEK 5,091, a rise of MSEK 430.

Income before nonrecurring items was down MSEK 523, amounting to MSEK –249.

Market outlook

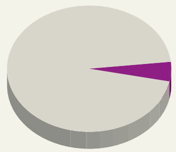
In 2007 STS will primarily focus on improving the quality of delivery. A streamlined maintenance program plus higher productivity will lay the groundwork for increased competitiveness.

The external market for technical maintenance is growing, but is characterized by stiff competition, overcapacity and price pressure.

SAS Technical Services

Chairman of the Board John S. Dueholm
CEO Peter Möller
www.sastechnicalservices.com

SAS Cargo



Key figures	2006	2005	2004
SAS Group's holding	**100%**	100%	100%
CFROI	**17%**	17%	16%
Average no. of employees (21% women in 2006)	**1,312**	1,328	1,266
Flown tonnes	**294,004**	286,788	278,298
Tonne km (million)	**1,082**	1,039	986
Cargo yield/tonne km	**2.56**	2.52	2.53

Statement of income, MSEK	2006	2005	2004
Revenue	**3,648**	3,308	2,833
of which traffic revenue	**2,080**	2,054	1,928
of which external revenue	**98.5%**	95.6%	96.0%
Operating expenses	**–3,540**	–3,176	–2,757
Operating income before depreciation EBITDA	**108**	132	76
EBIT	**66**	83	35
Income before tax, EBT	**52**	63	14
Income before nonrecurring items	**99**	67	14

Freight and mail, total, tonne km (000)	2006	2005	Change
Intercontinental	**642,444**	638,801	1%
Europa	**25,390**	27,927	–9%
Intra-Scandinavian	**4,873**	5,460	–11%
Total international	**672,707**	672,188	0%
Denmark	**16**	32	–50%
Norway	**10,703**	12,583	–15%
Sweden	**326**	338	–4%
Total domestic	**11,045**	12,954	–15%
All Cargo	**398,249**	354,101	12%
Total	**1,082,000**	1,039,243	4%

Important events in 2006

- SAS Cargo took over sales of Spanair's freight capacity.
- SAS Cargo received ISO 14001 certification, meaning a sharper focus on sustainability.
- Booking and confirmation of orders can be done via the Internet through Cargo Portal Services.
- Cooperation with Air China, which increases capacity between Scandinavia and China.

SAS Cargo was founded as an independent company in 2001 and is wholly owned by the SAS Group. The company offers air transportation solutions and freight capacity on passenger aircraft and on purely cargo aircraft. Approximately 70% of SAS Cargo's freight capacity exists within SAS Group airlines. SAS Cargo is a member of the WOW cargo alliance together with Lufthansa Cargo, Singapore Airlines Cargo and Japan Airlines Cargo. In 2006 cargo handling was incorporated under the name Spirit Air Cargo Handling Group AB, with 12 terminals in Scandinavia.

On February 14, 2006, the European Commission and the U.S. Department of Justice each announced investigations into possible illegal price fixing in the airfreight industry. SAS is one of several airlines and air cargo carriers involved.

A large number of class actions have been brought against SAS and other airlines and airfreight carriers in the U.S. with claims for damages. These actions have now been consolidated into a single case in New York. SAS is cooperating with the government investigations, preparing its defense, and conducting its own internal review. Any negative result unfavorable to SAS may have a material adverse effect on SAS. The Group's costs for the review at SAS Cargo totaled MSEK 100 as of December 31, 2006.

Objectives

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

The overarching objective is to be the preferred choice for cargo to/from and within Scandinavia by offering high-quality products at the right price.

Quality objectives

SAS Cargo's quality goal is "Arrived As Agreed."

Spirit Air Cargo Handling has ISO 9001:2000 certification, and all of SAS Cargo has ISO 14001 certification.

Sustainability

Sustainability work covers the environment, workplace conditions, ethical and social responsibility, and quality objectives. The company is working step-by-step to ensure that customers, suppliers, and society as a whole view SAS Cargo as a leading distributor of freight from a sustainability viewpoint.

Strategic focus

SAS Cargo continuously develops total cargo solutions to/from strategically important markets.

SAS Cargo will offer a differentiated range of products based on technology and human resource development.

Safety, economy, and quality will ensure SAS Cargo's position as an attractive and long-term partner. Cooperation will be bolstered in key markets in Asia and the U.S. through partnerships with important customers.

Earnings performance

SAS Cargo's revenue increased in 2006 by 10.3%, totaling MSEK 3,648. The growth is due to increased capacity in cooperation with Singapore Airlines and Spanair, as well as new operations. During the year, the yield rose by 1.6%.

Income before nonrecurring items was up SEK 32, amounting to MSEK 99.

Market outlook

SAS Cargo anticipates global growth of 6-7% per year, driven especially by the Asian market. SAS Cargo will continue to focus on developing its products and network.

SAS Cargo

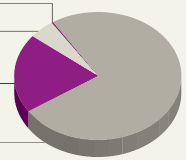
Chairman of the Board Gunnar Reitan
CEO Kenneth Marx
www.sascargo.com

SAS Flight Academy

The business was sold in February 2007.

SFA training centers and simulator types
December 31, 2006

Sales by country



Important events in 2006

- Operations in Riga opened in January 2006. A Boeing 737 Classic simulator will be installed in early 2007.
- The Copenhagen training center was supplemented with simulator training for Boeing 737 NG and MD-80 aircraft.
- SAS Flight Academy was sold in February 2007 to Star Capital Partners for MSEK 750, including assumption of net debt of MSEK 200.

A wholly owned subsidiary in the SAS Group, SAS Flight Academy is a world-leading training center for pilots and cabin crew. The business was started in 1946 as part of Scandinavian Airlines and currently has 168 employees.

The market primarily comprises aircraft and helicopter operators and owners and manufacturers of aircraft/helicopters. With about 220 airlines and military organizations from around the world as customers, SAS Flight Academy offers custom training programs for training pilots and cabin crew.

Training takes place around the clock in 17 flight simulators, in mock-ups for cabin training, and through interactive learning at various PC stations. Headquartered at Arlanda Airport, the Academy also operates at Copenhagen, Oslo, and Riga airports.

Quality objectives

SAS Flight Academy's quality system conforms with the international JAR FCL and JAR STD certifications, as well as ISO 9001:2000, making it possible to monitor operations and handle any disruptions.

Sustainability objectives

SAS Flight Academy will work continuously on developing human resources and the working environment through:

- human resource development
- development of management
- workplace surveys with appurtenant action plans aimed at improving the working climate
- active environmental work.

Earnings performance

SAS Flight Academy's revenue for 2006 totaled MSEK 441. External volume was up MSEK 20. The operating margin (EBITDA) improved to 20% through effective cost control.

Income before nonrecurring items was MSEK 40.

Market outlook

The demand for pilot training is expected to increase due to a greater demand for new pilots. More and more airlines are outsourcing their training to independent training providers. Stricter regulations are expected in the areas of simulator training for helicopter pilots, training in human factors, cabin training, and in pilots' knowledge of English.

Key figures	**2006**	2005	2004
SAS Group's holding	**100%**	100%	100%
ROIC	**17%**	11%	8%
Number of simulator hours	**71,710**	67,156	66,407
Average no. of employees (31% women in 2006)	**168**	163	156

Statement of income, MSEK	**2006**	2005	2004
Revenue	**441**	447	515
of which external revenue	**54.0%**	48.8%	41.2%
Operating expenses	**–353**	–326	–382
Operating income before depreciation, EBITDA	**88**	121	133
EBIT	**49**	79	46
Income before tax, EBT	**43**	75	46
Income before nonrecurring items	**40**	41	46

SAS Flight Academy

CEO Olof Bärve
www.sasflightacademy.com

Business area

Hotels

The hotel business was listed on the stock exchange on November 28, 2006.

As a result of the listing of Rezidor Hotel Group on the stock exchange in November the statement of income is based on the period up to November 2006, plus full-year 2005.

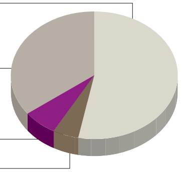
Revenue for January-November 2006 amounted to MSEK 6,097 (5,458). The increase is primarily attributed to new hotels and higher revenue per available room (REVPAR).

Gross operating income, GOP, amounted to MSEK 2,121 (1,719), and the gross profit margin rose to 34.8% (31.5%), due to higher volume.

Income before tax amounted during the 11-month period to MSEK 400, compared with MSEK 302 for the full year 2005.

The earnings and the capital gain are recognized as income from discontinued operations in the SAS Group's statement of income

Ownership after stock exchange listing in November 2006



Statement of income, MSEK	Jan-Nov 2006	2005	2004
Rooms revenue	3,417	2,988	2,431
Food and beverage revenue	1,806	1,708	1,430
Fee revenue	549	427	331
Other revenue	325	335	360
Revenue	**6,097**	5,458	4,552
Operating expenses	–1,748	–1,710	–1,494
Payroll expenses	–2,110	–1,926	–1,664
Property insurance and property tax	–118	– 103	–88
Operating expenses	**–3,976**	–3,739	–3,246
Gross operating income, GOP	**2,121**	1,719	1,306
Rental expenses	–1,548	–1,365	–1,169
Share of income in affiliated companies	47	58	28
Income before depreciation, EBITDA	**620**	412	165
Depreciation	–181	–179	–163
Capital gains	–11	63	53
Operating income, EBIT	**428**	296	55
Net financial items	–28	6	–15
Hotels, income before tax	**400**	302	40

The listing of the Rezidor Hotel Group on the stock exchange was implemented as part of the SAS Group's focus on its core activities and to increase financial preparedness. Rezidor Hotel Group CEO Kurt Ritter (left) and Jukka Ruuska, President of Nordic Market Places, Stockholm Stock Exchange, ring in trading of the Rezidor share. At year-end the SAS Group owned 6.7% of the shares after full exercise of the over-allotment option.

For further information about the Rezidor Hotel Group see www.rezidor.com

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 2006.

MARKET PERFORMANCE

Traffic growth in the airline industry was favorable in 2006. The sector has been relatively restrained in introducing new capacity, and this has helped to improve the profitability of the airline industry.

In all, traffic measured in revenue passenger kilometers (RPK) rose 5.4% for the SAS Group in 2006. Traffic for AEA airlines increased by 5.2%, with traffic to and from Asia and in Europe showing the largest growth.

Change in the Group structure

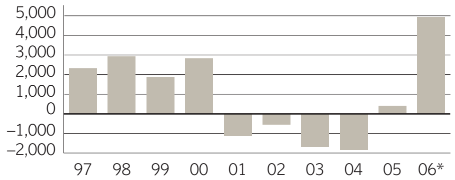
The Rezidor Hotel Group was listed on the stock exchange on November 28, 2006. In connection with the listing the SAS Group divested 91% of its shareholding in the Rezidor Hotel Group and subsequently owns 6.7% of the shares in the hotel group. Proceeds of the sale amounted to MSEK 5,324, with a capital gain of MSEK 4,243.

Norwegian Aviation College was divested in the fourth quarter of 2006. Both the selling price and capital gain were insignificant.

During the year 25.27% of the shares of Travel AS, Norway, were acquired. The company supplies Internet tools for booking trips and other services.

SAS Group income before tax, 1997-2006

MSEK



** 2006 annual earnings include income for discontinued operations.*

European Cooperation Agreement (ECA)

The European Cooperation Agreement is 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 expires on December 31, 2007.

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

Due to continued competition and sluggish earnings performance, ECA negatively impacted earnings by the same amount as the previous year, MSEK –415 (–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 finance policy set by the Board. The SAS Group uses derivative instruments as part of its risk management to limit its currency and interest rate exposure. See Note 31.

WORK OF THE BOARD OF DIRECTORS

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

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

At the Annual General Shareholders' Meeting on April 20, 2006, all of the Board members were reelected with the exception of Lars Rebien Sørensen, who declined reelection. Jens Erik Christensen was elected as a new member. The composition of the Board of Directors in 2006 appears on page 92.

Egil Myklebust was elected Chairman of the Board at the Annual General Shareholders' Meeting. Working closely with the President, the Chairman of the Board is to follow the company's performance, plan Board meetings, and ensure 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 2006 the Board held 14 meetings, 11 ordinary and three 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 investments. Additionally, at various meetings the Board discussed matters involving flight safety work, internal control, the work of the Board, the year-end report, interim reports, strategy and the business plan, and the budget.

Special topics discussed by the Board during the year include the recruitment of a new President and CEO, the listing of the Rezidor Hotel Group on the stock exchange, the closure of the technical base in Stavanger/Sola, continuing cost-saving measures and efficiency enhancements, and releasing capital and other financial issues.

On three 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 2006 the audit committee held six recorded meetings, examining the scope and performance of the external and internal auditing work, the financial reporting and internal control. During the year, the remuneration committee held three recorded meetings in addition to a large number of informal contacts in connection with the recruitment of a new President and CEO.

SAFETY WORK

Although flight safety in the SAS Group is high, SAS Technical Services experienced certain quality problems including the supply of spare parts during the year.

SAS Scandinavian Airlines received IOSA (IATA Operational Safety Audit) recertification without comments in 2006.

Despite initiatives and a high level of awareness regarding safety, incidents took place in 2006 that prompted immediate action.

One of SAS Braathens' aircraft was subjected to turbulence during a flight. The flight was formally classified as an incident because a crew member sustained injuries in the cabin. No passengers were hurt. The incident is being investigated by the Norwegian Accident Investigation Board (AIB) and SAS Braathens' Investigation Group.

In the fall of 2005 it was discovered that parts of scheduled inspections had not been performed on Airbus A340/330s and A321s. Several measures have been introduced to ensure improvements. Despite these actions parts of certain scheduled inspections were not performed in 2006. The causes are being examined to prevent repetitions. However, no faults were discovered during the examinations.

SAS has presented a technical maintenance action plan designed to eliminate the risk of exceeding maintenance intervals. In January 2007 the plan received the official approval of the OPS Committee.

LEGAL ISSUES AND BUSINESS CONDITIONS

On February 14, 2006, the European Commission and the U.S. Department of Justice launched public investigations into possible illegal price fixing in the air cargo industry. SAS is one of several airlines and air cargo carriers involved in the investigations. In addition, and as is usual in corresponding cases, a large number of class actions have been filed with claims for damages against SAS and other airlines and air cargo carriers in the United States. These actions have now been consolidated into a single case in New York. SAS is cooperating with the government investigations, preparing defense of civil litigation, and conducting its own internal review. At present, SAS is unable to predict the outcome of these investigations and civil actions and cannot now evaluate the potential financial impact of these actions. However, in the event of adverse findings in either the government or civil actions, such adverse findings could have a material adverse effect on SAS. Costs for the investigations in SAS Cargo amounted to MSEK 100 in 2006.

At the end of July, SAS Braathens was found not guilty by Oslo District Court in a case brought by the Norwegian Competition Authority regarding alleged abuse of its dominant market position on the Oslo-Haugesund route. In September, SAS Braathens was also found not guilty in a case brought by Økokrim (Norwegian National Authority for the Investigation and Prosecution of Economic and Environmental Crime) regarding alleged unlawful access to data about Norwegian in the Amadeus reservation system. The judgments have been appealed.

Negotiations are being conducted with Singapore Technologies regarding the final purchase consideration for the sale of 67% of the shares in SAS Component that was implemented in 2005. Information is currently being compiled to determine the parties' positions.

THE 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 the SAS Group's values and policies, the Group has a Code of Conduct covering all employees.

The sale of the hotel business has changed the SAS Group's sustainability-related risk profile. The hotels operate in regions of the world where views on human rights and environmental and working environment issues do not always accord with what are generally considered to be responsible business practices.

Since 1996 the SAS Group and the individual companies have measured their eco-efficiency using an environmental index. The goal of its chief operation, SAS Scandinavian Airlines, is to improve the environmental index by an average of three points per year. The index for 2006 was 71 (72). This is the first time the main operation has ever achieved such a relatively low environmental impact. The environmental index is the most important tool for managing and following up the environmental work of the Group and its companies.

The goal of the Group's airlines is to lower their fuel consumption by 3% before 2008. The result for 2006 was a reduction of 0.5%.

Compared with previous years, the outcome of the PULS employee satisfaction index was higher at two-thirds of the Group's companies. One-third of the companies showed a poorer result compared with previous years. The response rate was 70 (68)%.

Corporate social responsibility

The SAS Group's social and environmental responsibilities include responsibility for employees and 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 2006, the average sick leave in the SAS Group decreased slightly, to 6.1%, from 6.8% the year before. The number of occupational injuries with subsequent absence increased from 764 to 782 within the entire SAS Group. No serious incidents or occupational injuries occurred during the year.

SAS Group companies are working actively on gender equality, based in part on the legislation in effect in each country, and based in part on the current situation in the respective companies. During the year the majority of the companies in the Group formulated gender equality targets and plans for continued work on equal opportunities for men and women. 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 20% of the SAS Group's senior management and hold 29% of all managerial positions. The share of women managers did not increase appreciably during the year. The SAS Group's companies in Sweden are also actively participating in the salary survey initiated at the request of the authorities in 2006 and which will continue in 2007.

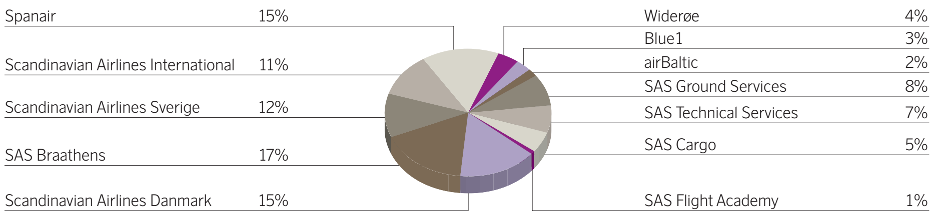
With regard to human resources, the airlines plan and conduct regular in-service training of all certified personnel such as technicians, cabin crew and pilots. This is done to uphold the competency standards required by air operator certificates (AOCs). The total training cost for the SAS Group amounted to MSEK 326 (250) in 2006.

Relations between the management and employees are in general good in the SAS Group. The first half of 2006 saw some conflicts that impacted traffic in Scandinavia. The effect on earnings for the SAS Group is estimated at approximately MSEK 350.

Environmental responsibility

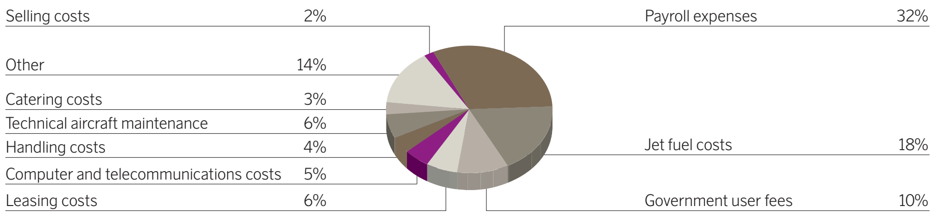
In 2006, the SAS Group's airline operations accounted for approximately 90% of its overall environmental impact. Most of the remainder, 8%, came from the hotel business, which was divested at the

Breakdown of the SAS Group's total revenue, 2006



Airlines account for approximately 80% of the Group's operating revenue. The operating revenue of SAS Aviation Services including SAS Cargo Group is equivalent to approximately 20% of the Group's operating revenue.

SAS Group cost structure, 2006, MSEK



Payroll expenses account for 32% of the cost base. Due to the surge in the price of crude oil, the price of jet fuel is the second largest expense item. Government user fees comprise 10% of costs and amounted to SEK 5.9 billion.

end of the year. SAS Aviation Services accounted for the final 2% of the environmental impact.

The main environmental impact of airline operations consists of the consumption of nonrenewable 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 commercially available technology. Environmental aspects are a key element in the SAS Group's choice of new aircraft and engines.

The most significant environmental impact of the hotel business and SAS Aviation Services is energy and water consumption and the generation of waste.

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.

The Swedish Government's plan to introduce an environment-related passenger tax in 2006 was shelved due to the change of government. Discontinued in 2006, the Danish environment-related passenger charge amounted to MSEK 148 (282). The Norwegian NO_X tax that went into effect on January 1, 2007 is expected to impact earnings by MSEK 15 to 20 per year. Otherwise, the SAS Group 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 EU Commission announced a proposal concerning the inclusion of aviation in the EU Emissions Trading Scheme. The goal is to incorporate aviation in the system in 2011. The SAS Group views the participation of aviation in emission credit trading as a first step toward a desirable global emissions trading system. Such a system is viewed as the most effective means by which aviation can contribute to reducing society's total environmental impact, thereby achieving the overriding environmental goal. This alternative is judged as having little impact on traffic, even though it involves costs for purchasing emissions credits.

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 purification plant. SAS Technical Services (STS) submits an annual environmental report to Sigtuna Municipality. The permit at Oslo Airport covers water from a purification plant connected to hangars and maintenance bases. STS submits an annual environmental report to Ullensaker Municipality and to the County Governor of Akershus. Copenhagen Airport has maintenance bases and hangars requiring environmental permits that primarily concern the use of chemicals in maintenance work and purification plants. Here too, an annual report is to be submitted to the local environmental agencies. Braathens Technical Services (BTS) at Stavanger Airport has an environmental permit for a purification plant and submits an annual environmental report to the County Governor of Rogaland. BTS was closed at the end of 2006. In connection with this a provision of MSEK 4.6 has been made for decontamination of the galvanization system. All environmental permits for operations conducted on the properties that SAS Facility Management (SFM) manages have been transferred to SFM. However, 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 SAS Ground Services (SGS) and STS and on the respective airport owners' concessions for operations and glycol handling and thresholds for atmospheric emissions and noise. Apart for local waste management permits, the SAS Group has no permit requirements for airline operations in Finland, the Baltic states and Spain. The SAS 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. During the year the SAS Group did not receive any injunctions from the issuing authorities.

In 2006, aircraft operated by SAS Group airlines sometimes deviated from local approach and takeoff rules. Spanair was fined on a number of occasions by the Spanish authorities. In total, the fines may amount to approximately MSEK 6. None of the incidents had any major environmental consequences. Spanair has been in dialog with local authorities in this connection. At Copenhagen Airport, an oil and diesel leak covering an area measuring 1,100 m^2 was identified in 2006. The leak has existed for several years. The clean-up will be done in agreement with the affected authorities in 2007. In connection with this SGS and Copenhagen Airport will determine the financial terms for the clean-up. 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 2006

The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividend be paid to shareholders in SAS AB for fiscal year 2006. 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 investments.

DISPOSITION OF EARNINGS

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

	MSEK
Retained earnings	3,933
Group contribution received, net	206
Net income for the year	6,183
Total	10,322

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

	MSEK
Amount retained by Parent Company	10,322
Total	10,322

The position of the Group and Parent Company at year-end 2006 and the earnings of operations for fiscal year 2006 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

SAS Flight Academy was sold in February 2007 to STAR Capital Partners, with a capital gain of approximately MSEK 380.

FULL-YEAR 2007

There are currently no indications of a slowdown in the economy or the airline market, but uncertainty remains regarding the strength of growth, the future competitive situation and the trend for jet fuel prices.

In 2007, continued favorable passenger growth is expected in most of the SAS Group's markets. Growth is expected to be strongest in traffic to/from Europe, in the Baltic states and Spain. Competition is expected to remain intense in the markets in which the SAS Group is active.

New business models and other initiatives have strengthened the Group's competitiveness and, in 2007, SAS Scandinavian Airlines will implement further improvements and innovations in its commercial concepts.

The SAS Group has initiated a process, "Strategy 2011,"aimed at defining the Group's future approach. New efficiency and revenue measures will certainly be part of this plan. Due to continued structural activities, future restructuring costs cannot be ruled out.

SAS Group statement of income

MSEK	Note	2006	2005
Revenue	2	60,777	55,501
Payroll expenses	3	–18,092	–18,163
Other operating expenses	4	–36,069	–31,658
Leasing costs for aircraft		–3,526	–3,132
Depreciation, amortization and impairment	5	–1,964	–2,170
Share of income in affiliated companies	6	59	76
Income from sale of shares in subsidiaries and affiliated companies		0	41
Income from the sale of aircraft and buildings	7	88	182
Operating income		1,273	677
Income from other shares and participations	8	–47	50
Interest income and similar income items	9	488	492
Interest expenses and similar income items	10	–1,422	–1,465
Income before tax		292	–246
Tax	11	–128	–76
Net income for the year from continuing operations		164	–322
Income from discontinued operations	12	4,576	577
Net income for the year		4,740	255
Attributable to:			
Parent Company shareholders		4,622	174
Minority interests		118	81
Earnings per share (SEK) from continuing and discontinued operations [1]		28.10	1.06
Earnings per share (SEK) from continuing operations [1]		0.78	–2.01

[1] *Earnings per share is calculated on 164,500,000 outstanding shares (IAS 33). Since the SAS Group has no options, convertibles or share programs, dilution cannot occur.*

Income before capital gains and nonrecurring items

MSEK	2006	2005
Income for the period in continuing and discontinued operations	4,740	255
Tax	196	163
Income before tax	4,936	418
Capital gains	–4,324	–717
Impairment losses	146	0
Restructuring costs	337	413
Other nonrecurring items	184	0
Income before capital gains and nonrecurring items	1,279	114

Comments on the statement of income

The Rezidor Hotel Group was listed on the stock exchange on November 28, 2006. In connection with the stock exchange listing the SAS Group divested 91% of its shareholding and subsequently owns 6.7% of the shares of the Rezidor Hotel Group.

Since the transaction is material in relation to the Group in its entirety, the divested operations are reported in accordance with IFRS 5. In the preceding year, the European Aeronautical Group, Jetpak and 67% of the Group's holding in Component Group were divested, which is why 2005 has been adjusted to facilitate comparison. Income items for continuing operations are presented first. Income from discontinued operations is presented in a line item and comprises the operations' income after tax and the Group's capital gain.

The net effect of currency fluctuations between 2005 and 2006 was MSEK 45. The effect is MSEK 4 on operating revenue, MSEK 26 on operating expenses, MSEK 9 on net financial items, and MSEK 6 on discontinued operations.

Continuing operations:

The SAS Group's operating revenue amounted to MSEK 60,777 (55,501), up MSEK 5,276 or 9.5%. Passenger traffic (RPK) rose 5.4% for the Group. SAS Scandinavian Airlines' traffic declined by 0.8% compared with 2005 and the currency-adjusted yield was up 6.7% compared with the corresponding period in 2005. The yield improvement is partly attributable to compensation for increased fuel costs, but also to active revenue control.

Nonrecurring items totaling MSEK 667 (413) were charged against full-year results, of which MSEK 337 (413) pertained to restructuring costs, MSEK 146 (0) to impairment losses and MSEK 184 (0) to other nonrecurring items.

Payroll expenses declined by MSEK 71, or 0.4%, and amounted to MSEK 18,092 (18,163). Adjusted for nonrecurring items of MSEK 351 (393), payroll expenses were MSEK 29 lower than in the preceding year. Nonrecurring items for 2006 include MSEK 84 attributable to the outcome in the Norwegian Supreme Court regarding the integration of Braathens' ground handling personnel in 2002. The remaining MSEK 267 pertains to costs associated with the reduction of personnel in SAS Technical Services, MSEK 117, SAS Braathens, MSEK 74, SAS Ground Services, MSEK 50 and other units, MSEK 26. The number of employees fell by 0.1% in continuing units. The number of employees rose due to higher volumes in SAS Individually Branded Airlines, while the number of employees in SAS Scandinavian Airlines and SAS Aviation Services declined.

The Group's other operating expenses increased by MSEK 4,411 or 13.9% to MSEK 36,069. Adjusted for currency effects and nonrecurring items of MSEK 170 (20), expenses increased by MSEK 4,286, or 13.5% due to higher fuel costs and higher volumes in SAS Individually Branded Airlines (17.5% increase in ASK). The Group's costs for jet fuel amounted to MSEK 10,493 (8,123). Adjusted for a positive currency effect owing to a weaker USD, fuel costs increased by MSEK 2,436. The market price (spot price) during the year was on average 15% higher than in 2005. Nonrecurring items for 2006 consists of investigation costs of MSEK 100 pertaining to the Competition Authority's investigation into suspected legal breaches in the air cargo sector and MSEK 70 pertaining to unutilized premises in connection with the closure of the technical base in Stavanger.

Operating income before depreciation and leasing costs, EBITDAR, was MSEK 6,616 (5,680).

Leasing costs amounted to MSEK 3,526 (3,132), an increase of MSEK 394. Depreciation, amortization and impairment was MSEK 1,964 (2,170), down MSEK 206. The lower depreciation, amortization and impairment is mainly due to the sale and leaseback of aircraft, which led to increased leasing costs. All together, leasing costs and depreciation, amortization and impairment were MSEK 188 higher than in the preceding year, of which MSEK 71 was attributable to the impairment of intangible assets.

Share of income in affiliated companies amounted to MSEK 59 (76). The change between 2005 and 2006 is due to lower earnings in Estonian Air and a positive trend in British Midland. The share of income in Component Group was MSEK –50 (–23). In 2005, airBaltic was included in an amount of MSEK –28. Share of income for 2006 includes MSEK 25 for the impairment of goodwill attributable to the Group's holding in Skyways.

The Group's income from the sale of aircraft and buildings during the year was MSEK 88 (182). This includes the sale and leaseback of twelve McDonnell Douglas MD-80s, four Airbus A321s, two Airbus A319s, and three Boeing 737s. Three McDonnell Douglas MD-80s and two Fokker F50s were divested. A property in Bromma and one in Oslo were also sold.

The result from other shares and participations totaling MSEK –47 (50) includes the effect of the valuation of shares in Aeroexchange (purchasing company within Star Alliance) at a fair value of MSEK –50. In 2005, participations in France Telecom were sold, generating a capital gain of MSEK 48.

The Group's net financial items amounted to MSEK –934 (–973). Net interest was MSEK –884 (–869). Net interest includes positive effects of MSEK 188 (116) from valuation of financial instruments in accordance with IAS 39. The currency effect was MSEK –3 (–12). Other net financial expenses were MSEK –47 (–92).

Income before tax in continuing operations amounted to MSEK 292 (–246).

Discontinued operations

Income from discontinued operations amounted to a total of MSEK 4,576 (577). The capital gain of the stock exchange listing of the Rezidor Hotel Group was MSEK 4,243. The previous year's capital gains have been corrected by MSEK –10. Income from the sale of European Aeronautical Group, Jetpak, and 67% of the shareholding of SAS Component Group amounted in the previous year to MSEK 381. Net income after tax in discontinued operations with adjustment for stock exchange listing costs of MSEK 11 for the Rezidor Hotel Group amounted to MSEK 343 (196).

Continuing and discontinued operations

Income before capital gains and nonrecurring items amounted to MSEK 1,279 (114).

Of the Group's total tax, MSEK –118 (–89) comprised change in deferred tax.

Change, MSEK	2005/06	2004/05
Revenue	4	1,443
Payroll expenses	–19	–525
Other expenses	48	–663
Translation of working capital	152	–311
Income from hedging of commercial flows	–155	299
Operating income	30	243
Net financial items	9	31
Income before tax in continuing operations	39	274
Discontinued operations	6	-
Income before tax	45	274

Currency effect on net income for the year, MSEK	2006	2005
Translation of working capital	–38	–190
Income from hedging commercial flows	42	197
Operating income	4	7
Currency effect on the Group's financial net debt	–3	–12
Income before tax in continuing operations	1	–5
Discontinued operations	2	–10
Income before tax	3	–15

CURRENCY EFFECTS ON THE 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 2006 compared with 2005 was MSEK 30 (243). The currency effect is partly 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 9 (31), plus MSEK 6 (0) in discontinued operations. Comparing 2006 with 2005, the total currency effect on income before tax was therefore MSEK 45 (274).

Summary statement of income

Quarterly breakdown, MSEK	2004					2005					2006				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year Jan-Dec
Revenue	12,572	15,148	15,428	14,945	58,093	11,693	14,373	14,943	14,492	55,501	13,020	16,207	16,393	15,157	60,777
Payroll expenses	–4,889	–5,069	–4,665	–4,962	–19,585	–4,441	–4,553	–4,389	–4,780	–18,163	–4,601	–4,760	–4,291	–4,440	–18,092
Other operating expenses	–7,706	–8,565	–8,988	–8,781	–34,040	–6,959	–7,751	–8,566	–8,382	–31,658	–8,189	–9,384	–9,788	–8,708	–36,069
Leasing costs for aircraft	–639	–678	–705	–667	–2,689	–686	–765	–843	–838	–3,132	–891	–893	–875	–867	–3,526
Depreciation, amortization and impairment	–727	–702	–699	–718	–2,846	–562	–541	–530	–537	–2,170	–469	–511	–456	–528	–1,964
Share of income in affiliated companies	69	36	24	28	157	12	29	48	–13	76	–2	19	45	–3	59
Income from the sale of shares in subsidiaries and affiliated companies	0	3	0	2	5	0	–2	35	8	41	0	0	0	0	0
Income from the sale of aircraft and buildings	48	63	–32	34	113	22	43	–12	129	182	27	12	16	33	88
Operating income	–1,272	236	363	–119	–792	–921	833	686	79	677	–1,105	690	1,044	644	1,273
Income from other shares and participations	0	0	1	0	1	0	48	0	2	50	0	1	0	–48	–47
Net financial items	–283	–207	–276	–276	–1,042	–214	–372	–229	–158	–973	–218	–233	–258	–225	–934
Income before tax	–1,555	29	88	–395	–1,833	–1,135	509	457	–77	–246	–1,323	458	786	371	292
Tax	166	103	31	–232	68	304	–80	–34	–266	–76	319	–59	–247	–141	–128
Income from continuing operations	–1,389	132	119	–627	–1,765	–831	429	423	–343	–322	–1,004	399	539	230	164
Income from discontinued operations	-	-	-	-	-	–140	70	106	541	577	–60	154	65	4,417	4,576
Net income for the period	–1,389	132	119	–627	–1,765	–971	499	529	198	255	–1,064	553	604	4,647	4,740
Attributable to:															
Parent Company shareholders	–1,374	127	98	–611	–1,760	–964	495	499	144	174	–1,034	489	559	4,608	4,622
Minority interests	–15	5	21	–16	–5	–7	4	30	54	81	–30	64	45	39	118

SAS Group balance sheet

ASSETS, MSEK	Note	2006	2005
Fixed assets			
Intangible assets	13	2,932	3,862
Tangible fixed assets	14		
Land and buildings		684	1,257
Aircraft		11,330	14,681
Spare engines and spare parts		1,383	1,526
Workshop and aircraft servicing equipment		215	210
Other equipment and vehicles		634	1,213
Construction in progress		378	148
Prepayments relating to tangible fixed assets	15	317	422
		14,941	19,457
Financial fixed assets	16		
Equity in affiliated companies	17	1,012	1,214
Long-term receivables from affiliated companies	18	189	228
Shares and participations	19	601	214
Pension funds, net	20	8,805	8,363
Deferred tax receivable	11	1,378	1,524
Other long-term receivables		1,331	1,577
		13,316	13,120
Total fixed assets		31,189	36,439
Current assets			
Expendable spare parts and inventories	21	993	1,038
Prepayments to suppliers		3	27
		996	1,065
Current receivables	22		
Accounts receivable		3,918	4,568
Receivables from affiliated companies	23	357	1,620
Other receivables		2,767	3,892
Prepaid expenses and accrued income	24	1,134	1,748
		8,176	11,828
Short-term investments	25	9,117	7,265
Cash and bank balances		1,686	1,419
Total current assets		19,975	21,577
TOTAL ASSETS		51,164	58,016

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	2006	2005
Shareholders' equity			
Share capital		1,645	1,645
Other contributed capital		170	658
Reserves	26	1,312	918
Retained earnings		13,239	8,283
Total shareholders' equity attributable to Parent Company owners		16,366	11,504
Minority interests		22	577
Total shareholders' equity		16,388	12,081
Long-term liabilities	27		
Debenture loans	28	716	771
Bond issues	29	7,135	7,355
Other loans	30	5,685	11,039
Pensions and similar commitments		57	56
Deferred tax liability	11	3,473	3,617
Other provisions	32	603	697
Other liabilities		178	73
		17,847	23,608
Current liabilities			
Current portion of long-term loans		841	3,183
Short-term loans	33	2,043	3,828
Prepayments from customers		181	123
Accounts payable		3,350	4,358
Liabilities to affiliated companies	34	169	183
Tax payable		43	99
Unearned transportation revenue	35	3,395	3,038
Current portion of other provisions	32	318	273
Other liabilities		1,845	1,916
Accrued expenses and prepaid income	36	4,744	5,326
		16,929	22,327
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		51,164	58,016
Book equity per share (SEK) [1]		99.49	69.93
Memorandum items			
Pledged assets	37	991	981
Contingent liabilities	38	288	57
Leasing commitments	39		

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

Comments on the balance sheet

Assets

The SAS Group's total assets decreased in 2006, from MSEK 58,016 to MSEK 51,164, basically because of the divestment of the Rezidor Hotel Group and sale and leaseback transactions with aircraft.

The MSEK 930 decrease in intangible assets is mainly derived from the MSEK 700 divestment of the Rezidor Hotel Group. This includes the value of franchise rights, MSEK 483, from the cooperation agreement with Carlson Hotels. An impairment loss of MSEK 51 was recognized for RampSnake's capitalized development costs along with an MSEK 20 write-down of goodwill in Club de Vacaciones. Depreciation for the year amounted to MSEK 125 and currency effects etc. came to MSEK –34.

The decrease in land and buildings and other equipment is mainly due to the divestment of the Rezidor Hotel Group.

The book value of aircraft decreased by MSEK 3,351. The change comprises an increase owing to investment in two Airbus A319s and ongoing modifications totaling MSEK 1,310. Deductible items are depreciation for the year of MSEK 1,267 and the residual value of sold aircraft, etc., MSEK 3,394.

Long-term prepayments to suppliers of flight equipment decreased during the year by MSEK 105. For deliveries, MSEK 187 was utilized. Prepayments of MSEK 125 were made for future deliveries. Capitalized financial expenses amounted to MSEK 24, and translation differences due to a weaker USD decreased the value by MSEK 47.

Equity in affiliated companies decreased by MSEK 202 to MSEK 1,012. The share of income for the year was MSEK 106 including an MSEK 25 impairment write-down on the holding in Skyways. Investments in affiliated companies amounted to MSEK 32. Shares totalling MSEK 90 in the Rezidor Hotel Group were eliminated by the stock exchange listing. The value was adjusted down by MSEK 148 mainly due to the effect from the transition to IFRS in British Midland. In addition, equity shares decreased by MSEK 102 from negative currency effects and deduction for dividends received.

For all defined benefit pension plans, the pension commitments are calculated and all funded assets are taken into account. At December 31, 2006, book net pension funds totaled MSEK 8,805 (8,363) (see also Note 20).

At year-end, short-term liquid assets totaled MSEK 10,803 (8,684), or 21% (15%) of total assets.

Shareholders' equity

Shareholders' equity including minority interests increased by MSEK 4,307 to MSEK 16,388 (12,081). The change in value of cash flow hedges amounted to MSEK –113. The transition to IFRS in affiliated companies had a negative impact of MSEK 154. Divestment of the Rezidor Hotel Group reduced minority interests by MSEK 650. Valuation of the remaining shareholding in the Rezidor Hotel Group positively affected shareholders' equity by MSEK 508. The remaining change is translation differences in foreign subsidiaries and affiliated companies. At year-end the equity/assets ratio was 32% (21%), and the return on book equity was 38% (1%).

Liabilities

MSEK 16,478 (26,337) of total liabilities was interest bearing. The change is partly due to sales revenue from releasing capital and partly to the positive cash flow from operations.

At December 31, 2006, the interest-bearing net debt amounted to MSEK –4,671 (5,865). The SAS Group's average net debt during the year was MSEK 2,537 (8,236).

Financial net debt excluding net pension funds amounted to MSEK 4,134 (14,228). The debt/equity ratio calculated on the financial net debt at December 31, 2006, was 0.25 (1.18).

Provision for marginal costs associated with the provision of free travel in exchange for redeemed points in the Group's various loyalty programs amounted to MSEK 551 (606) at December 31, 2006.

Total capital employed amounted to MSEK 32,866 (38,418) at year-end. Average capital employed during the year was MSEK 35,185 (39,225). Return on capital employed was 18% (5%).

Changes in shareholders' equity

MSEK	Share capital [1]	Other contributed capital [2]	Reserves	Retained earnings [4]	Total equity attributable to Parent Company owners	Minority interests	Total equity
Opening balance, January 1, 2005	1,645	658	2,092	8,109	12,504	8	12,512
New share issue, Rezidor SAS						519	519
Consolidation of affiliated company						–34	–34
Income from cash flow hedges			–909		–909		–909
Translation differences relating to foreign operations			–170		–170	3	–167
Revenue and expenses for the period recognized directly in equity			–1,079		–1,079	488	–591
Cash flow hedges: taken to income			–95		–95		–95
Net income for the year				174	174	81	255
Total revenue and expenses for the year			–1,174	174	–1,000	569	–431
Closing balance, January 31, 2005	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	0		0
Measurement of shares at fair value			508		508		508
Income from cash flow hedges			503		503	1	504
Translation differences relating to foreign operations			–1[3]		–1	–24	–25
Revenue and expenses for the period recognized directly in equity		–488	1,010	334	856	–673	183
Cash flow hedges: taken to income			–616		–616		–616
Net income for the year				4,622	4,622	118	4,740
Total revenue and expenses for the year		–488	394	4,956	4,862	–555	4,307
Closing balance, December 31, 2006	1,645	170	1,312	13,239	16,366	22	16,388

[1] The share capital in SAS AB is divided into 164,500,000 shares with a quota value of 10 per share in both the opening and closing balances. [2] The entire amount consists of share premium reserves.
[3] Includes MSEK 368 for currency hedging of net investments in foreign subsidiaries. [4] No dividends were paid in 2005 and 2006.

SAS Group cash flow statement

MSEK	Note	2006	2005
OPERATING ACTIVITIES			
Income before tax		292	–246
Depreciation, amortization and impairment		1,964	2,170
Income from the sale of aircraft, buildings and shares		–91	–273
Income before tax in discontinued operations, excluding capital gain	12	411	220
Depreciation in discontinued operations	12	182	242
Adjustment for items not included in the cash flow, etc.	40	–149	–355
Paid tax		–65	16
Cash flow from operating activities before changes in working capital		2,544	1,774
Change in:			
Expendable spare parts and inventories		–51	–166
Operating receivables		–439	33
Operating liabilities		48	–134
Cash flow from changes in working capital		–442	–267
Cash flow from operating activities		2,102	1,507
INVESTING ACTIVITIES			
Aircraft		–846	–410
Spare parts		–71	–435
Buildings, equipment and other facilities		–1,139	–791
Shares and participations, intangible assets, etc.		–118	–173
Prepayments for flight equipment		–125	–18
Total investments		–2,299	–1,827
Disposal of subsidiaries	41	5,725	622
Sale of aircraft, buildings and shares		4,018	2,046
Sale of other fixed assets, etc.		41	129
Cash flow from investing activities		7,485	970
FINANCING ACTIVITIES			
Change in long-term loans		–7,268	–482
Change in short-term loans		–1,058	–117
Change in interest-bearing receivables and liabilities		888	–1,827
Cash flow from financing activities		–7,438	–2,426
Cash flow for the year		2,149	51
Translation difference in liquid assets		–30	38
Liquid assets at the beginning of the year	42	8,684	8,595
Liquid assets at year-end	42	10,803	8,684

Comments on the cash flow statement

The SAS Group's cash flow from operating activities before changes in working capital increased during the year to MSEK 2,544 (1,774). During the year working capital increased by MSEK 442 (267). Compared with the previous year, cash flow from operating activities improved by MSEK 595 and amounted to MSEK 2,102 (1,507).

Total investments including prepayments to aircraft suppliers amounted to MSEK 2,299 (1,827). Investment in aircraft in 2006 comprised two Airbus A319s, which were delivered in August and September, and the purchase of four Douglas MD-80s and a Boeing 737 previously leased under an operating lease contract.

At the end of the year the Rezidor Hotel Group was listed on the stock exchange and SAS divested 91% of its shareholding, leaving it with a 6.7% stake. The Norwegian Aviation College subsidiary was also sold. The total purchase price for divested subsidiaries amounted to MSEK 5,326. The liquid assets in the divested companies and selling costs, along with payment of an MSEK 877 receivable attributable to the 2005 sale of SAS Component Group impacted the Group's liquid assets by MSEK 5,725.

Sales of aircraft, buildings and shares generated MSEK 4,018 (2,046), of which MSEK 3,692 (1,822) refers to disposals of aircraft. The sale and leaseback of twelve McDonnell Douglas MD-80s, three Boeing 737s, four Airbus A321s, and two Airbus A319s was carried out during the year and three McDonnell Douglas MD-80s and two Fokker F50s were sold. The sale of properties in Sweden and Norway provided MSEK 323 (64), while disposals of shares and participations amounted to MSEK 3 (160).

In all, short and long-terms loans decreased by MSEK 8,326, which mainly comprised a net of amortization and redemption of loans totaling approximately MSEK 9,900, and new borrowing. The change in interest-bearing receivables and liabilities is mainly explained by interest-bearing receivables decreasing as a result of the repayment of a MSEK 1,048 short-term loan receivable for the 2005 disposal of SAS Component Group.

Overall, the SAS Group's liquid assets increased by MSEK 2,119 (89).

Accounting recognition and measurement policies

The SAS Group

General

The consolidated accounts have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2006. The transition date for reporting according to IFRS was January 1, 2004, which means that the comparable figures for 2004 onwards have been restated according to the new principles. Furthermore, the Group also applies Swedish Financial Accounting Standards Council recommendation RR 30, "Supplementary Accounting Rules for Groups," which specifies the additions to IFRS information that are required according to the provisions of the Annual Accounts Act.

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 reports are given in millions of Swedish kronor (MSEK).

In the annual accounts, items have been measured at acquisition 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.

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 RR32:05 Accounting for Legal Entities. The accounting policies for the Parent Company are stated under the heading "Parent Company accounting policies."

The more significant accounting policies that have been applied are described below. Unless otherwise stated, these policies have been applied consistently for the year presented.

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 performance and financial position.

In accounting for intangible assets and tangible fixed assets, the useful life of the assets is estimated and they are tested at least once a year for impairment.

Deferred tax is recognized for temporary differences between reported and taxable income and for deferred tax receivables attributable to unutilized tax loss carryforwards. The measurement of tax loss carryforwards and ability to utilize unutilized tax loss carryforwards is based on estimates of future taxable income (see Note 11).

Accounting for the costs of defined benefit pension plans is based on actuarial calculations, relying on assumptions about discount rates, expected return on plan assets, future salary increases, and inflation.

In the suit filed by the Danish airline Cimber, the European Court of Justice handed down a ruling in September 2004 regarding the interpretation of the Sixth Council Directive on the harmonization of the laws of the Member States relating to turnover taxes. The ruling determined that goods and services supplied to aircraft operating on domestic routes are exempt from VAT when they are used by airlines that chiefly operate international routes. It was thus established that Danish VAT legislation is in violation of the EU directive in this particular case. In November 2005, the Vestre Landsret (Western Regional Court) in Denmark announced its decision to award Cimber a refund of the VAT on such purchases, equivalent to two-thirds of the requested amount. The Danish government has appealed the Danish ruling.

In accordance with the principles of the Vestre Landsret's ruling, SAS's 2005 accounts recognize as income MSEK 240 including interest pertaining to the claim on the Danish tax authorities for the years 1996-2005.

In 2006 SAS, with legal counsel, was in discussions with both the Tax Authorities and the Ministry of Taxation for the purpose of getting its bearings in the process. In December 2006 the Ministry of Taxation published instructions on how the conflict between Danish legislation and the EU directive in this respect will henceforth be dealt with. In management's view this lends support to SAS's claim that it is still entitled to the aforementioned amount.

Regarding the investigations of the European Commission and the U.S. Justice Department of alleged illegal price fixing in the air cargo industry, at the present time SAS is unable to estimate potential financial effects.

Nor can it currently predict the outcome of discussions with Singapore Technologies regarding the determination of the final purchase price connected with the sale of 67% of the shares in SAS Component in 2005.

Provisions are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist.

Consolidated accounts

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

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

Holdings in affiliated companies where the SAS Group's ownership is at least 20% and no more than 50% or where the SAS Group has significant influence are 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 reported at fair value according to a prepared acquisition analysis. If the acquisition value of shares in subsidiaries exceeds the calculated fair value of the company's net assets according to the acquisition analysis, the difference is reported as consolidated goodwill. Accordingly, the SAS Group's balance sheet includes equity in acquired companies only to the extent that this has arisen after the date of acquisition.

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

Minority interests in non-wholly owned subsidiaries are calculated on the basis of the subsidiaries' shareholders' equity as it is included in the Group and is 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 in connection with 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 in the affiliated company is stated in the SAS Group's statement of income as share of income. Any write-downs 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.

Translation of financial statements of foreign subsidiaries

All of the SAS Group's subsidiaries are classified as independent. The financial statements of foreign subsidiaries are translated into Swedish kronor using the current method. This entails all subsidiaries' assets and liabilities being translated at the closing rate, while all income statement items are translated at the average rate of exchange for the year. Translation differences are posted directly to the SAS Group's shareholders' equity.

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 posted directly to 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	
			2006	2005	2006	2005
Denmark	DKK	100	121.35	126.40	124.42	124.55
Norway	NOK	100	109.45	117.60	115.63	115.92
U.S.	USD		6.87	7.95	7.42	7.47
U.K.	GBP		13.49	13.73	13.58	13.57
Switzerland	CHF	100	563.10	605.80	590.09	599.51
Japan	JPY	100	5.78	6.78	6.40	6.78
EMU countries	EUR		9.05	9.43	9.28	9.28

Financial instruments

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.

When determining fair value for short-term investments, derivative financial instruments and borrowings, official market quotes on the closing date are used. 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.

Liquid assets

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. Short-term investments are categorized as financial assets held for trading and are measured at fair value via the statement of income. The investments have a maximum maturity 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.

Accounts receivable

Accounts receivable are categorized as "Loans and receivables," with measurement at amortized cost. Because the expected term of an account receivable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value. Uncertain accounts receivable are assessed individually and any impairment losses are recognized in operating expenses.

Long-term receivables

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. For long-term receivables, a fair value corresponding with the book value is assessed.

Shares and participations

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

Accounts payable

Accounts payable are categorized as "Other liabilities," with recognition at amortized cost. Because the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Short-term borrowings

Short-term borrowings comprise the short-term 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.

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, recognized at amortized cost.

Derivatives

All derivatives are stated 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. SAS applies hedge accounting according to the methods for cash flow hedging, fair value hedging and hedging of net investments in foreign operations. The accounting policies for derivatives used in hedging transactions match those used for the underlying hedged position.

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 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.

Expendable spare parts and inventories

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

Intangible assets

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

Intangible assets are stated in the balance sheet when:

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

Goodwill is recorded in the balance sheet as an intangible asset at acquisition value less accumulated impairment losses. 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 allocated to the smallest possible cash-generating unit.

Goodwill is assessed as having an indeterminable 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.

Tangible fixed assets

Tangible fixed assets are carried at historic cost less accumulated depreciation and any write-downs. 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 leased under operating leases, the contracts state that when the aircraft is returned, it must be in a certain specified condition. To meet this commitment, SAS carries out maintenance of these aircraft, both regularly and at the expiration of the leasing period. Costs are expensed as incurred.

Impairment losses

At least once a year tests are performed to look for the existence of impairment in intangible assets including goodwill with an indeterminable 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 budget/forecast and three-year business plan that management has approved. Projections beyond three years have been done by extrapolating using a steady or declining growth rate. The projections are based on the asset's current use and condition and exclude any future capital expenditure that will improve or enhance the asset in excess of its originally assessed standard of performance.

If the recoverable amount for the asset (or the cash-generating unit) is estimated to be lower than its 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 impairment write-downs of assets other than goodwill no longer exist or have improved. If such indications exist, the recoverable amount is calculated. Earlier impairment losses are reversed if changes have taken place in the assumptions used to calculate the recoverable amount since the last impairment loss. If that is the case the carrying amount is increased to the lower of the recoverable amount and the carrying amount that the asset would have had if the previous impairment loss had not taken place.

Financial fixed assets

Financial fixed assets include equity in affiliated companies. Participations in affiliated companies are reported in the consolidated accounts by applying the equity method. Additional information on treatment of affiliated companies is provided in the section on principles for consolidated accounts and consolidation.

Provisions 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 deviations from estimates and plan amendments is added to this total for certain pension plans. Plan amendments and deviations between anticipated and actual results for estimated pension commitments and funded assets are amortized over the average remaining working lives of the employees participating in the pension plan. Cumulative actuarial deviations from estimates of up to 10% of the greater of pension obligations and pension assets are included in the so-called corridor and are not amortized. When the cumulated actuarial deviations from estimates exceeds this 10% limit, the excess amount is amortized over a 15-year period, which corresponds to the average remaining employment period. The Parent Company reports current pension premiums as costs.

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.

Performance-based and earnings-based pay

Performance-based and earnings-based pay paid to senior executives is reported in Note 3 on pages 68-70. The cost of performance-based and earnings-based pay is expensed annually and is reserved 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 hotel accommodation and conferences are recognized as revenue when completed. Sales of goods and other services are recognized as revenue when the goods are delivered or the service carried out.

Loyalty program

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

Borrowing costs

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

Taxes

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

Deferred tax is reported according to the balance sheet method whereby temporary differences, differences between the reported and fiscal value of assets or liabilities, result in a deferred tax 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 tax 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 reported net if the items pertain to the same tax authority.

Segment reporting

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

The primary segment comprises the SAS Group's 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 be corporations or business units, are to have a businesslike relationship with customers and suppliers within the Group.

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

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

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

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

Other revenues are allocated to a geographical area based on:

- the customer's geographical location relating, for example, to goods exported to a customer in another country
- the geographical location where the service is performed, for example, training in flight simulators or hotel stays.

Assets broken down by geographic area do not include the Group's aircraft and spare parts. Since aircraft are utilized in a flexible manner across the route network, there is no justifiable basis for allocating these assets.

Parent Company accounting policies

The Parent Company has prepared its annual accounts according to the Annual Accounts Act and Swedish Financial Accounting Standards Council recommendations RR32:05 "Accounting for Legal Entities" and applicable statements from the Council's "Akutgruppen." Under RR32:05, the Parent Company, in preparing the accounts 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 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.

New standards and interpretations to be applied beginning 2007

In 2005 the International Accounting Standards Board (IASB) issued IFRS 7 Financial instruments: Disclosures. IFRS 7 has been adopted by the EU and is to be applied beginning 2007. In 2006 the IASB also issued a new standard, IFRS 8 Operating Segments, which replaces the current standard concerning segment reporting (IAS 14). Though not yet adopted by the EU, application of IFRS 8 is expected to take effect beginning 2009.

During the year the International Financial Reporting Interpretations Committee (IFRIC) issued the interpretations IFRIC 8 Scope of IFRS 2, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 10 Interim Financial Reporting and Impairment, IFRIC 11 IFRS 2 Group and Treasury Share Transactions, and IFRIC 12 Service Concession Arrangements. IFRIC 8 and IFRIC 9 have been adopted by the EU and shall, like IFRIC 10, be applied beginning 2007. IFRIC 11 and 12 are to be applied beginning 2008.

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

Notes/supplemental information

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

Note 1 • Reporting according to IFRS 5

The SAS Group has applied International Financial Reporting Standards (IFRS) since January 1, 2005. Comparative figures for 2004 have been restated according to IFRS. Through 2004 the Group applied the Swedish Financial Accounting Standards Council's recommendations (RR). Since the income from discontinued operations is material in relation to the SAS Group in its entirety, the statement of income for 2006 is reported in accordance with IFRS 5. Comparative data for 2005 are restated and also include accounting in accordance with IFRS 5 for operations divested in 2005.

Note 2 • Operating revenue

	2006	2005
Traffic revenue:		
Passenger revenue	44,039	39,346
Charter	4,693	4,280
Mail and freight	2,175	2,127
Other traffic revenue	2,004	1,767
Other operating revenue:		
In-flight sales	589	588
Ground services	1,181	1,255
Technical maintenance	762	752
Flight simulator training	217	199
Terminal and forwarding services	1,513	1,193
Sales commissions and fees	1,026	1,020
Other operating revenue	2,578	2,974
	60,777	55,501

Note 3 • Payroll expenses

Average number of employees

In 2006, the average number of employees in the SAS Group's continuing operations was 26,554 (26,727). A breakdown of the average number of employees by country is provided in the table below.

Average number of employees in Denmark totaled 6,022 (6,291), in Norway 7,278 (7 766), and in Sweden 5,487 (5,900).

	2006		2005	
	Men	Women	Men	Women
Denmark	3,995	2,027	4,063	2,228
Norway	4,524	2,754	4,902	2,864
Sweden	3,336	2,151	3,540	2,360
U.K.	148	284	137	250
Finland	404	370	349	339
Spain	2,544	2,109	2,411	1,943
Estonia	120	94	99	84
Latvia	306	332	98	113
U.S.	80	143	93	161
Other countries	272	561	273	420
Total	15,729	10,825	15,965	10,762
Total men and women	26,554		26,727	

Average number of employees in divested operations totaled 5,411 (6,197).

Gender breakdown among senior executives in the Group

	2006		2005	
	Total on closing date	of which men	Total on closing date	of which men
Board members	135	80%	131	82%
President and other senior executives	127	81%	131	80%

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses in continuing operations amounted to MSEK 16,869 (17,555), of which social security expenses comprised MSEK 2,126 (2,388) and pensions MSEK 1,641 (1,808).

2006	Salaries & other remuneration	Social security	of which pension costs
SAS AB	193	107	55
SAS Consortium	1,116	246	–8
Other subsidiaries	11,793	3,414	1,594
SAS Group total	13,102	3,767	1,641 *

2005			
SAS AB	164	100	47
SAS Consortium	2,023	873	413
Other subsidiaries	11,172	3,223	1,348
SAS Group total	13,359	4,196	1,808

** The pension cost for all CEOs of SAS Group companies amounted to MSEK 14 (14).*

Payroll expenses in discontinued operations amounted to MSEK 1,830 (2,160), of which social security expenses comprised MSEK 262 (312) and pensions MSEK 41 (92).

A breakdown of the salaries and other remuneration of Board members, CEOs, and other employees is provided in the table below.

	2006		2005	
	Board and CEOs (of which variable salary)	Other employees	Board and CEOs (of which variable salary)	Other employees
SAS AB	12 (2)	181	12 (2)	152
SAS Consortium	- (-)	1,116	- (-)	2,023
SAS Scandinavian Airlines Danmark	3 (1)	1,344	4 (1)	843
SAS Scandinavian Airlines Sverige	3 (1)	782	3 (0)	539
SAS Braathens	4 (1)	2,107	4 (1)	2,076
SAS Ground Services	3 (0)	2,637	2 (0)	2,803
SAS Technical Services	2 (-)	1,325	2 (0)	1,584
Blue1	5 (0)	213	4 (-)	185
Widerøes Flyveselskap	2 (0)	890	2 (-)	880
Spanair	6 (-)	1,097	4 (2)	947
SAS Cargo	2 (0)	613	2 (0)	606
Other subsidiaries	18 (3)	737	11 (1)	671
SAS Group total	60 (8)	13,042	50 (7)	13,309

Sick leave in the Parent Company SAS AB	2006	2005
Total sick leave	2.1%	1.5%
of which long-term sick leave >59 days	1.5%	0.6%
Sick leave for women	1.0%	1.2%
Sick leave for men	2.9%	1.7%
Sick leave employees <30 years	0.9%	0.4%
Sick leave employees 30-49 years	2.8%	1.6%
Sick leave employees >49 years	1.7%	1.4%

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	2006	2005
Defined benefit pension plans	841	711
Defined contribution pension plans	800	1,097
Total	1,641	1,808

Remuneration and fringe benefits of senior executives

Principles

The fees and other compensation paid to Board members of SAS AB shall be determined by the Annual General Shareholders' Meeting, which has also approved the principles for the remuneration of senior management.

The SAS Group's overarching remuneration policy is aimed at offering the compensation required to recruit and retain sufficiently competent senior executives and other employees and inspiring them to remain committed to doing their best for the SAS Group.

The SAS Group's overall compensation 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.

The SAS Group applies a compensation model for senior executives, certain other managers and specialists which means that salaries shall be performance-based. This ensures that the market salary for the position will be achieved only if the individual performance meets the preagreed targets. For the employees covered by the model, the division of salary into a fixed and a performance-based variable portion shall be in proportion to the position's responsibilities and authority. A specific target-based variable salary is an important management tool and is aimed at ensuring that the priorities of senior executives are consistent with the Group's overall goals and strategies.

The compensation model consists of two salary components: Fixed salary and variable salary. The total variable salary can amount to a maximum of 20-50% of the fixed salary (depending on the position). The following compensation principles have been applied in 2006 in regard to senior executives in the SAS Group.

A. The fixed salary is set on the basis of the position's International Position Evaluation System (IPE) ranking, the market salary that the position requires, and the competencies and abilities the person in question possesses.

B. The variable salary consists of two components, performance-based pay, the maximum payment of which is 14.4-37.5% (depending on the position) of the fixed annual salary and is based on set and achieved personal targets, and earnings-based pay depending on the earnings of the SAS Group. Full earnings-based pay is payable only if the Group achieves its budgeted earnings, provided the earnings are positive. Earnings-based pay is never paid if earnings are negative. Earnings-based pay can total 5.6-12.5% (depending on the position) of the fixed annual salary.

The outcome of the performance pay component is based on achievement of the targets contracted between the employee and his or her superior, which are to contain qualitative as well as quantitative targets and refer to both business-specific and personal targets, with special emphasis on financial targets. On the recommendations of the 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 full-year earnings of the SAS Group have been determined.

Besides the Board, senior executives refers in the following to the persons who together with the President formed the SAS Group Management in 2006.

Board of Directors

The Annual General Shareholders' Meeting of SAS AB held on April 20, 2006 set the fee for the Chairman of the Board at SEK 540,000, the Vice Chairman at SEK 375,000, and the five other members elected by the Shareholders' Meeting at SEK 280,000. Within the authority of the Shareholders' Meeting, it was also resolved to set the remuneration of the employee-elected Board members and deputies at SEK 280,000 for each of the three regular employee representatives and SEK 67,500 for each of the six employee deputies.

The members and deputies of the Board of SAS AB were thus paid a total of SEK 3,560,000 in 2006.

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in 2006. 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. No compensation was paid for work on Board committees in 2006.

President and CEO

The maximum variable salary of the former President and CEO Jørgen Lindegaard was 50% of the fixed annual salary. The target criteria for the variable salary portion were set annually by the Board on the recommendation of the remuneration committee. The criteria covered budget and earnings targets as well as organizational and business targets that were accorded different weights.

In connection with his departure as President and CEO, Jørgen Lindegaard received SEK 1,704,000 in variable salary for January 1-August 31, 2006. No severance pay was paid.

The President's fixed annual salary for 2006 amounted to SEK 6,390,000, the same as for 2005. Fixed salary and variable salary are listed in the table below.

Year	Fixed salary	Variable salary
2004	SEK 6,390,000	SEK 1,550,000
2005	SEK 6,390,000	SEK 2,556,000[1]
2006[2]	SEK 4,260,000	SEK 1,704,000

[1] *The performance-based and earnings-based pay for 2005 amounted to 49% of the fixed annual salary for 2005. The main reason for the increase of the variable salary from 2004 to 2005 is that 50% of the variable salary for both 2004 and 2005 depended on the SAS Group posting a profit. Other benefits in 2005 amounted to SEK 70,000 and refer to health insurance, car loan and fuel allowance.*

[2] *Refers to the period January 1-August 31, 2006. Other benefits in 2006 amounted to SEK 54,000 and refer to health insurance, car loan and fuel allowance.*

Gunnar Reitan served as acting President and CEO from August 1 to December 31, 2006. During this period Gunnar Reitan received the following compensation in his capacity as President and CEO:

Year	Fixed salary	Variable salary
2006	SEK 2,662,000	SEK 1,198,000

Jørgen Lindegaard's retirement age was 65 years. His retirement pension from SAS, which is lifelong, was a defined benefit pension plan. Earnings were on a straight-line basis up to retirement age. With fully earned entitlement (at least 180 months of employment from entry into the plan) the pension would have amounted to 70% of pensionable salary up to 30 base amounts (currently SEK 1,191,000) and of 35% of pensionable salary in excess of that amount. Because Lindegaard left his position on August 31, 2006, the service time factor amounted to 0.3612 (i.e., 36.12% of fully earned entitlement).

The pension is not coordinated with previously earned pension rights. In 2006 the cost of Lindegaard's pension benefits amounted to SEK 2,277,000 (calculated according to IAS 19), approximately 34.9 % of his fixed pensionable salary. SAS has no remaining commitments in regard to Lindegaard's pension.

Mats Jansson, who assumed the position of President and CEO on January 1, 2007, received the following compensation components in his employment contract:

- An annual fixed base salary of SEK 10,000,000 that will not be subject to salary revision from January 1, 2007 to December 31, 2011.
- A variable salary portion comprising a maximum of 20% of the annual fixed base salary.
- A defined contribution pension plan where 35% of the fixed base salary is received as premiums for 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 acquired by any industrial or financial owners and ceases being 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.

Other senior executives

Salaries and the value of benefits paid in 2006 to other senior executives, who include Group Management members Gunilla Berg, John S. Dueholm, Håkan Ericson (until August 31, 2006), Gunnar Reitan (for the period he was not acting President and CEO), and Bernhard Rikardsen, totalled SEK 29,472,000, of which fixed salaries amounted to SEK 25,993,000 and variable salary for 2005 paid in 2006 amounted to SEK 3,479,000. Variable salary for the year 2006 amounted to SEK 4,602,000, paid in 2007. The above total amount includes termination benefits, severance pay and other contractual benefits for Bernhard Rikardsen, who left SAS at the end of the year.

Retirement age of senior executives is 60 years. Pension benefits for this group are partly defined benefit (three persons) and partly defined contribution (two persons). The defined benefit pension plan means that earnings are on a straight-line basis until retirement age. With fully earned entitlement, the pension level amounts to 70% of pensionable salary up to 30 base amounts (currently SEK 1,191,000/NOK 1,887,000) 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. Under the defined contribution pension plan a fixed percentage of the fixed annual salary is paid into the plan. In the one case 20% is paid and in the other 21.5%. The difference in the percentage rates is due to different individual assumptions upon entry into the pension system. SAS's total 2006 pension cost for other senior executives amounted to SEK 6,916,000, of which SEK 3,884,000 refers to defined benefit pension plans and SEK 3,032,000 refers to defined contribution pension plans. The pension benefit provides a vested benefit.

Severance pay for other senior executives is set according to basically the same principles as for the President, with, however, the following differences:

I severance pay is not paid if the senior executive is offered another position in the SAS Group and the position has the same classification level as the previous position,
II the severance pay amounts to the equivalent of two fixed annual salaries,
III the reconciliation against income from another appointment or assignment totals a maximum of one fixed annual salary,
IV severance pay may also be paid if the senior executive resigns if his or her responsibilities or authority are materially changed through ownership or organizational changes.

The notice period is 12 months (in one case six months) in the event of termination of employment by SAS AB and six months if the employee resigns.

Share price-related 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.

Other senior executives at SAS are entitled to a pension at age 60 and earn on a straight-line basis up to retirement age. With fully earned entitlement, the pension level for a Swedish employee in SAS's senior management amounts to 70% of pensionable salary up to 30 base amounts (SEK 1,191,000) and 35% of pensionable salary in excess of that amount. Pensionable salary refers to the annual fixed base salary with the addition of the average of the variable salary paid in the last three years. Alternatively, a defined contribution pension plan is provided. The same basic pension systems structure applies to Danish and Norwegian senior SAS Group executives, adjusted to Danish and Norwegian conditions, respectively.

Severance pay is paid according to the same principles as for the category other senior executives.

The President and other senior executives are normally not entitled to fees for directorships in the SAS Group or in companies in which the SAS Consortium has ownership interests or is in partnership with. In cases where a board fee is nevertheless paid, the fee is not linked to employment in the SAS Group and is therefore paid in that instance directly by the company involved to the board representative.

Over and above salaries and remuneration described above, no transactions with related parties have occurred other than the following: A loan issued by the SAS Group to an employee of SAS AB in Norway who was on the board of a Norwegian affiliated company (as of 2007 the employee has no further directorships in the SAS Group). The loan, which falls due in 2015, carries an interest rate corresponding to the current standard rate of interest set by the Norwegian tax authorities for employment-related loans. At the end of 2006, the principal of the loan was MNOK 0.5 (0.6). Interest paid and amortization during the year amounted to MNOK 0.1 (0.1). A loan issued by the SAS Consortium to a SAS AB senior executive serving on the boards of affiliated companies. The principal amounted to MNOK 6.9 on December 31, 2005. In 2006, the loan was repaid in full with interest (MNOK 0.2), corresponding to the current standard interest rate set by the Norwegian tax authorities for employment-related loans.

Discussion and decision-making process

The issue of the Directors' fees is discussed by the nomination committee, which consists of representatives elected at the 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 compensation and other employment terms for the Group Management to the 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 committee also dealt with issues concerning the salary and other employment terms of the new President and CEO. 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 three minuted meetings plus a number of informal discussions.

Note 4 • Other operating expenses

	2006	2005
Selling costs	888	997
Jet fuel	10,492	8,121
Government user fees	5,865	5,787
Catering costs	1,860	1,821
Handling costs	2,355	2,709
Technical aircraft maintenance	3,660	2,049
Computer and telecommunications costs	2,967	2,878
Other	7,982	7,296
Total	36,069	31,658

Note 5 • Depreciation, amortization and impairment

	2006	2005
Other intangible assets	112	129
Aircraft	1,267	1,398
Spare engines and spare parts	134	183
Workshop and aircraft servicing equipment	84	98
Other equipment and vehicles	196	232
Buildings and fittings	100	130
Impairment	71	-
Total	1,964	2,170

Note 6 • Share of income in affiliated companies

	2006	2005
British Midland PLC [1]	60	33
Skyways Holding AB [2]	–22	–16
Air Greenland A/S [3]	31	28
airBaltic Corporation A/S [4]	-	–28
AS Estonian Air [5]	–26	24
SAS Component Group A/S [6]	–50	–23
Commercial Aviation Leasing Ltd.	20	21
Reversal of intra-group profit for Commercial Aviation Leasing Ltd.	40	40
Malmö Flygfraktterminal AB	8	-
Other	–2	–3
Total	59	76

1 *The share of income includes adjustment of last year's income figure by MSEK 1 (6).*
2 *The share of income for 2006 includes a goodwill write-down of MSEK 25.*
3 *The share of income includes adjustment of last year's income figure by MSEK 6 (7).*
4 *airBaltic has been reported as a subsidiary since August 2005.*
5 *The share of income includes adjustment of last year's income figure by MSEK –2 (3).*
6 *SAS Component Group A/S was included as an affiliated company in the SAS Group beginning December 2005.*

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

	2006	2005
Airbus A319/321	51	-
Boeing 737	1	137
Douglas MD-80	25	–22
Fokker F28	-	–2
Fokker F50	13	7
Boeing 767 [1]	–40	-
Flight simulators	3	34
Properties	35	28
Total	88	182

1 *Pertains to corrected selling costs for previous year's disposal.*

Note 8 • Income from other shares and participations

	2006	2005
Capital gain from the sale of shares and participations	3	50
Impairment of shares	–51	-
Dividends	1	-
Total	–47	50

Note 9 • Interest income and similar income items

	2006	2005
Interest income	472	488
Other financial income	16	4
Total	488	492

Interest income includes MSEK 182 (138) for forward premiums for currency derivatives.

Note 10 • Interest expenses and similar income items

	2006	2005
Interest expenses	1,356	1,357
Exchange rate differences, net	3	12
Other financial expenses	63	96
Total	1,422	1,465

Interest expenses include MSEK 211 (172) for forward premiums for currency derivatives.

Note 11 • Tax

The following components are included in the Group's tax expense:

	Continuing operations		Discontinued operations		Total	
	2006	2005	2006	2005	2006	2005
Current tax	–21	–22	–57	–52	–78	–74
Deferred tax	–107	–54	–11	–35	–118	–89
Tax attributable to the parent company and its subsidiaries	–128	–76	–68	–87	–196	–163

Current tax is calculated based on the tax rate in each country. Deferred tax is calculated at the tax rate expected to apply when the tax is realized. The tax expense for the financial year can be reconciled against income before tax as follows:

	2006	2006(%)	2005	2005(%)
Income before tax	4,936		418	
Tax according to rate in Sweden	–1,382	–28.0	–117	–28.0
Tax effect of income in affiliated companies	60	1.2	-	-
Tax effect of non-deductible costs	–137	–2.8	–39	–9.3
Tax effect of revenue not liable to tax	1,207	24.5	166	39.7
Tax attributable to previous year	59	1.2	22	5.3
Tax effect of loss carryforward	-		–236	–56.5
Tax effect of changed tax rate	–78	–1.6	41	9.8
Tax effect of changes in Group structure	75	1.5	-	-
Tax expense and effective tax rate for the fiscal year	–196	–4.0	–163	–39.0

	2006	2005
Deferred tax liability/tax receivable:		
Deferred tax liability	3,473	3,617
Deferred tax receivable	–1,378	–1,524
Deferred tax liability, net	2,095	2,093

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.

	2006	2005
Deferred tax liability in the balance sheet:		
Fixed assets	2,222	2,485
Provisions	–148	–68
Tax allocation reserve	-	3
Other temporary differences	1,892	1,927
Tax loss carryforward	–493	–730
Total	3,473	3,617
Deferred tax receivable in the balance sheet:		
Tax loss carryforward	1,434	1,623
Fixed assets	–59	–56
Provisions/receivables	–2	–56
Other temporary differences	5	13
Total	1,378	1,524
Reconciliation of deferred tax liability, net:		
Opening balance	2,093	1,800
Change in opening balance, IAS 39	-	571
Adjustment for the year IAS 39	–44	–390
Net tax liability in sold companies	–14	–3
Change according to statement of income	118	52
Exchange differences etc.	–58	63
Deferred tax liability, net, at year-end	2,095	2,093

On the closing date the Group had unutilized tax loss carryforwards amounting to a total of MSEK 8,239 (9,842). Based on these loss carryforwards, the Group recognizes a deferred tax receivable of MSEK 1,927 (2,353). 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 tax 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 Spanair, Blue1, SAS AB and the Group's operations in Norway. For the loss carryforward amounting to MSEK 1,318 (2,168), no deferred tax receivable is recognized due to uncertainty as regards future profit earnings. Of the tax loss carryforwards, MSEK 3,354 expires in 2021 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 137 (181).

Note 12 • Discontinued operations

In 2006 the Rezidor Hotel Group was listed on the stock exchange, whereby SAS divested 91% of its shareholding. Norwegian Aviation College was also divested. European Aeronautical Group, Jetpak, 67% of the shareholding in SAS Component, Radisson SAS Hotel London Stansted Airport, and operations in SAS Trading were divested the previous year.

Net income for the year from discontinued operations

	2006	2005
Net income for the year in discontinued operations	343	196
Income from sale of subsidiaries	4,233	381
Income from discontinued operations	4,576	577

Specification of discontinued operations

	2006	2005
Revenue	6,017	6,386
Payroll expenses	–2,118	–2,304
Other operating expenses	–3,325	–3, 645
Leasing costs for aircraft	–1	–1
Depreciation	–182	–242
Share of income in affiliated companies	47	58
Income from the sale of shares in subsidiaries and affiliated companies	–11 *	58
Income from the sale of aircraft and buildings	0	5
Operating income	427	315
Net financial items	–27	–32
Income before tax	400	283
Tax	–68	–87
Net income for the year	332	196

** Stock flotation costs reduced the Group's capital gain by MSEK 11.*

	Goodwill		Other assets		Total intangible assets	
	2006	2005	2006	2005	2006	2005
Opening acquisition value	3,217	3,311	1,997	1,536	5,214	4,847
Investments	-	23	79	98	79	121
Sales/disposals	–27	-	–76	–23	–103	–23
Sales of companies [1]	–165	–112	–586	–195	–751	–307
Reclassifications	-	–184	59	563[2]	59	379
Exchange rate differences	–145	179	–34	18	–179	197
Closing accumulated acquisition value	2,880	3,217	1,439	1,997	4,319	5,214
Opening depreciation	–235	–515	–1,117	–1,073	–1,352	–1,588
Depreciation for the year in continuing operations	-	-	–112	–129	–112	–129
Depreciation for the year in discontinued operations	-	-	–13	–31	–13	–31
Write-downs	–20	-	–51	-	–71	-
Sales/disposals	27	-	76	10	103	10
Sales of companies [1]	28	51	23	101	51	152
Reclassifications	-	246	-	14	-	260
Exchange rate differences	2	–17	5	–9	7	–26
Closing accumulated depreciation	–198	–235	–1,189	–1,117	–1,387	–1,352
Opening write-down	-	-	-	–13	-	–13
Sales/disposals	-	-	-	13	-	13
Closing write-down	-	-	-	0	-	0
Closing planned residual value	2,682	2,982	250	880	2,932	3,862

[1] *During the year the Rezidor Hotel Group was listed on the stock exchange, whereby SAS divested 91% of its shareholding. Norwegian Aviation College was also divested. European Aeronautical Group, Jetpak, Radisson SAS Hotel London Stansted Airport and operations in SAS Trading were divested the previous year.*

[2] *Of this amount MSEK 519 constitutes franchise rights in Rezidor SAS, which were acquired in connection with a new share issue.*

The SAS Group is not engaged in activities relating to research and development (R&D).

Breakdown of planned residual value:

	2006	2005
Goodwill	2,682	2,982
Franchise rights Rezidor SAS	-	519
Capitalized system development costs	239	219
Development projects	-	60
Other	11	82
Total residual value	2,932	3,862

Goodwill:

	2006	2005
Spanair	1,608	1,676
Braathens	697	749
Widerøe	144	154
Newco	103	108
Goodwill in Hotels business area	-	141
airBaltic	62	63
Air Maintenance Estonia	24	25
Club de Vacaciones	-	21
Aerolineas de Baleares	15	16
Blue1	14	14
SAS Cargo	15	15
Total goodwill	2,682	2,982

Testing for impairment of intangible assets

Estimating the value of the Group's goodwill items and other intangible assets with an indeterminable useful life has been done on the basis of the respective cash generating unit's value in use. The estimates are based on the cash flows in the respective unit's budget/business plan covering three years.

Unchanged operating margins and an annual operating revenue growth of approximately 4% have been assumed for the period beyond the business plan. These assumptions correspond with the long-term growth in the units' markets and accord with previous experience and external sources of information.

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.

General macroeconomic assumptions in the plans are a GDP growth rate of approximately 2.5% per year and an inflation assumption of approximately 2%. Important parameters in business plans are unit revenue, volume performance, fuel prices and continued cost savings.

Based on a weighted average cost of capital (WACC 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.

As a result of the impairment tests, goodwill was written down in some companies. A reasonable probable deterioration of significant assumptions in the estimates for these companies (particularly in regard to operating margins) would not have justified the goodwill values in the Group's financial statements. For this reason goodwill was written down in Skyways by MSEK 25, in Club de Vacaciones by MSEK 20 and in RampSnake (capitalized development costs) by MSEK 51.

For 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. It is therefore judged that there is no need for impairment of goodwill in either these companies or for other intangible assets with an indeterminable useful life.

Note 14 • Tangible fixed assets

	Buildings & land		Aircraft [1]		Spare engines & spare parts		Workshop & aircraft servicing equipment	
	2006	2005	2006	2005	2006	2005	2006	2005
Opening acquisition value	3,046	3,377	23,157	24,942	2,306	4,728	1,369	1,321
Investment	46	69	846	410	71	435	108	170
Capitalized interest [2]	-	-	-	-	-	-	-	-
Sales/disposals	–578	–32	–6,021	–2,480	–418	–261	–108	–70
Sales of companies [3]	–828	–612	-	-	-	–2,678	-	–212
Reclassifications	88	96	452	153	–170	–28	-	108
Exchange rate differences	–57	148	–76	132	–34	110	–59	52
Closing accumulated acquisition value	1,717	3,046	18,358	23,157	1,755	2,306	1,310	1,369
Opening depreciation	–1,789	–1,555	–8,476	–8,105	–780	–1,600	–1,159	–1,103
Depreciation for the year in continuing operations	–100	–130	–1,267	–1,398	–134	–183	–84	–98
Depreciation for the year in discontinued operations	–48	–59	-	-	-	–19	-	–8
Sales/disposals	285	28	2,685	1,123	370	145	94	61
Sales of companies [3]	585	48	-	-	-	846	-	168
Reclassifications	2	–58	6	–16	167	20	-	–100
Exchange rate differences	32	–63	24	–80	5	11	54	–79
Closing accumulated depreciation	–1,033	–1,789	–7,028	–8,476	–372	–780	–1,095	–1,159
Opening write-down	-	–15	-	-	-	-	-	-
Reclassifications	-	15	-	-	-	-	-	-
Closing write-down	-	0	-	-	-	-	-	-
Closing planned residual value	684	1,257	11,330	14,681	1,383	1,526	215	210

	Other equipment & vehicles		Construction in progress		Prepayment fixed assets		Total tangible fixed assets	
	2006	2005	2006	2005	2006	2005	2006	2005
Opening acquisition value	4,879	5,273	148	204	422	359	35,327	40,204
Investment	261	326	722	226	127	18	2,181	1,654
Capitalized interest [2]	-	-	-	-	24	9	24	9
Sales/disposals	–167	–685	-	-	-	-	–7,292	–3,528
Sales of companies [3]	–1,367	–217	–93	-	–2	-	–2,290	–3,719
Reclassifications	–32	22	–398	–276	–207	–16	–267	59
Exchange rate differences	–102	160	–1	–6	–47	52	–376	648
Closing accumulated acquisition value	3,472	4,879	378	148	317	422	27,307	35,327
Opening depreciation	–3,666	–3,697	-	-	-	-	–15,870	–16,060
Depreciation for the year in continuing operations	–196	–232	-	-	-	-	–1,781	–2,041
Depreciation for the year in discontinued operations	–121	–125	-	-	-	-	–169	–211
Sales/disposals	158	357	-	-	-	-	3,592	1,714
Sales of companies [3]	903	94	-	-	-	-	1,488	1,156
Reclassifications	0	52	-	-	-	-	175	–102
Exchange rate differences	84	–115	-	-	-	-	199	–326
Closing accumulated depreciation	–2,838	–3,666	-	-	-	-	–12,366	–15,870
Opening write-down	-	–11	-	-	-	-	-	–26
Reclassifications	-	11	-	-	-	-	-	26
Closing write-down	-	0	-	-	-	-	-	0
Closing planned residual value	634	1,213	378	148	317	422	14,941	19,457

1 *The insured value of aircraft at year-end 2006 amounted to MSEK 48,603. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 37,650.*
2 *Capitalizing of interest was done at an average interest rate of 6.0% (2.0%).*
3 *During the year the Rezidor Hotel Group was listed on the stock exchange, whereby SAS divested 91% of its shareholding. Norwegian Aviation College was also divested. European Aeronautical Group, Jetpak, 67% of SAS Component, Radisson SAS Hotel London Stansted Airport and operations in SAS Trading were divested the previous year*

At the beginning of 2006, six McDonnell Douglas MD-90s, ten Boeing737s, eight Airbus A321s and five Airbus A340/340s were acquired, formally through finance lease contracts, with original terms of 9-10 years. During the year finance lease contracts for six McDonnell Douglas MD-90s expired and their ownership was transferred to SAS. In addition, sale and leaseback transactions for three Boeing 737s and four Airbus A321s were carried out. The finance lease contracts for the remaining Boeing 737s have been renegotiated and extended to ten years.

With regard to finance-leased aircraft, the terms of the leasing contracts (particularly pertaining to SAS's call options during the contract period and at the expiration of the leasing contract, as well as the economic risk SAS has regarding the value of the aircraft) are such that the agreements, from SAS's point of view, are comparable to a purchase.

The 16 (29) finance leased aircraft are recognized in the balance sheet in the amount of MSEK 6,745 (10,188). In addition to these, owned aircraft include 12 (8) aircraft valued at MSEK 1,747 (1,355) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 1,349 (1,050), which are to be viewed as finance-leased.

The SAS Group's aircraft holdings can be specified as follows:

	2006	2005
Owned	4,585	4,493
Finance leased	6,745	10,188
Book value	11,330	14,681

Finance leasing

The SAS Group has finance lease contracts for aircraft with remaining terms of up to ten years. It also has finance lease contracts for machinery and equipment with remaining terms of up to five years.

Lease payments consist in part of minimum lease payments and in part of contingent rent. In those cases where the lease payments are based on 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 rent. Total lease payments amounted to MSEK 804 (978). Contingent rent impacted lease payments for the year by MSEK 158 (90).

As of 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	
	2006	2005	2006	2005
Acquisition value	8,575	12,601	57	99
Less accumulated depreciation	–1,830	–2,413	–12	–34
Book value of finance lease assets	6,745	10,188	45	65

Future minimum lease payments and their present value for finance leasing contracts applying on closing date.

	2006		2005	
Due date:	Future minimum lease pmts.	Present value of future minimum lease pmts.	Future minimum lease pmts.	Present value of future minimum lease pmts.
Within one year	619	599	1,632	1,605
1-5 years	2,843	2,408	3,777	3,273
Over 5 years	2,273	1,613	4,145	3,053
Total	5,735	4,620	9,554	7,931

Operating leasing

SAS Group leases out owned assets with book values that on the closing date amounted to:

	Aircraft		Machinery & equipment	
	2006	2005	2006	2005
Acquisition value	1,153	976	8	-
Less accumulated depreciation	–648	–690	–1	-
Book value of assets leased out on operating leases	505	286	7	-

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 57 (51).

Leasing revenues for the year did not contain any contingent rent.

Future leasing revenues for operating lease contracts on the closing date:

	2006	2005
Within one year	145	204
1-5 years	323	971
Over 5 years	175	-
Total	643	1,175

Contractual purchase commitments

On the closing date the Group had the following commitments relating to future acquisition of tangible fixed assets.

	2007
Aircraft	749
Other purchase commitments	24
Total	773

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:	2006	2005
Sverigehuset, part of Arlanda 2:1	33	33
Flight Academy, part of Arlanda 2:1	134	134
Night Stop, part of Arlanda 2:1	9	9
Total	176	176

Note 15 • Prepayments relating to tangible fixed assets

	2006	2005
Airbus	149	304
Boeing	166	118
Other	2	-
Total	317	422

Note 16 • Financial fixed assets

	Equity in affiliated companies		Long-term receivables from affiliated companies		Shares & participations		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Opening acquisition value	1,214	691	228	229	344	311	8,363	7,421	3,195	2,717	13,344	11,369
Contributions	32	29	-	-	7	23	748	830	554	376	1,341	1,258
Share of income	106	134	-	-	-	-	-	-	-	-	106	134
Sales	-	–92	-	-	-	-	-	-	-	-	-	–92
Sales of companies [1]	–90	-	-	-	–13	–1	–116	–59	–362	–7	–581	–67
Amortization	-	-	–9	–7	-	-	-	-	–514	–98	–523	–105
Dividend	–29	–29	-	-	-	-	-	-	-	-	–29	–29
Reclassifications	–148	413	-	-	2	-	-	-	–49	13	–195	426
Exchange rate differences	–73	68	–30	6	–11	11	–190	171	–115	194	–419	450
Closing accumulated acquisition value	1,012	1,214	189	228	329	344	8,805	8,363	2,709	3,195	13,044	13,344
Opening appreciation	-	-	-	-	63	-	-	-	-	-	63	-
Appreciation for the year	-	-	-	-	508	63	-	-	-	-	508	63
Sales of companies [1]	-	-	-	-	–63	-	-	-	-	-	–63	-
Closing accumulated appreciation	-	-	-	-	508	63	-	-	-	-	508	63
Opening write-down	-	-	-	-	–193	–185	-	-	–94	–90	–287	–275
Write-down for the year	-	-	-	-	–51	-	-	-	-	-	–51	-
Sales of companies [1]	-	-	-	-	-	-	-	-	94	-	94	-
Exchange rate differences	-	-	-	-	8	–8	-	-	-	-4	8	–12
Closing write-down	-	-	-	-	–236	–193	-	-	0	–94	–236	–287
Closing residual value	1,012	1,214	189	228	601	214	8,805	8,363	2,709	3,101	13,316	13,120

[1] *During the year the Rezidor Hotel Group was listed on the stock exchange, whereby SAS divested 91% of its shareholding. European Aeronautical Group, Jetpak, 67% of SAS Component Group and operations in SAS Trading were divested the previous year.*

Note 17 • Equity in affiliated companies

	Corporate ID no.	Domicile	Share of equity %	Share of equity 2006	Share of equity 2005
British Midland PLC	2107441	Derby, UK	20.0	96	192
Skyways Holding AB [1]	556021-5872	Stockholm, Sweden	25.0	53	71
air Greenland A/S	30672	Nuuk, Greenland	37.5	177	150
AS Estonian Air	10076042	Tallinn, Estonia	49.0	200	239
SAS Component Group A/S	28501048	Copenhagen, Denmark	29.0	382	445
Commercial Aviation Leasing Ltd	IE6328550R	Dublin, Ireland	49.0	201	211
Elimination of intra-group profit for Commercial Aviation Leasing Ltd				–119	–159
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40.0	7	5
Travel AS	987096985	Fredrikstad, Norway	25.3	7	-
Casino Copenhagen K/S	15751274	Copenhagen, Denmark	50.0	-	30
TTB Leisure Luxury Hotels	99088707	Cape Town, South Africa	50.0	-	4
Rezidor SAS Hotels & Resorts Middle East W.L.L.	51995	Bahrain	50.0	-	8
SAS Royal Hotel Beijing Co Ltd	47	Beijing, China	50.0	-	11
Other				8	7
Total				1,012	1,214

[1] *The share of equity in Skyways in 2006 includes a goodwill write-down of MSEK 25.*

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, 2006, amounted to MSEK 16,366. If participations in affiliated companies had been reported according to the acquisition cost method, consolidated shareholders' equity would have amounted to MSEK 16,372.

Equity in affiliated companies includes acquired surplus value of MSEK 35 (36) in British Midland PLC, MSEK 39 (64) in Skyways Holding AB, MSEK 141 (150) in AS Estonian Air, and MSEK 6 (-) in Travel AS.

Note 18 • Long-term receivables from affiliated companies

	2006	2005
Commercial Aviation Leasing Ltd	189	228
Total	189	228

Note 19 • Shares and participations

	Number of shares/ participations	%		MSEK Book value
Rezidor Hotel Group *	10,117,200	6.7	SEK	597
Other				4
Total shares and participations				601

** Measured at fair value according to IAS 39.*

Note 20 • Pension funds, net

	2006	2005
Pension funds, net, funded plans	10,367	9,910
Pension funds, net, unfunded plans	–1,562	–1,547
Total	8,805	8,363

Most pension plans in Scandinavia are defined benefit. The majority are placed with insurance companies. The group pension plans for salaried employees in Sweden and for employees in Norway are secured through defined benefit pension plans with insurance companies. In Sweden, pension plans are mainly placed with Alecta and in Norway with Vital. Employees in Denmark have mostly defined contribution solutions.

Most SAS employees in Sweden are covered by ITP pension reinsured by Alecta (the Alecta plan). The Alecta plan is a multi-employer pension plan and has been classified by the Swedish Financial Accounting Standards Council as a defined benefit pension plan. SAS has signed a special and specific agreement with Alecta whereby Alecta has undertaken to 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 calculated total pension commitment.

In calculating pension commitments, the year's pension earnings and returns, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trend. The following long-term economic assumptions represent a weighted average for the SAS Group:

	2006	2005	2004
Discount rate	5.2%	5.2%	6.2%
Long-term rate of return	7.4%	7.4%	7.4%
Inflation	1.7%	1.7%	2.2%
Future salary adjustments	2.6%	2.6%	3.1%
Future adjustments of current pensions	1.7%	1.7%	2.2%

The following interest parameters are used for the largest pension plans in Sweden and Norway:

Discount rate 5.0% (5.0%) in Sweden and 5.5 % (5.5%) in Norway
Long-term rate of return 7.5% (7.5%) in Sweden and 7.5 % (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 shares and interest-bearing securities. For Sweden and Norway, 7.5% has been deemed in recent years to be a realistic expectation of long-term return. For Denmark, 7% is deemed reasonable against the background of a somewhat more conservative investment strategy. To better reflect the actual return of the largest pension plans the decision has been made to lower the rate of return beginning January 1, 2007, by 1 percentage point in Sweden and Denmark and 1.5 percentage points in Norway. This step will increase the Group's costs for defined benefit pensions by approximately MSEK 300.

The inflation assumption is 1.5% in Sweden and Denmark and 2% in Norway. Future salary adjustment has been set at one percentage point above the inflation assumption for the purpose of including a real salary increase in calculations of pension commitments.

The amortization period for actuarial differences exceeding the higher of 10% of commitments or funded assets is 15 years, which corresponds to average remaining employment period.

In 1999 an allocation of MSEK 3,063 was identified for the SAS Group in the form of client company pension funds in Alecta in Sweden. As of December 31, 2006, MSEK 227 had not been utilized. Alecta announced in June 2006 that client company funds would be discontinued beginning January 1, 2007, and would be paid in the first quarter of 2007.

Defined benefit pension plans	2006	2005
Pension earned during the year	–1,034	–828
Interest on pension provisions	–1,340	–1,469
Expected return on funded assets for the year	1,981	1,885
Amortization of actuarial differences and plan amendments for the year	–448	–299
Impact on income for the year, net, defined benefit pension plans in continuing operations	–841	–711

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 differences are amortized over fifteen years when they exceed 10% of the greater of pension obligations or pension assets.

Status at year-end	2006	2005
Funded assets	27,954	26,734
Pension commitments	–27,307	–25,702
Difference between funded assets and commitments	647	1,032
Unrecognized actuarial differences and plan amendments [1]	8,158	7,331
Book assets	8,805	8,363

[1] *Of which actuarial differences 7,872 (7,268)*

In some pension plans in years past the real return rate has been lower than the Group's estimated long-term return of 7.4%, which is reflected in the item, unrecognized actuarial differences. The actual return on plan assets in 2005 was 10.2% and 9.1% in 2004. While the final calculations for 2006 are not yet ready, the return is expected to be approximately 7%.

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	12,810	9,035	3,775	5,482
Pension plans in Norway	10,596	12,641	–2,045	2,401
Pension plans in other countries	4,548	5,631	–1,083	922
Total	27,954	27,307	647	8,805

The "Pension funds, net" item includes unfunded plans funded via operating income in the amount of MSEK 328 in Sweden and MSEK 1,234 in Norway.

Note 20, continued

Pension funds, net, including pension commitments, plan assets and unrecognized plan amendments and actuarial differences for the defined benefit pension plans performed as follows:

	2006	2005
Opening balance	8,363	7,421
Impact on income for the year in continuing and discontinued operations	–855	–720
Paid-in premiums/pensions paid	2,024	1,737
Utilization of company funds in Alecta	–385	–371
Pension funds in divested operations	–116	–59
Change in actuarial differences	–36	184
Currency effect	–190	171
Closing balance	8,805	8,363

Of total pension commitments of MSEK 27,307 (25,702), MSEK 24,637 (23,109) was funded and MSEK 2,670 (2,593) was unfunded. In 2007 paid-in premiums are expected to amount to approximately MSEK 1,600.

Note 21 • Expendable spare parts and inventories

	2006	2005
Expendable spare parts, flight equipment	740	745
Expendable spare parts, other	151	112
Inventories	102	181
Total	993	1,038
Measured at acquisition cost	982	1,031
Measured at net realizable value	11	7
Total	993	1,038

Note 22 • Current receivables

Impairment of accounts receivable and recovered accounts receivable, net, in continuing operations came to MSEK 81 (77), charged against income. In discontinued operations the corresponding amount was MSEK –26 (33).

Impairment of other current receivables in continuing operations came to MSEK 12 (0), charged against income.

Note 23 • Current receivables from affiliated companies

	2006	2005
SAS Component Group A/S	234	1,480
Commercial Aviation Leasing Ltd	113	114
Skyways Holding AB	0	16
Other companies	10	10
Total	357	1,620

Note 24 • Prepaid expenses and accrued income

	2006	2005
Prepaid expenses	604	811
Accrued income	530	937
Total	1,134	1,748

Note 25 • Short-term investments

	2006	2005
Treasury bills	1,997	2,342
Housing bonds	3,539	1,996
Deposits	2,641	2,733
Commercial paper	747	0
Blocked deposits in tax deduction account in Norway	193	194
Total	9,117	7,265

In connection with the transition to accounting in conformance with IAS 39, 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. All above instruments are classified as held for trading.

Note 26 • Reserves

	Hedging reserve	Fair value reserve	Translation reserve	Total
Opening balance, January 1, 2005	1,635	-	457	2,092
Translation differences relating to foreign operations			353	353
Cash flow hedges:				
Income from cash flow hedges	–909			–909
Taken to income	–95			–95
Income from currency hedging of investments in foreign operations			–523	–523
Opening balance, January 1, 2006	631	-	287	918
Translation differences relating to foreign operations			–369	–369
Measurement of shares at fair value		508		508
Cash flow hedges:				
Income from cash flow hedges	503			503
Taken to income	–616			–616
Income from currency hedging of investments in foreign operations			368	368
Closing balance, December 31, 2006	518	508	286	1,312

Note 27 • Long-term liabilities

Long-term liabilities that fall due more than five years after the closing date.

	2006	2005
Debenture loans	716	771
Other loans	2,115	4,839
Other liabilities	0	12
Total	2,831	5,622

Note 28 • Debenture loans

A subordinated debenture loan of 200 million Swiss francs was issued during the 1985/86 fiscal year. There is no set maturity date for this loan. SAS has an exclusive right to call in this loan every fifth year. The interest rate is fixed for 10-year periods and amounts to 2.375% from January 2006. In previous years SAS repurchased MCHF 72.8 worth of the bonds, after which the balance of the loan is MCHF 127.2. The loan is listed and on the closing date the fair value amounted to MCHF 66.8 (52.1), equivalent to MSEK 376.2 (315.6).

Note 29 • Bond issues

SAS's bond issues amounted to MSEK 7,135 (7,355).
Specification of individual loans:

Original issued amount	Interest rate	Maturity	Outstanding debt in MSEK	Loans after currency swap
MJPY1,000.0	1.000%	2001/2007	58	MEUR 9.3
MJPY1,000.0	1.120%	2001/2007	58	MEUR 9.3
MJPY5,500.0	1.305%	2001/2008	318	MEUR 53.5
MCZK 750.0 [2]	3.030% [1]	2001/2008	163	
MEUR 500.0 [2]	6.000%	2001/2008	4,462 [3]	MEUR 427 + MUSD 63
MEUR 108.0	8.299% [1]	2003/2010	902	
MSEK 200.0	6.828% [1]	2005/2010	200	
MNOK 454.0	6.760% [1]	2005/2010	493	
MNOK 265.5	7.000%	2005/2010	291	
MNOK 50.0	7.000%	2005/2010	54	
MNOK 17.0	7.000%	2005/2010	18	
MNOK 213.0	6.760% [1]	2006/2010	234	
Total			7,251	
Less amortization 2007			–116	
Total			7,135	

[1] *Interest rate on closing date. The loan has a floating interest rate set every three months.*
[2] *In 2005 repurchases of bond issues that mature in 2008 were made in the nominal amounts of MCZK 263.7 and MEUR 6.25.*
[3] *The loan is listed and on the closing date the fair value amounted to MEUR 504.0 (505.2), equivalent to MSEK 4,561.2 (4,763.8).*

Outstanding debt in SEK corresponds with amortized cost.

Previously issued loans in the nominal amount of MEUR 108 were renegotiated in 2005 and extended from maturation in 2008 to 2010. In 2006, MNOK 213 maturing in 2010 was issued.

To manage the currency exposure the loans have to some extent been switched to other currencies as shown above. The value of currency swap transactions is included in book value under other loans, see Note 30. The interest rate exposure is managed by entering into interest-rate swap contracts to adjust the fixed-interest term.

Bond issues maturing in 2007 are recognized as the short-term portion of long-term loans.

Note 30 • Other loans

	2006 Book value	2006 Fair value	2005 Book value	2005 Fair value
Finance leasing	4,470	4,572	7,508	7,779
Other loans, swap transactions	1,940	2,000	6,403	6,444
Total before amortization	6,410 [1]	6,572	13,911	14,223
Less amortization in 2007 and 2006	–725	–960	–2,872	–3,213
Total other loans	5,685	5,612	11,039	11,010

[1] *The average interest rate amounted to 6.69% on the closing date.*

Maturity profile of other loans:

	2007	2008	2009	2010	2011	2012>	Total
Finance leases	352	368	393	418	895	2,044	4,470
Other loans	373	61	240	331	864	71	1,940
Total	725	429	633	749	1,759	2,115	6,410

Note 31 • 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 3.5 (3.2) years. At the end of 2006 the fixed-interest term was 4.8 (3.3) years. A sensitivity analysis as of December 31, 2006, shows that a change of the market interest rates by 1% would impact the SAS Group's interest payments by approximately MSEK 5 (30) in the next calendar year. The calculation includes outstanding interest rate derivatives.

Interest rate exposure

	2007	2008	2009	2010	2011	2012>	Total
Interest-bearing assets	10,264	168	260	61	76	112	10,942
Interest-bearing liabilities	–10,125	–4,516	–159	–363	0	–716	–15,879
Interest rate derivatives	–702	4,073	0	–860	–705	–1,806	0
Total	–563	–274	101	–1,162	–629	–2,410	–4,937

Calculation of the above interest rate exposure for the financial net debt only includes interest-bearing receivables and loans. The interest rate exposure of MSEK –563 for 2007 has a floating interest rate or fixed rate expiring in 2007. Beginning 2008 all exposure will be fixed rate.

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 60% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 26% in the rest of Europe and 14% 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	1,997
Aa1/P-1	1,970
Aa2/P-1	448
Aa3/P-1	3,903
A1/P-1	99
A2/P-1	700
A3/P-1	0
Total	9,117

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.

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.

To guarantee good payment preparedness, financial preparedness shall be equivalent to 20-25% of the SAS Group's annual operating revenue. Financial preparedness refers to liquid assets and unutilized contracted credit facilities. The SAS Group's liquid assets shall be kept in instruments with good liquidity or a short maturity.

Contracted credit facilities

Facility	Total facility	Utilized facility	Unutilized facility	Maturity date
Revolving credit facility MEUR 366	3,312	0	3,312	2010
Revolving credit facility MSEK 250	250	0	250	2007
Bilateral bank facilities	1,000	0	1,000	2007
Bilateral bank facilities	500	0	500	2009
Other	460	186	274	2007
Total	5,522	186	5,336	

To manage borrowing risk the objective is for the SAS Group's maturity profile to be divided evenly over time so that a maximum of 25% of the interest-bearing gross debt falls over the coming 12 months. As of December 31, 2006, the Group's interest-bearing liabilities amounted to MSEK 16,478 (26,337). None of the interest-bearing liabilities require the fulfillment of special requirements for financial key figures such as cash flow, debt/equity and liquidity ratios. In the previous year 8.9% of the interest-bearing liabilities had some form of such requirements. The average term of the interest-bearing gross debt amounted to approximately 3.1 (2.7) years at year-end.

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, 2006, the fair value of the SAS Group's outstanding derivative instruments totaled MSEK –81 (451), broken down according to the table below.

Outstanding derivative instruments, December 31, 2006

	2006 Outstanding volume	2006 Fair value Assets	2006 Fair value Liabilities	2006 Net	2005 Outstanding volume	2005 Fair value, net
Currency derivatives	18,951	263	–134	129	39,878	313
Interest rate derivatives	14,867	58	–104	–46	23,439	–237
Fuel derivatives	9,532	–144	–20	–164	4,104	375
Total	43,350	177	–258	–81	67,421	451

As of December 31, 2006, fair value concords 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 177 (972), MSEK 55 (61) consists of other long-term receivables, MSEK 0 (272) of prepaid expenses and accrued income and the remaining MSEK 122 (639) of other receivables. The liabilities' total book value of MSEK 258 (521) consists of long and short-term loans. Of the book value of the above derivatives, MSEK 56 (708) refers to cash flow hedges, MSEK –233 (26) to fair value hedges, MSEK 54 (–39) to hedging of net investment, and MSEK 42 (–244) 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. As of December 31, 2006, 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 740 (447).

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. The accumulated currency effect of these cash flow-hedged currency derivatives was recognized in equity in the amount of MSEK 58 (119) as of December 31, 2006.

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. The accumulated effect on these cash flow-hedged interest derivatives was recognized in equity in the amount of MSEK 40 (44) as of December 31, 2006.

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. The accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK –250 (74) as of December 31, 2006.

All together, MSEK 588 (684) relating to cash flow hedges was recognized in equity as of December 31, 2006 and is expected to affect the statement of income in the following years:

	2007	2008	2009	2010	2011	2012>	Total
Aircraft	10	418	466	103		31	1,028
Commercial flows	81						81
Interest rate derivatives			1		8	46	55
Fuel derivatives	–347						–347
Deferred tax	72	–117	–131	–29	–2	–22	–229
Effect on shareholders' equity	–184	301	336	74	6	55	588

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.

Note 32 • Other provisions

	Restructuring		Loyalty program		Other provisions		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Opening balance, January 1, 2006	290	193	606	740	74	87	970	1,020
Provisions	267	413	230	248	252	9	749	670
Utilized provisions	–383	–324	–284	–383	–112	–32	–779	–739
Exchange rate differences	–12	8	–1	1	–6	10	–19	19
Closing balance, December 31, 2006	162	290	551	606	208	74	921	970

Breakdown in balance sheet:	2006	2005
Long-term liabilities	603	697
Current liabilities	318	273
	921	970

Other provisions include provisions for leasing costs relating to unused premises and maintenance costs for leased aircraft according to the leasing contract. Other provisions made in 2006 include MSEK 70 for unutilized premises in connection with the closure of the technical base in Stavanger and MSEK 84 for court decisions concerning SAS Ground Services in Norway.

Note 33 • Short-term loans

	2006 Book value	2006 Fair value	2005 Book value	2005 Fair value
Revolving credit utilized portion	-	-	306	306
Issued commercial paper	1,108	1,105	1,924	1,920
Bank loans	26	26	294	294
Overdraft facilities, utilized portion	377	377	361	361
Accrued interest	309	309	422	422
Forward currency contracts	104	104	232	232
Derivative liability	119	119	289	289
Total	2,043	2,040	3,828	3,824

Note 34 • Current liabilities to affiliated companies

	2006	2005
SAS Component Group A/S	168	176
Other companies	1	7
Total	169	183

Note 35 • Unearned transportation revenue (net)

Unearned transportation revenue consists of tickets sold and still valid but unused, see Accounting recognition and measurement policies, page 67 - Revenue recognition.

On December 31, 2006, the estimated reserve in the unearned transportation revenue liability amounted to MSEK 399 (305).

Note 36 • Accrued expenses and prepaid income

	2006	2005
Vacation pay liability	1,634	1,847
Other accrued payroll expenses	299	534
Selling costs	245	267
Technical aircraft maintenance	80	62
Other accrued expenses	1,937	2,121
Prepaid income	549	495
Total	4,744	5,326

Note 37 • Pledged assets

	2006	2005
Related to long-term liabilities to credit institutions:		
Real estate mortgages	115	124
Aircraft mortgages	779	732
Company mortgages	27	19
Other mortgages	-	3
Shares in subsidiaries	0	0
Related to deposits:		
Blocked bank accounts	70	103
Total	991	981

Outstanding liability at December 31, 2006, relating to aircraft mortgages was MSEK 288.

The item "Shares in subsidiaries" includes the book value of SAS's shares in SAS's wholly owned financing structures for aircraft. For additional information in this regard, please see Note 14.

Note 38 • Contingent liabilities

	2006	2005
Contingent liabilities	288	57
Total	288	57

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 39 • 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:

	2007	2008	2009	2010	2011	2012>
Aircraft	3,310	2,896	2,518	1,917	1,508	3,792
Properties	892	894	830	800	786	5,359
Machinery and equipment	96	78	67	61	60	171
Total	4,298	3,868	3,415	2,778	2,354	9,322

Leasing contracts with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs for continuing operations in 2006 amounted to MSEK 5,086 (4,399), of which MSEK 252 (384) pertains to contingent rent. Contingent rent varies according to different factors such as operating revenue, the consumer price index and short-term market interest rates. In 2006 payments received for assets subleased to a third party amounted to MSEK 116 (150). The value of future fixed payments for these assets subleased to a third party amounts to MSEK 252 (379).

The above table includes the following major items:

At the end of 2006 the SAS Group aircraft fleet totaled 301 aircraft, of which 234 are leased. In 2006 sale and leaseback transactions were effected for 23 aircraft, corresponding to an annual leasing cost of approximately MSEK 303. 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 177 in 2007.

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 163 in 2007.

Note 40 • Adjustment for items not included in cash flow, etc.

	2006	2005
Share of income in affiliated companies	–106	–134
Dividends from affiliated companies	29	29
Write-downs and write-ups	51	–63
Capitalized interest on prepayments to aircraft manufacturers	–24	–9
Earnings impact from measuring financial derivatives according to IAS 39	–124	–85
Other	25	–93
Total	–149	–355

Note 41 • Disposal of subsidiaries

In 2006 the Rezidor Hotel Group was listed on the stock exchange, whereby SAS divested 91% of its shareholding. Norwegian Aviation College was also divested. European Aeronautical Group, Jetpak, 67% of SAS Component, Radisson SAS Hotel London Stansted Airport and operations in SAS Trading were divested the previous year.

The value of the sold assets and liabilities was the following:

	2006	2005
Intangible assets	700	155
Tangible fixed assets	802	2,563
Financial fixed assets	550	–416
Current assets	52	417
Current receivables	1,059	–422
Liquid assets	365	39
Minority interests	–650	-
Long-term liabilities	–213	–548
Current liabilities	–1,745	–731
Total	920	1,057
Capital gain excluding selling costs	4,406	586
Purchase price paid	5,326	1,643
Purchase price pertaining to 2005 divestment of SAS Component Group received in 2006	877	–877
Selling costs	–173	–105
Unpaid selling costs	60	-
Liquid assets in divested companies	–365	–39
Effect on the Group's liquid assets	5,725	622

Note 42 • Liquid assets

	2006	2005
Short-term investments	9,117	7,265
Cash and bank balances	1,686	1,419
Liquid assets at year-end	10,803	8,684

Disclosure of interest paid:
During the year, interest received amounted to MSEK 475 (331), of which MSEK 201 (105) pertains to forward premiums for currency derivatives. During the year, interest paid amounted to MSEK 1,566 (1,406), of which MSEK 235 (132) pertains to forward premiums for currency derivatives.

Note 43 • Auditors' fees

An audit engagement refers to the examination of annual accounts and accounting records and the administration of the Board of Directors and the President. Such services also include other duties incumbent on the company's auditors as well as advice or other assistance prompted by observations made while performing the audit or carrying out such duties. All other work is classified as other services.

The following remuneration was paid by continuing operations to audit firms for auditing and other services:

	2006	2005
Deloitte		
Audit services	22	22
Other services	8	15
Total Deloitte	30	37
Other audit firms		
Audit services	1	0
Total	31	37

Note 44 • Transactions with affiliated companies

Revenue from sales to affiliated companies amounted to MSEK 200 (159). Costs of purchases from affiliated companies was MSEK 1,771 (463).

Note 45 • Segment reporting

Income by business area

	SAS Scandinavian Airlines		SAS Individually Branded Airlines		SAS Aviation Services		Group-wide & eliminations		SAS Group	
STATEMENT OF INCOME	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
External sales	37,201	35,550	17,442	14,188	5,651	5,535	483	228	60,777	55,501
Sales between business segments	1,430	1,309	150	164	9,095	9,429	–10,675	–10,902	0	0
Revenue	38,631	36,859	17,592	14,352	14,746	14,964	–10,192	–10,674	60,777	55,501
Payroll expenses	–7,844	–7,790	–3,342	–3,007	–6,314	–6,462	–592	–904	–18,092	–18,163
Other expenses	–25,711	–25,634	–12,124	–9,425	–8,454	–7,491	10,220	10,892	–36,069	–31,658
Operating income before depreciation, amortization and impairment, and leasing costs, EBITDAR per business segment	5,076	3,435	2,126	1,920	–22	1,011	–564	–686	6,616	5,680
Leasing costs for aircraft	–2,102	–1,927	–1,484	–1,247	0	0	60	42	–3,526	–3,132
Operating income before depreciation, amortization and impairment, EBITDA per business segment	2,974	1,508	642	673	–22	1,011	–504	–644	3,090	2,548
Depreciation	–1,187	–1,346	–340	–312	–358	–419	–79	–93	–1,964	–2,170
Share of income in affiliated companies	58	61	43	39	–40	–23	–2	–1	59	76
Capital gains	58	394	0	15	3	34	27	–220	88	223
EBIT per business segment	1,903	617	345	415	–417	603	–558	–958	1,273	677
Unallocated income items:										
Income from other shares and participations									–47	50
Net financial items									–934	–973
Tax									–128	–76
Net income for the year for continuing operations									164	–322

OTHER DISCLOSURES	SAS Scandinavian Airlines		SAS Individually Branded Airlines		SAS Aviation Services		Group-wide & eliminations		Total continuing operations		Discontinued operations		Total	
STATEMENT OF INCOME	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Assets	18,351	25,106	9,412	9,701	8,681	10,835	13,708	6,936	50,152	52,578	0	4,224	50,152	56,802
Equity shares	89	53	526	651	393	453	4	2	1,012	1,159	0	55	1,012	1,214
Total assets	18,440	25,159	9,938	10,352	9,074	11,288	13,712	6,938	51,164	53,737	0	4,279	51,164	58,016
Total liabilities	9,791	10,915	6,852	7,053	7,311	8,345	10,823	17,709	34,777	44,022	0	1,913	34,777	45,935
Investments for the year	1,412	361	335	342	296	695	–8	57	2,035	1,455	264	372	2,299	1,827

Geographic breakdown

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Passenger revenue	11,370	12,239	3,601	3,360	16,857	18,072	12,211	5,675	44,039	39,346
Freight and mail revenue	303	305	70	72	348	315	1,454	1,435	2,175	2,127
Charter revenue	28	26	0	0	4,665	4,245	0	9	4,693	4,280
Other traffic revenue	526	246	54	67	1,156	1,203	268	251	2,004	1,767
Total traffic revenue	12,227	12,816	3,725	3,499	23,026	23,835	13,933	7,370	52,911	47,520

	Denmark		Norway		Sweden		Europe		Other		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Other operating revenue, continuing operations	1,093	1,190	1,872	2,254	2,324	1,805	1,974	1,761	594	971	7,857	7,981
Other operating revenue, discontinued operations	689	722	1,543	1,661	685	1,055	3,109	2,494	0	2	6,026	5,934
	1,782	1,912	3,415	3,915	3,009	2,860	5,083	4,255	594	973	13,883	13,915

OTHER DISCLOSURES	Denmark		Norway		Sweden		Europe		Other		Not broken down		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Assets [1]	3,012	5,157	3,395	4,654	12,856	11,533	6,099	7,076	189	133	3,039	7,407	28,590	35,960
Investments for the year in continuing operations [1]	123	463	83	181	155	187	242	133	6	2	1,426	489	2,035	1,455

[1] *Aircraft and spare parts are not broken down, see Accounting recognition and measurement policies page 67.*
For a description of the operations of the various segments, please see page 3.

Note 46 • Subsidiaries in the SAS Group

	Domicile	Corporate ID No.	No. of owned shares	Holding	Book value MSEK	Share of equity
Owned by SAS AB:						
SAS Sverige AB	Stockholm	556042-5414	70,500,000	100	737.1	3,739.5
SAS Norge AS	Bærum	811176702	47,000,000	100	628.2	2,865.1
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	570.5	2,560.8
Widerøes Flyveselskap AS	Bodø	917330557	364,196	100	1,440.4	476.7
SAS Technical Services AB	Stockholm	556137-6764	940,000	100	940.0	642.1
Spanair Holding *	Palma de Mallorca	B83180851	2,872,671	90	627.8	–395.4
Spanair S.A. *	Palma de Mallorca	EA07225154	5,449,901	49 (95)	772.0	
SAS Ground Services AB	Stockholm	556063-8255	610,000	100	715.8	759.9
SAS Flight Academy Holding AB **	Stockholm	556397-3378	20,000	100	695.8	124.5
Nordair A/S	Tårnby	24176711	10,000	100	526.0	312.2
Linjeflyg AB	Stockholm	556062-8454	2,000,000	100	237.0	215.7
airBaltic Corporation A/S	Riga	40003245752	105,942	47.2	123.0	11.4
OY Nordair AB	Vantaa	525.232	150	100	72.0	170.8
Newco Airport Services S.A.	Madrid	A-82086646	55,000	54.5	61.0	33.4
SAS Trading AB	Stockholm	556406-9390	50,200	100	55.2	3.1
SAS Facility Management Sweden AB	Stockholm	556663-7004	45,000	100	45.0	60.3
Aerolineas de Baleares	Palma de Mallorca	A07988728	44,994	95	44.0	25.4
SAS Human Resources Sweden AB	Stockholm	556664-1485	30,000	100	30.0	15.9
SAS Business Opportunities AB	Stockholm	556657-7358	8,000	100	24.9	13.7
SAS Revenue Information Services A/S	Tårnby	28098766	13,200	100	21.1	30.0
SAS Accounting Services Sweden AB	Stockholm	556664-1493	16,000	100	16.0	15.6
Fuerza de Ventas S.A.	Madrid	A82580093	600	96	1.0	8.5
Other					0.2	0.2
					8,384.0	11,689.4
Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:						
SAS Consortium	Solna	902001-7720	-	100	14,042.0	14,042.0
Owned by SAS Consortium:						
SAS Braathens AS	Bærum	962308449	150,000	100	3,851.3	1,821.4
SAS Scandinavian Airlines Danmark A/S	Tårnby	10156858	1,290,500	100	1,569.8	1,116.7
SAS Scandinavian Airlines Sverige AB	Stockholm	556235-5908	710,000	100	1,010.0	1,115.8
SAS Investments A/S	Copenhagen	25578104	300,000	100	488.3	391.4
Linjeflyg Leasing HB	Stockholm	916644-1080	-	79	270.2	306.1
Cherrydean Ltd	Dublin	310983	12,633,198	100	113.2	85.8
SAS Investments Denmark A/S	Tårnby	427110814	9,000	100	45.4	14.0
SAS Media Partner AB	Stockholm	556175-9183	5,000	100	12.3	1.6
SAS Ejendom A/S	Tårnby	78752513	20,000	100	11.0	37.1
SAS Capital B.V.	Rotterdam	167071	501	100	7.7	52.0
Other					1.0	3.4
					7,380.2	4,945.3
Owned by Nordair A/S:						
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	243.3	298.8
Owned by SAS Investments Denmark A/S:						
RampSnake A/S	Copenhagen	24202941	10,500	100	0	–34.4
SAS Trading Denmark A/S	Tårnby	42710814	700	100	0.8	1.1
						–33.3

** Spanair Holding owns 51% of the shares in Spanair S.A. The SAS Group's direct and indirect holding is, respectively, 49% and 46%, or 95% in all.*
*** SAS Flight Academy Holding AB was sold in February 2007, see the report of the Board of Directors on page 58.*

Note 47 • Approval of financial reports

The Board of Directors and President approved this Annual Report for publication on March 15, 2007, and it will be submitted for adoption by the Annual General Shareholders´ Meeting on April 17, 2007.

Parent Company, SAS AB

Statement of income

MSEK	Note	2006	2005
Revenue		246	155
Payroll expenses	1	–313	–278
Other external costs		–256	–253
Operating income before depreciation		–323	–376
Depreciation		0	–1
Operating income		–323	–377
Income from the sale of shares in subsidiaries		3,774	–392
Dividends from subsidiaries		2,658	3,035
Interest income and similar income items		25	1
Interest expenses and similar income items		–195	–231
Exchange rate differences		155	–183
Income before tax		6,094	1,853
Tax	2	89	214
Net income for the year		6,183	2,067

Cash flow statement

MSEK	2006	2005
Operating activities		
Income before tax	6,094	1,853
Depreciation	0	1
Income from the sale of shares, etc.	–3,774	392
Adjustment for items not included in the cash flow	–2	-
Cash flow from operating activities before changes in working capital	2,318	2,246
Change in:		
Operating receivables	69	–91
Operating liabilities	136	32
Cash flow from changes in working capital	205	–59
Cash flow from operating activities	2,523	2,187
Investing activities		
Purchase of equipment	–6	–5
Purchase of shares and participations	–103	–1,716
Sale of shares	5,169	53
Cash flow from investing activities	5,060	–1,668
Financing activities		
Change in current receivables	–5,061	-
Change in long-term loans	–2,418	–894
Change in interest-bearing liabilities	–10	17
Group contribution received, net	206	359
Cash flow from financing activities	–7,283	–518
Cash flow for the year	300	1
Liquid assets at the beginning of the year	1	0
Liquid assets at year-end	301	1

Balance sheet

ASSETS MSEK	Note	2006	2005
Fixed assets			
Intangible assets	3	6	-
Tangible fixed assets			
Equipment	4	3	5
Financial fixed assets			
Shares in subsidiaries	5	8,384	9,825
Shares in affiliated companies	6	198	188
Other shares and participations	7	138	-
Long-term receivables from Group companies		464	464
Deferred tax receivable		246	238
Other long-term receivables		11	-
Total fixed assets		9,450	10,720
Current assets			
Current receivables			
Accounts receivable		10	4
Receivables from Group companies		5,642	581
Other receivables		26	28
Prepaid expenses and accrued income		2	8
		5,680	621
Cash and bank balances		301	1
Total current assets		5,981	622
TOTAL ASSETS		15,431	11,342

SHAREHOLDERS' EQUITY AND LIABILITIES MSEK	Note	2006	2005
Shareholders' equity			
Restricted equity			
Share capital		1,645	1,645
Statutory reserve		306	306
Unrestricted equity			
Retained earnings		4,139	1,866
Net income for the period		6,183	2,067
Total shareholders' equity		12,273	5,884
Long-term liabilities			
Long-term liabilities to Group companies		2,855	5,273
Pensions and similar commitments		1	15
Other liabilities		4	0
		2,860	5,288
Current liabilities			
Liabilities to Group companies		32	38
Accounts payable		31	1
Other liabilities		103	72
Accrued expenses and prepaid income		132	59
		298	170
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		15,431	11,342
Memorandum items			
Pledged assets		None	None
Contingent liabilities	8	239	289

Changes in shareholders' equity

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total equity
Opening balance, January 1, 2005	1,645	202	1,610	3,457
Transfers between unrestricted and restricted equity		104	–104	
Group contribution received			499	499
Tax effect of group contribution			–139	–139
Net income for the period			2,067	2,067
Shareholders' equity, Dec. 31, 2005	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, Dec. 31, 2006	1,645	306	10,322	12,273

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 182 (177). A breakdown of the average number of employees by country is provided in the table below.

	2006		2005	
	Men	Women	Men	Women
Denmark	9	5	10	4
Norway	8	7	8	8
Sweden	88	65	85	62
Total	105	77	103	74
Total men and women	182		177	

For salaries, remuneration, social security expenses and sick leave, see SAS Group Note 3 – Payroll expenses, page 68.

Note 2 • Tax

	2006	2005
Deferred tax	89	214
	89	214

Note 3 • Intangible assets

Other assets	2006	2005
Opening acquisition value	-	-
Acquisition value for the period	6	-
Closing accumulated acquisition value	6	-
Opening depreciation	-	-
Depreciation for the period	-	-
Closing accumulated depreciation	-	-
Book value	6	-

Note 4 • Tangible fixed assets

Equipment	2006	2005
Opening acquisition value	17	12
Disposals/sales	–9	-
Acquisition value for the period	1	5
Closing accumulated acquisition value	9	17
Opening depreciation	–12	–11
Disposals/sales	6	-
Depreciation for the period	0	–1
Closing accumulated depreciation	–6	–12
Book value	3	5

Note 5 • Shares in subsidiaries

See SAS Group Note 45 – Subsidiaries in the SAS Group, page 81.

Note 6 • Shares in affiliated companies

	Domicile	Corporate ID No.	No. of shares owned	Holding	Book value
AS Estonian Air	Tallinn	10076042	44,100 + 266 pref	49%	188
Travel AS	Fredrikstad	987096985	511	25.27%	10
					198

Note 7 • Other shares and participations

	Domicile	Corporate ID No.	No. of shares owned	Holding	Book value	Market value
Rezidor Hotel Group	Stockholm	556674-0964	10,117,200	6.7%	138	597

Note 8 • Contingent liabilities

Other contingent liabilities benefiting:	2006	2005
Blue1	139	145
Widerøes Flyveselskap	100	142
SAS Trading AB	-	2
	239	289

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 9 • Fees to audit firms

Fees paid to Deloitte amounted to MSEK 10 (11) for audit services and MSEK 4 (8) for other services.

The Board of Directors and President give their assurance that, to their knowledge, the Annual Report has been prepared in accordance with generally accepted accounting principles for stock market companies, the information submitted is consistent in all material respects with actual circumstances, and nothing of material importance has been omitted that could affect the view of the company created by the Annual Report.

Stockholm, March 15th, 2007

Egil Myklebust
Chairman

Jacob Wallenberg
Vice chairman

Jens Erik Christensen **Berit Kjøll** **Timo Peltola** **Fritz H. Schur**

Anitra Steen **Ulla Gröntvedt** **Olav H. Lie** **Verner Lundtoft Jensen**

Mats Jansson
President and CEO

Our auditors' report was submitted on March 15th, 2007

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 accounts, the consolidated accounts, the accounting records, and the administration of the Board of Directors and the President of SAS AB for the fiscal year 2006. The company's annual accounts and consolidated accounts appear on pages 56-85 of the printed version of this document. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain assurance with high but not absolute certainty that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts 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 accounts have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The Report by the Board of Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

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 15th, 2007

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

➔ Adequate and well-functioning principles of corporate governance are essential for ensuring shareholders and other stakeholders that the SAS Group's activities are characterized by reliability, effective control, openness, and good business ethics.

Corporate Governance

Corporate Governance Report

SAS AB is a Swedish public limited company headquartered in Stockholm, Sweden. 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 Stockholm Stock Exchange, 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 adequate dissemination of information to shareholders, real shareholder influence, and effective management and Board work.

Swedish Code of Corporate Governance

SAS AB applies the Swedish Code of Corporate Governance, "the Code", which has been a part of the regulations of the Stockholm Stock Exchange since July 1, 2005.

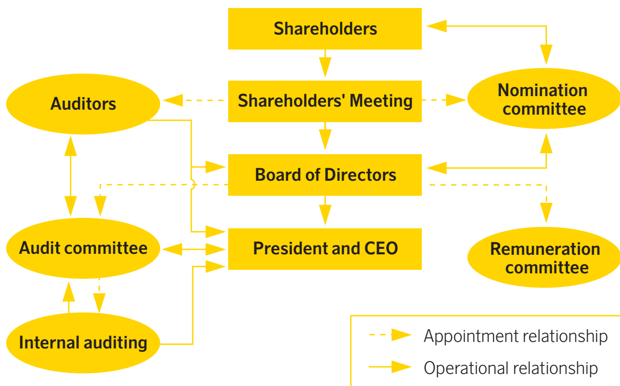
The Code prescribes that a special report on corporate governance issues be added to the company's annual report, stating in part that the Code is being applied by the company and clearly describing how the company applied the Code during the most recent financial year. In the report the company shall state which rules in the Code it departed from and clearly account for each departure. This report, which has been prepared in accordance with the provisions of the Code, constitutes the SAS Group's corporate governance report for the 2006 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 Annual General Shareholders' Meeting is to be conducted in Swedish and that the material presented is to be in Swedish.

Reason for the departure: 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. 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



Corporate governance
Responsibility and decision-making process
The SAS Group has 24,256 shareholders. 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 2006

The audit committee had six recorded meetings. The remuneration committee had three recorded meetings. The nomination committee had six recorded meetings since the 2006 Annual General Shareholders' Meeting.

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 Annual General Shareholders' Meeting from Copenhagen and Oslo. In light of this and since the experience from the current arrangement is overwhelmingly positive, in the Board's view any one of the Scandinavian languages may be freely used at company Annual General Shareholders' Meetings. Owing to the striking similarity of the three Scandinavian languages, the Board has not seen a need for simultaneous interpreting.

Annual General Shareholders' Meeting

Pursuant to the Companies Act the Annual General Shareholders' Meeting is the company's supreme decision-making body. At the meeting the shareholders exercise their voting rights. At the Annual General 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's 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.

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 accounts, the application of the company's profit or coverage of its loss, and discharging the Board and President from liability. The meeting also elects Board members, auditors, and members of the company's nomination committee, and decides on directors' and audit fees.

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.

Notices of the Annual General Shareholders' Meeting are always published in daily newspapers in Denmark, Norway, and Sweden and announced in press releases and published on the company website. The company sends notices to those shareholders whose addresses are known to it. Decisions made at the meeting are announced immediately after the meeting in a press release.

The minutes of Annual General Shareholders' Meeting are published on the company website.

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 consideration of various issues.

Nomination committee, six recorded meetings

Peter Brixén, *Danish Ministry of Finance*
Conny Karlsson, *SEB Funds*
Henrik Michael Normann, *Danske Bank*
Mathias Pedersen, *Knut and Alice Wallenberg Foundation*
Reier Søberg, *Norwegian Ministry of Trade and Industry*
Malin Björkmo (chairman), *Swedish Ministry of Industry, Employment and Communications*

Recommendations to be decided by the Annual General Shareholders' Meeting:

- Chairman of Annual General Shareholders' Meeting
- Number of Board members
- Election of Board members and Chairman
- Directors' fees, divided among the Chairman, other members, and any remuneration for work on Board committees
- Audit fee
- Nomination committee for 2008 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 2007 Annual General Shareholders' Meeting.

Members did not receive any fees or other remuneration for their work on the nomination committee.

The 2006 Annual General Shareholders' Meeting

In 2006 the Annual General Shareholders' Meeting was held on April 20, 2006, in the company's head office in Solna.

At the 2006 Annual General Shareholders' Meeting, the members of the Board were reelected, except for Lars Rebien Sørensen, who had declined reelection. Jens Erik Christensen was elected as a new Board member. Egil Myklebust was also reelected Chairman of the Board. The meeting also decided on amendments to the Articles of Association, directors' and audit fees, principles for remuneration and other terms of employment for company management, and appointed members to the nomination committee until the end of the 2007 Annual General Shareholders' Meeting. The meeting approved the Board's recommendation not to pay a dividend for 2005.

Board of Directors

The Board consists of seven members elected by the Annual General Shareholders' Meeting 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 page 92. The average age of members is 55, and two of the seven members elected by the 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.

Work of the Board

Pursuant to the Companies Act, the Board is responsible for the company's organization and management and proper control of its accounting, funds management and financial situation in other respects.

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year, which regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. The work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis and instructions for the President and the company's Board committees. Accordingly:

- The Chairman, in close collaboration with the President, is to monitor the company's performance and plan and chair Board meetings.
- The Chairman shall also be responsible for the Board evaluating its work each year, scrutinize his own work routines, and see to it that the Board always receives the information necessary to do its work effectively. The Chairman represents the company in owner matters.

Board members' attendance at Board meetings in 2006, 14 recorded meetings

	8/2	7/3	13/3	20/4	2/5*	3/5	15-16/6	8/8	12/10	16/10	24/10	7/11	22-23/11	14/12
Egil Myklebust	Present	Present	Present	Present	Present	Absent	Present	Present	Present	Present	Present	Present	Present	Present
Jacob Wallenberg	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Absent	Present	Present	Present
Berit Kjøll	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Absent	Present	Present
Timo Peltola	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Fritz H. Schur	Present	Present	Present	Present	Present	Present	Present	Present	Absent	Present	Present	Present	Present	Present
Anitra Steen	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Jens Erik Christensen**				Present	Present	Present	Present	Present	Present	Present	Present	Absent	Present	Present
Verner L. Jensen	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Absent
Ulla Gröntvedt	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
Olov H. Lie	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present

Present   Absent   * Statutory meeting ** As of April 20

- 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.
- Finally, the Board shall decide on major investments and changes in the organization and activities of the SAS Group.

Board work in 2006

In 2006 the Board held 14 meetings, of which 11 were ordinary and three 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 meeting followed an approved agenda, and proposed agendas and support documentation are sent to Board prior to each Board meeting. The President and 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 investments. 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 flight safety work, internal control, evaluating the work of the Board, the year-end report, interim reports, strategy, the business plan, and the budget. During the year the Board paid a visit to one of the Group's larger subsidiaries, Blue1.

Special topics the Board discussed in 2006 include the listing of Rezidor Hotel Group, the closure of the technical base in Stavanger/Sola, ongoing cost reductions and streamlining efforts, and freeing up capital and other financial issues. In the fall, a new President and CEO was recruited, and the Board decided to appoint Mats Jansson to this post.

The Chairman and other members are remunerated for their work on the Board in accordance with a decision made by the Annual General Shareholders' Meeting, see page 69.

Board committees and committee work

As part of streamlining and enhancing 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 business for the Board's decision. These committees, whose work is thus of a preparatory 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. No remuneration was paid for work on Board committees in 2006.

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.

At the 2001 Shareholders' Meeting, the registered auditing firm Deloitte AB was elected auditor until the 2005 Shareholders' Meeting.

Deloitte is part of Deloitte Touche Tohmatsu, with global operations in auditing and other consulting services. 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 with SAAB Automobile, Teleca Technology, Ekman, Nexus, Rezidor Hotel Group, Akademiska Hus, Ports of Stockholm, Port of Gothenburg and Förvaltnings AB Framtiden. Peter Gustafsson was previously an auditor at Elanders, Connex Transport, and Song Networks, among others.

In accordance with the company's internal rules, the principal auditor met with the Board on three occasions in 2006, presenting the program for his 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, the transition to reporting according to IFRS, and issues relating to the incorporation of units in 2004, for a total invoiced amount of MSEK 34, of which MSEK 8 pertains to 2006.

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 2006, see page 81.

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. For a detailed presentation of the President's background, experience, positions, and shareholdings see page 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 performance. 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, SAS Group Management currently comprises four members, named by the President in consultation with the Board. The composition of Group Management appears on page 93 of the Annual Report. 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. Group Management has recorded meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

Group Management's management and control of the Group's subsidiaries and major business units

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.

Remuneration committee, three recorded meetings

	Number of meetings attended
Egil Myklebust (chairman)	3
Jacob Wallenberg	3
Fritz H. Schur	3

All members are independent in relation to the company, company management, and major shareholders.

- In 2006 the committee made recommendations to the Board on the 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, his fulfillment of this contract and discussed general matters involving guidelines and policies for compensation to SAS senior executives.
- Prior to the 2007 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 Annual General Shareholders' Meeting for approval.

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 in all essentials function like the boards of directors of Group subsidiaries. The boards are often composed of representatives of Group Management and Corporate Functions, with the responsible member of Group Management as chairman.

In certain larger subsidiaries and business units there are also external board members and representatives of the employees. 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, the Group's brands, business ethics (Code of Conduct), and environmental matters. See also page 9 regarding the SAS Group's management model.

Remuneration policies and other terms of employment for company management

For 2006, with departures stated below, the following overall policies stipulated by the Annual General Shareholders' Meeting for remuneration and other terms of employment 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:

- a fixed base salary, which may be reviewed annually
- variable remuneration made up of performance- and earnings-based components
- pension benefits
- other benefits and severance terms

The size of the variable remuneration is to vary depending on the position and contract and may be 40-50% of the relevant base salary.

The performance-based salary, to comprise 75-80% of the variable remuneration, will depend on the executive meeting quantitative and qualitative business and personal targets set in an annual target contract. For the President and one member of Group Management, the maximum performance-based salary may be 37.5% of the relevant base salary, while the maximum performance-based salary for the rest of Group Management is 32%.

The earnings-based salary, which depends on the SAS Group's earnings, is to comprise 20-25% of the variable salary. An earnings-based salary is never paid if the SAS Group's earnings are negative.

Retirement age was 65 for the previous President and 60 for the other persons in Group Management.

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, six recorded meetings

Egil Myklebust (chairman until June)	4
Timo Peltola (as of July)	2
Anitra Steen	6
Lars R. Sørensen (until April)	1
Berit Kjøll (as of July)	1
Jens Erik Christensen (as of July)	2

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 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, in 2006 the committee discussed business dealing with 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.

The pension benefits for the previous President and three members of Group Management are a defined benefit plan, where a fully-earned pension amounts to 70% of pensionable salary up to 30 base amounts and 35% of pensionable salary in excess of that amount. Owing to already existing contracts, two members of Group Management have a defined contribution pension plan in which a fixed percentage, approx. 20%, of pensionable salary is paid into the pension.

For the President and the rest of Group Management, the period of notice is to be 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 24 months' base pay. If the executive assumes a new position, severance pay is to be reduced by the amount of remuneration received from this new position, though a maximum of 50% of severance pay.

Other benefits, such as a company car and health insurance, are to be market-based.

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.

Departure from the policies of 2006

In connection with the recruitment of Mats Jansson as the new President and CEO, SAS AB has concluded an agreement with Mats Jansson that entails certain departures from the aforementioned policies.

The President's fixed base salary will not be subject to revision until after December 31, 2011, the maximum variable remuneration for the President is 20% of the permanent base salary, the pension plan for the President is defined contribution (35% of the fixed base salary), and severance pay in the event of dismissal by the company is 12 months with full deduction of remuneration from another position or engagement.

For information about remuneration and benefits paid to the Board, President and senior executives in 2006, see Note 3 on pages 68-70.

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.

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 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 over financial reporting

The SAS Group applies COSO, the internationally most recognized and adopted framework for internal control to describe and evaluate the SAS 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 organization of 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. The control environment includes the culture that SAS communicates and operates from in a number of areas. The aim of the SAS Group is for 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, amid a process of greater decentralization. The management of the SAS 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. This 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 SAS Group intranet, which also makes updating easier.

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, since a few years ago, company management has identified a number of critical areas, common to all subsidiaries, where an analysis of internal control is to be done, see Control activities.

In addition, 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 establish 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 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.

In addition to this, areas for in-depth study are focused on in the critical processes identified. This is carried out in most of the subsidiaries in the Group. In previous years the revenue process, payroll process, IT-inspections, and the financial statement process were studied in depth. 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 conducts always result in recommendations that are graded on the basis of a risk perspective. During the year the internal audit focused *inter alia* on the internal control at SAS Technical Services and Newco.

In 2006, in-depth reviews were done of reporting and applying the SAS Group's accounting policies at airBaltic and Estonian Air. Three to four reviews will be done in 2007. These in-depth reviews were done by the Group's central auditing unit. 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 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 will be 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.

Chairman's comments

Despite a challenging start, 2006 was the second year since 2000 that the SAS Group turned a moderate profit. Yet results are still far from the return that the Group's shareholders are entitled to. For that reason, our efforts to change must continue in order to secure the Group's growth and meet future investment needs.

The earnings improvement is due to several factors. One is the excellent economy in all of Scandinavia in 2006. Cost-cutting measures also played a contributing role, in combination with the new business models gradually introduced in 2005 and 2006.

The Board stands behind management in implementing necessary cost-cutting. This is particularly important as we are now enjoying a strong economy and must therefore position ourselves to be able to face lower general economic growth in our home markets. It is also crucial to ensure that the Group improves its investment capabilities so that in the future it can replace a large part of its older fleet with environmentally friendly and more efficient aircraft.

Share performance

In 2005 we noted that the SAS share performed well, rising 74%. However, in 2006 share price performance compared with our competitors was weaker, especially during the first six months, due to internal problems and greater uncertainty regarding the SAS Group. Yet since the end of June the SAS share has risen 50%. Liquidity was at its highest ever, though as in previous years weak in the Norwegian market. The fact that the percentage of institutional shareholders in Sweden and Denmark has risen is good news, as is our having new international owners. The total number of shareholders also rose in 2006.

Ownership issues

In its election platform the current government in Sweden announced that a disposal of the Swedish state's holding in the SAS Group might be considered. Although neither the Board nor management shall or can have an opinion on the positions of owners, the Board is focused on keeping a permanent state of uncertainty regarding key owner issues from developing. That is why in discussions with our owners I have expressed a desire for a dialog among the state owners too, to ensure a coordinated process.

Corporate Governance

During the year we did not make major changes in the principles of Corporate Governance put in place after the introduction of the Swedish Code of Corporate Governance. The SAS Group previously implemented the Code's Corporate Governance principles for Swedish companies that had not been previously applied. The SAS Group's Corporate Governance report appears on pages 86-90 and on the Internet.

Safety issues

Safety is the top priority in all Group airlines. In 2006 the Board closely followed the Group's safety work. In 2005 it emerged that routine inspections of Airbus A330/A340s had not been done. The Board also learned this year that scheduled inspections of the same aircraft had not been carried out as planned. The Board views these incidents as very serious and will carefully monitor safety work from now on. The OPS Committee has also recently approved a plan to prevent maintenance intervals from being exceeded in the future.

Strategic maneuverability

In late 2006 the SAS Group carried out a historically large transaction when the hotel business was listed. The primary reason for the IPO was that hotel operations are not a natural part of the SAS Group's core business. It was also necessary to ensure the Group's financial position and robustness for the future. This reinforced financial base has given us greater strategic maneuvering room, but it is crucial to safeguard this base moving forward by increasing cash flow from operations.

Sustainability

The SAS Group has a long tradition of dealing with sustainability issues, environmental as well as social aspects. The Board discussed sustainability issues when it considered a large number of major decisions. The environment is a priority area, and the Board looks favorably on a European system of emissions trading. This is likely the start of a global system where players have equal terms and incentives to cut emissions.

Change processes that demanded a lot were carried out in 2006, requiring dialog, openness and understanding. In 2005 the SAS Group prepared a Code of Conduct, which will be revised and expanded in 2007.

Welcome, Mats!

The year saw a change of leadership in the SAS Group. I would like to begin by thanking Jørgen Lindegaard for his five years as President during perhaps the most difficult period in the history of the airline industry. He built a platform on which we can continue to work. During the summer and fall and until January 1, 2007, Gunnar Reitan served confidently as Acting President, seeing to it that a vacuum did not arise in the change process. It is with great confidence that I welcome Mats Jansson to the SAS Group as its President and CEO. He has already started work on Group strategy, which I am convinced will steer the SAS Group on the right path toward new growth opportunities in the years ahead.

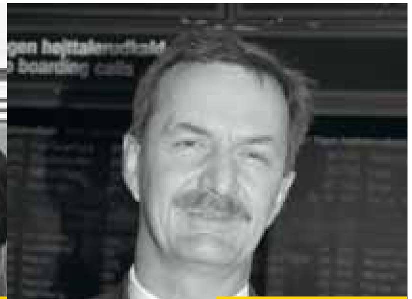
Stockholm, March 2007

Egil Myklebust
Chairman of SAS AB

Board of Directors


Egil Myklebust


Fritz H. Schur


Verner Lundtoft Jensen


Jacob Wallenberg


Anitra Steen


Olav H. Lie


Berit Kjøll


Jens Erik Christensen


Ulla Gröntvedt


Timo Peltola

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.

Auditors: Deloitte AB

Principal auditor:
Peter Gustafsson, born 1956
Authorized Public Accountant
Elected 2003.
Other major engagements: SAAB Automobile, Ekman, Teleca, Nexus, Rezidor Hotel Group, Akademiska Hus, Ports of Stockholm, Port of Gothenburg and Förvaltnings AB Framtiden.

Corporate Secretary:
Mats Lönnkvist, *General Counsel, SAS Group.*

Chairman

Egil Myklebust, *born 1942*
Chairman of the Board of SAS AB since 2001.
Directorships: University of Oslo, Sandvik AB, and Vetco International Ltd.
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, Skandinaviska Enskilda Banken. Member of the Board of ABB Ltd, the Knut and Alice Wallenberg Foundation, Thisbe AS, the Stockholm School of Economics, and the Nobel Foundation.
Education: B.Sc. in Economics and MBA, Wharton School, University of Pennsylvania.
Shareholding: 5,000

Regular Members

Berit Kjøll, *born 1955*
Member of the Board of SAS AB since 2001.
Division Director, Telenor ASA.
Directorships: DnB NOR ASA, TusenFryd ASA, and InterOil Exploration and Production ASA.
Education: College degree in Tourism, Oppland University College. Markedsøkonom degree, Norwegian School of Marketing, Oslo. 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 Chairman of Nordea and Member of the Board of TeliaSonera and CVC Capital Partners Advisory Board.
Education: MBA, Turku School of Economics and Business Administration. Studied at IMI, Geneva. Honorary doctorate in economics, Swedish School of Economics and Business Administration in Helsinki and Turku School of Economics and Business Administration.
Shareholding: 0

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, and F. Uhrenholt Holding A/S. Vice Chairman of Brd Klee A/S. Member of the Board of ByrumLabflex A/S and DE POST NV/LA POSTE SA, Belgium.
Education: Handelshøjskolens Afgangseksamen (HA) business degree.
Shareholding: 20,000

Anitra Steen, *born 1949*
Member of the Board of SAS AB since 2001.
President of Systembolaget AB.
Directorships: Member of the Board of Södersjukhuset AB, Almega, Kungsträdgården Park & Evenemang AB, and VOSS of Norway ASA.
Education: Cand. phil. degree with a concentration in the behavioral and social sciences, Uppsala University.
Shareholding: 0

Jens Erik Christensen, *born 1950*
Member of the Board of SAS AB since 2006.
Directorships: Member of the Board Falck A/S and member of the Danish Government's infrastructure commission.
Education: Cand. act. degree from the University of Copenhagen.
Shareholding: 0

Employee Representatives

Verner Lundtoft Jensen, *born 1955*
Employed at SAS Scandinavian Airlines Danmark.
Member of the Board of SAS AB since 2005.
Member of the Board of SAS Danmark A/S since 2005.
Shareholding: 866 (close relation)
Deputies:
Nicolas E. Fischer, first deputy.
Shareholding: 10,000.
Carsten Bardrup Nielsen, second deputy.
Shareholding: 0

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

Ulla Gröntvedt, *born 1948*
Employed at SAS Ground Services.
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

Share convertibles and options
The SAS Group has not issued any share convertibles or options.

Group Management

Mats Jansson

Gunnar Reitan

Gunilla Berg

John S. Dueholm

Mats Jansson, *born 1951*
President and CEO
Assumed office on January 1, 2007.
Formerly President and CEO of Axfood and President and CEO of Axel Johnson AB.
No directorships
Education: Studies in national economics and sociology at Örebro University.
Shareholding: 46,000

Gunnar Reitan, *born 1954*
Deputy CEO
Member of the SAS Management Team from September 1993 to May 8, 2001, and subsequently member of SAS Group Management. Responsible for the business area SAS Individually Branded Airlines and for the corporate function Alliances & Corporate Partnership. Chief Financial Officer until September 16, 2002. Joined SAS 1988 in Oslo as Director of SAS Station Services. Later Vice President, Finance and Administration, for SAS in Norway. Deputy CEO since 1993. Experience from banking, manufacturing, and transportation.
Member of the Boards of Vital Forsikring ASA and Leif Høegh & Co Ltd.
Education: Degree from Trondheim College of Economics and Business Administration.
Shareholding: 1,000

Gunilla Berg, *born 1960*
Executive Vice President and Chief Financial Officer
Member of SAS Group Management since September 16, 2002, and responsible for Corporate Functions covering business control, finance and asset management, investor relations, purchasing and IT. Formerly Vice President and Chief Financial Officer of Kooperativa Förbundet. Experience from various executive positions in banking and industry.
Member of the Boards of Alfa Laval AB and L E Lundbergföretagen AB.
Education: Civilekonom degree, Stockholm School of Economics.
Shareholding: 1,000

John S. Dueholm, *born 1951*
Executive Vice President
Member of SAS Group Management since September 1, 2002. Responsible for the business 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.
Member of the Board of Kilroy A/S.
Education: Cand. merc. (degree in business administration).
Shareholding: 0

Svein Oppegaard, *born 1953*
Acting Executive Vice President, responsible for Corporate Administration & Support, which includes Corporate Human Resources and Group Shared Services as of January 1, 2007.
Shareholding: 0
Education: Law degree from the University of Oslo.
No major directorships.

Bernhard Rikardsen held this post until the end of 2006.

The President and CEO is in charge of the day-to-day management of the Group. In addition to the President, SAS Group Management comprises four members named by the President in consultation with the Board. Members of Group Management have divided among themselves the responsibilities for the Group's business management.

Share convertibles and options
The SAS Group has not issued any share convertibles or options.

Organization

SAS Group, March 15, 2007

Group Management

President & CEO SAS Group
Mats Jansson

CFO
Gunilla Berg

Corporate Administration & Support
Svein Oppegaard, Acting

SAS Scandinavian Airlines
John S. Dueholm

SAS Individually Branded Airlines
Gunnar Reitan

Corporate Functions

Corporate Communications & Public Affairs *Hans Ollongren*
Corporate Development
Camilla Monefeldt-Kirstein
Corporate Advisory *Benny Zakrisson*
Corporate Legal Affairs *Mats Lönnkvist*
Corporate Internal Audit *Peter Toft Berg*
Corporate Brand Strategy
Linda Fredheim-Björk

Consortium AOC Holder [1]

Scandinavian Operations Management
Lars Mydland
Airline Commercial *Robin Kamark*
Airline IT *Mats Fagerlund*

Corporate Functions

Alliances & Corporate Partnerships
Ole Orvér

Corporate Functions

Corporate Business Control *Arnfinn Utne*
SAS Group Finance & Asset Management
Johan Törngren
Corporate Accounting *Ulla Edlund*
Corporate Purchasing *Björn Alegren*
Corporate IT *Ingvar Söderlund*
Investor Relations *Sture Stølen*

Shared Services

SAS Facility Management *Bjørn Frivold*
SAS Revenue Information *Steen Wulff*
SAS Accounting Services *Catharina Swahn*

Corporate Functions

Corporate Human Resources
Svein Oppegaard (acting)

Shared Services

SAS Human Resources Services
Patric Dahlqvist-Sjöberg

Business areas

SAS Scandinavian Airlines

- Scandinavian Airlines Danmark [2] – *Susanne Larsen*
- SAS Braathens – *Ola Henrik Strand*
- Scandinavian Airlines Sverige [2] – *Anders Ehrling*
- Scandinavian Airlines International [2] – *Lars Lindgren*

SAS Individually Branded Airlines

- Spanair – *Lars Nygaard*
- Blue1 – *Stefan Wentjärvi*
- Widerøe – *Per Arne Watle*
- airBaltic – *Bertolt Flick*
- Estonian Air [3] – *Børge Thornbech*

SAS Aviation Services

- SAS Technical Services – *Peter Möller*
- SAS Ground Services – *Hans-Otto Halvorsen*
- SAS Cargo – *Kenneth Marx*

[1] *The role Accountable Manager reports to the CEO.*
[2] *Common Air Operator Certificate (AOC).*
[3] *Not consolidated.*

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.
The shareholdings of Group Management are reported on page 93.

Legal structure

SAS Group, March 15, 2007

In the period 2001-2004, the SAS Group harmonized the legal structure with the Group's business structure. 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 all the traffic rights for SAS Scandinavian Airlines.

The SAS Group's intercontinental airline operation is a business unit in the SAS Consortium.

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:* Rezidor Hotel Group was listed on the stock exchange.
- *February 2007:* SAS Flight Academy was sold.

SAS AB

SAS Danmark A/S* | **SAS Norge AS*** | **SAS Sverige AB***

Consortium SCANDINAVIAN AIRLINES SYSTEM Denmark - Norway - Sweden

Subsidiaries (of SAS AB)

Spanair S.A.	95%
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%

Affiliated companies

AS Estonian Air	49%
airBaltic Corporation A/S **	47,2%
air Greenland	37,5%
Skyways Holding AB	25%
bmi British Midland	20%

Subsidiaries (of the Consortium)

SAS Braathens AS	100%
SAS Scandinavian Airlines Danmark A/S	100%
SAS Scandinavian Airlines Sverige AB	100%

* *Parent companies of the SAS Consortium and taxable entities*

** *Consolidated as subsidiaries.*

Sustainability report

The SAS Group realized early on the importance of its brand being associated with safety, social responsibility, value creation, and environmental stewardship. That is why it gives priority to systematic sustainable development work as part of its strategic focus. Continuous development of systems with targets and follow-up of sustainability work are a natural and necessary part of the process leading to continuous improvements.

In 2006 resource efficiency work continued in all parts of operations to lower costs and boost degree of utilization in flight and ground operations. One result is that the Group's relative environmental impact was the lowest ever.

Climate issues garnered increased attention in 2006. Awareness that the earth's resources are finite is growing quickly among opinion makers and the general public. Demands for action are increasingly voiced.

An effective and relatively quick way to reduce the rate of CO_2 emissions is to include aviation in the emission trading system. This would contribute to long-term sustainable development and hasten the emergence of new technology.

Important events during the year

- The proposed Swedish environmental tax on air travel was withdrawn by the new government.
- A tax was introduced on emissions of nitrogen oxides in Norway as of 2007.
- At the end of 2006 the EU proposed a new directive regarding the Emission Trading Scheme (ETS).
- A decision by SAS Group management to offer customers the chance to purchase carbon offsets beginning in 2007.
- SAS Cargo was under investigation for illegal price fixing along with a large number of other airlines with international airfreight operations.
- The SAS Group won several awards for best sustainability report in Sweden and Denmark.

Sustainability KPIs	2006	2005	2004
Operating revenue, MSEK	**60,777**[1]	55,501[1]	58,093
Income before tax, MSEK	**292**[1]	–246[1]	–1,833
CFROI, %	**15**[1]	13[1]	9
Average number of employees,	**26,554**[1]	26,727[1]	32,481
of which men/women, %	**59/41**[1]	60/40[1]	58/42
Sick leave, %	**6.1**	6.8	6.6
Carbon dioxide (CO_2) emissions, 1,000 tonnes	**6,213**	6,192	5,958
Nitrogen oxides (NO_x) emissions, 1,000 tonnes	**25.3**	23.2	22.0
Kg carbon dioxide (CO_2)/RPK[2]	**0.134**	0.143	0.154
Total fuel consumption, 1,000 tonnes	**1,829**	1,964	1,889
Water consumption, 1,000 m^3	**4,259**	3,442	3,073
Energy consumption, ground, GWh	**1,025**	912	686
Unsorted waste, 1,000 tonnes	**11.5**	13.6	11.2
External environment-related charges, MSEK	**477**	565	489
Number of passengers, 1,000[3]	**42,520**	39,173	35,646

[1] Refers to continuing operations
[2] SAS Scandinavian Airlines only [3] Including charter

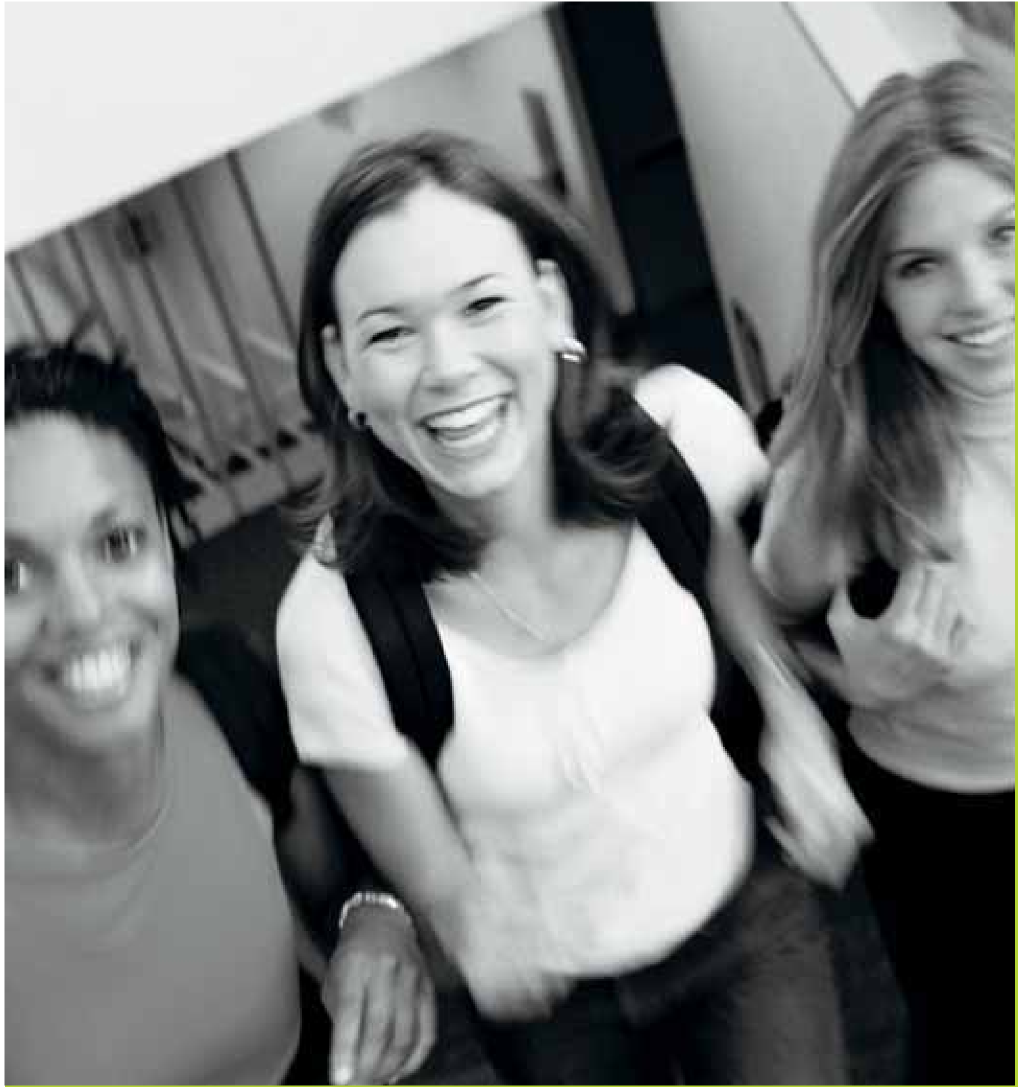
Independent review

The expressed aim of the SAS Group is, if possible, to have all sustainability information examined by an independent party. For 2006 the Group's auditors have reviewed all material sustainability information in the financial and sustainability report.

The assurance report appears on page 117.

Sustainability information

For further information and views on the SAS Group's sustainability work, contact Niels Eirik Nertun, Director for Sustainability & Environment: niels_eirik.nertun@sas.no



→ The SAS Group's work on sustainability issues contributes in various ways to increasing shareholder value and competitiveness. The Group is convinced that it is impossible to have economically sustainable operations without taking social and environmental responsibility.

Responsibility for sustainable development

For the SAS Group, enduring economic profitability is closely tied to environmental improvements and the ability to take social responsibility. In many ways, its work on sustainability issues serves to increase shareholder value and competitiveness, such as more effective control of risks. The Group is convinced that it is impossible to have economically sustainable operations without taking social and environmental responsibility.

By being a major employer and contractor, by maintaining crucial societal infrastructure, and by generating returns for its owners, the SAS Group has a considerable impact on society. At the same time, through its airlines the Group engages in activities that in the present situation have an adverse environmental impact, including through CO_2 emissions.

The SAS Group also sees that from a social, environmental, and economic perspective, responsibility is also largely governed by stakeholders' views on its activities and their performance.

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 its own operations and also willingness to understand how stakeholders view the company's activities.

Dialog requires openness and understanding

In the fight against a growing environmental impact, the role of aviation is constantly being called into question. Compared with other forms of transportation, aviation often ends up in erroneous and unfair comparisons. Negative opinions can help to create a less favorable policy framework for the industry's future development opportunities. It is therefore essential that the entire industry take every opportunity in a candid dialog with the public to discuss and point out aviation's positive and negative impacts on travel and the environment. The aim of the SAS Group's is to play a leading role in this dialog. The Group's chief stakeholder relations with regard to its sustainability work are reported on page 97.

For the SAS Group, stakeholder dialog serves to identify and define the Group's highest priority sustainability issues. No stakeholder seeking contact is denied a dialog with the SAS Group.

SAS Reputation Management

The dialog with stakeholders gives the Group vital information, which further supports decision making and helps management set priorities. That is why the SAS Group has developed the management tool SAS Reputation Management

About the SAS Sustainability Report 2006

The SAS Group Sustainability Report 2006 describes the most essential environmental and societal aspects its operations impact. It reports what it 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.

The purpose of the report is, along the Annual Report, to help users assess and understand the SAS Group's operations.

Reporting principles

The SAS Group's Sustainability Report is prepared on the basis of the SAS Group's accounting principles for sustainability reporting. These are based in part on Deloitte's "Checklist for preparing and evaluating information about the environment, ethics, corporate social responsibility and corporate governance, September 19, 2005."

As a result of demands from stakeholders and others, the SAS Group has tried to adapt this report to the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, version 3.0. Account has also been taken of 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 2006 and the accounting principles, GRI cross-references and stakeholder dialogs on SAS's website (www.sasgroup.net under the topic "Sustainability").
- 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. Here the table "GRI Application Levels" is also included.
- 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 2006.
- The sustainability report was presented to SAS Group Management in February 2007. The SAS Group Board of Directors submitted the annual report in March 2007, 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.

(SRM), intended to provide systematic judgments of how various stakeholders may react to a given decision. Based on in-depth interviews, SRM will help the Group to continuously maintain and improve relations with key stakeholders through targeted measures. The result generated by SRM will affect management's decisions regarding Group activities, in turn affecting stakeholders' views on the company.

Examples of measures resulting from dialog with various stakeholders:

- the opportunity for customers to purchase carbon offsets to neutralize the emissions generated by the journey
- attempts in reporting and in GRI cross-references to be clearer in describing employment conditions and relations with labor organizations
- attempts to report the financial consequences of the Group's sustainability work
- for the focus areas sustainability and security to be taken up at the 2006 Shareholders' Meeting
- the strategy whereby SAS employees are to meet the customer on the correct terms. Customers are to feel that they are receiving value for the tickets purchased at a certain price.

The follow-up of the management tool done during the year shows that the tool is useful in efforts to create relationships and provides valuable information on conditions in the Group and in subsidiaries. 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 wisely. This work is to help the Group attain profitability in all parts of its operations.

Corporate social responsibility

The SAS Group's social and societal responsibilities include responsibility for employees and for its impact on the surroundings and communities in which the Group operates. The content of its social responsibility may vary depending on time and place. SAS Group companies give priority to issues on the basis of the activities the particular company engages in.

As an employer, the SAS Group 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.

The SAS Group's success is based on nurturing and developing its employees' 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.

In its involvement in social issues and by joining the UN Global Compact, the SAS Group has pledged itself in all its activities to defend and promote human rights and to combat corruption, all forms of forced labor, and discrimination. Active environmental work is a natural part of this commitment.

See also www.unglobalcompact.org

Environmental responsibility

The SAS Group's environmental impact varies considerably by business area. Generally the Group's biggest environmental impact is the consumption of nonrenewable energy, above all, fossil fuels. Combustion of these fuels causes a rise in atmospheric carbon dioxide (CO_2), which contributes to global climate change. Noise is a local environmental nuisance that is drawing increasing attention. Airline operations account for about 90% of the Group's total environmental impact.

The SAS Group works actively to reduce the environmental impact of its own operations. In various national and international contexts the SAS Group acts to influence the environmental framework of aviation and to develop and disseminate "green" technology.

Financial responsibility

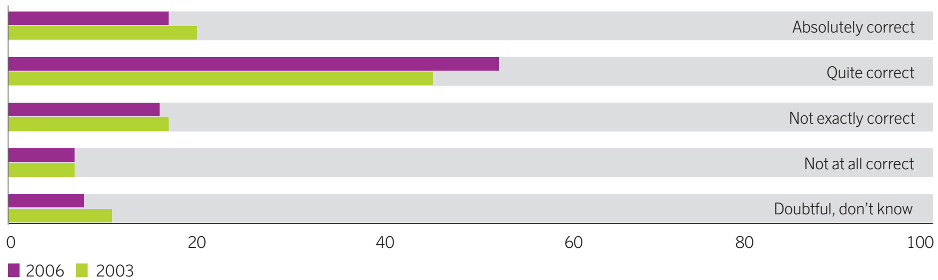
The SAS Group's primary duty is to create long-term value growth for its owners through having satisfied customers and motivated employees. It is from this perspective that work on sustainability issues must be viewed. For example, its direct economic impact comprises payment of salaries to employees, purchases of services and materials from outside suppliers, and taxes to the community.

There is also a more indirect impact on the economy. For example, every employee of Group

Stakeholders	Examples of dialogs*
Employees	*Employee index PULS. Development interviews. Whistleblower function. Staff meetings, so-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 around 800 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	*Dialog 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*

The environmental impact of aviation is acceptable relative to its benefits to society,%



The opinion survey "Aviation and the environment" conducted by SIFO Research International on behalf of Luftfartsverket. 1,000 persons over the age of 15 residing throughout Sweden were interviewed by phone in May 2003 and June 2006. The survey shows that the public also considers greenhouse gas emissions to be aviation's biggest environmental impact.

airlines generates almost two jobs in other companies and industries.

With regard to costs, sustainability work primarily contributes lower fuel consumption, better economizing on resources, and a lower risk of sustainability-related disputes and complaints. For that reason, sustainability work helps to improve competitiveness and increase shareholder value.

The SAS Group 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.

Overall objectives

The overall objective of the SAS Group's sustainability work is to create long-term growth in value and help the Group reach its targets. Each investment in sustainable development is to yield financial results. The SAS Group's overall financial objective is to create value for its shareholders. On this basis, objectives within five key areas have been determined:

Profitability

- The Group's financial target is a CFROI of at least 20% over a business cycle. See page 8.

Products

- The SAS Group's products should be easy to purchase and be perceived as a good value.

Market position

- SAS aims to be one of the leading airline groups in Europe.

Financial stability

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

Flight safety

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

The SAS Group's sustainability work is an integral part of operations and helps in various ways in reaching these objectives.

Continuing improvement in profitability requires a combination of higher revenue and lower costs.

Sustainability work will eventually also help the SAS Group to bolster its competitiveness because customers perceive its products not only as a good value but also as a favorable alternative with regard to social responsibility and environmental impact. This will strengthen the SAS Group's brands and image in the market.

Goals for sustainability work

The SAS Group has qualitative and quantitative goals for its sustainability work. Each Group company sets its own targets, reflecting the Group's decentralized management model. Eco-efficiency is measured by an environmental index, which is also used for managing and tracking environmental performance.

Group airlines have a target of lowering fuel consumption by 3% in the period 2006–2008. The airlines also have an internal benchmarking system aimed at constant improvement.

Each and every Group company sets targets for reducing sick leave and improving the PULS employee index.

Structure of the Group's sustainability work

The SAS Group's four core values cover all operations in the Group and underlie all work on sustainability issues. On the basis of these core values, the SAS Group has set overarching policies that along with a number of strategies govern its sustainability work.

The work is aimed at fostering and enhancing the skills of employees, contributing to social progress, and reducing environmental impacts. At the same time, shareholder value is to rise in both the short and long terms.

Below is a compilation of the most important policies governing the Group's sustainability work.

Sustainability policy and implementation strategy

- To contribute to sustainable development, SAS Group employees must, in their day-to-day work, take the Group's environmental and societal impact into account as well as its financial performance.
- For the SAS Group, sustainable development means a simultaneous focus on financial growth, environmental improvements and social responsibility. The Group's task, based on its core values, is to create long-term growth in shareholder value. This requires integrating environmental and social responsibility into business activities. Sustaining and developing the skills and dedication of employees is essential for the achievement of the Group's goals.

To ensure that the SAS Group's sustainability policy has an impact at all levels organization-wide, each company is to develop relevant objectives and strategies in line with this policy.

Eco-political vision

- The SAS Group's environmental policy vision is for all four transportation sectors – road, rail, sea, and air – to pay for investment and for their infrastructure, other costs to society (such as accidents), and their environmental impact according to the polluter pays principle. They are then to compete in a transportation system where competition is not distorted by favoring some modes over others.

Environmental policy

- The SAS Group will contribute to sustainable development by minimizing its environmental impact and optimizing its resource use.

The Group's environmental objectives are based on the principle of constant improvement and on each company setting specific targets for its operations – often in consultation with their respective boards. For instance, all companies have eco-efficiency targets.

Environmental strategy

An environmental strategy is linked to the environmental policy. Among other things, it mandates that all companies and units establish environmental management systems based on the principle of constant improvement. The strategy also requires an environmental dialog with suppliers, the use of the best commercially available technology and an open and honest dialog with other stakeholders about environmental work.

Diversity policy

- In all external recruitment, internal recruitment, promotions, human resources development, and other interaction between companies and employees, the SAS Group assumes the equal worth of all persons. All employees and applicants are to be treated in a correct and objective manner, where being qualified for the job and observing the SAS Group's safety standards are of paramount importance. All employees and applicants also have a right to be treated according to objective and formal principles and not according to what may be perceived, rightly or not, as characteristic of the gender or group he or she belongs to. All employees are responsible for workplace conduct and actions in line with the values expressed by this policy.

Purchasing policy

Excerpts from the sustainability-related portion of the SAS Group's purchasing policy:

- In choosing suppliers, the value of long-term access to the best products/services with the lowest life-cycle costs shall be taken into account. Preference is to be given to suppliers that are certified in accordance with the ISO 14000 series or can show they have an environmental management system and operate in accordance with UN declarations on human rights and working conditions and the Rio Declaration on Environment and Development. All strategically important suppliers are to be investigated and evaluated on an ongoing basis.
- Each purchase activity is to have satisfactory documentation at all stages from specifications to signed contract. This is to permit necessary scrutiny and to guarantee that the documentation is adequate if the transaction is the subject of a legal inquiry or other dispute.
- All purchase activities must be carried out in a professional manner, observing sound business ethics and high morals and in compliance with current laws.

Working environment policy

SAS appreciates active management that

- creates a working environment that supports SAS's strategies and complies with laws and rules in each country.
- plans its work based on the needs of operations, but also on the basis of employees' capability for involvement and participation, in work and in society.
- ensures the Group's position as a good example in the area of working environment.

This is to be attained by

- Making management responsible for including objectives and action plans for working environment work as a natural part of business planning.
- Both management and staff at all levels in all companies being engaged in working environment work.
- Systematically following up on the physical and psycho-social working environment.

Business relations

For the airline industry, with a tradition of close collaboration with competitors, antitrust issues are in focus. The SAS Group has therefore developed a special section on competition law in its Group policies and adopted a program to ensure compliance, the "SAS Competition Law Compliance Program." This program is constantly being refined, and the Group is engaged in extensive education activities aimed at all supervisors with accountability for results. 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 issued a Code of Conduct in 2005. The Code exists in five languages and has been issued to all Group employees.

Supervisors and other managers have a key role in implementing the Code. In 2006, a follow-up was done that showed that the efforts to introduce the Code and discuss its contents had varied results. For that reason this work is being stepped up in 2007, with further measures taken to create commitment to, and acceptance and understanding of, the Code's content. Measures include a web-based training program, structured support for supervisors, and follow-up of compliance with the Code.

To underscore the Code's importance, there are clear rules and structures for reporting and dealing with suspected violations. Experience so far shows, however, that such reports are rare, which in itself does not necessarily mean that the Code is being followed in every aspect.

The Code of Conduct reflects the SAS Group's attitude in business ethics issues. The Code is constantly being adapted to society's and the Group's stakeholders' changing demands and conditions. This means that the Code will be updated in 2007.

Sustainability policies for the SAS Group

Social responsibility • Environmental responsibility • Financial responsibility

Core values

Consideration • Reliability • Value creation • Openness

The SAS Group's four core values cover all operations in the Group and form the basis for all work on sustainability issues. On the basis of these core values, the SAS Group has set overarching policies that along with a number of strategies govern its sustainability work.

Our world – our stakeholders

Besides the goal of creating growth for its owners, the SAS Group's sustainable development efforts are driven by expectations and demands of key stakeholders and others. The SAS Group tries to meet these expectations and demands through systematic efforts, stakeholder dialog, and business intelligence.

Government policies and the costs of jet fuel, energy, water, and waste management, for example, impact profitability in the airline industry. The entire industry is highly competitive as well as cyclical.

Environment

One of the biggest challenges facing the world's airlines is limiting the environmental impacts of aviation. 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. Today, civil aviation accounts for around 3% of global CO_2 emission and 13% 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 the airlines will increase their greenhouse emissions by 3% per year. The aim is for aviation to be included in EU emission trading in 2011, thus compensating its growth with the purchase of CO_2 credits.

About 80% of pollution stems from air journeys over 1,500 km, where, in practice, no alternatives exist. However, it is the shorter trips that attract most attention from critical environmental opinion.

Environmental policies

Airline operations are highly subject to the environmental policies set by each airport. These normally involve noise, rules for using deicing fluids, limits on releases into the soil and water, or, in the case of Stockholm-Arlanda Airport, a ceiling for atmospheric emissions of CO_2 and NO_X. The emission ceiling is unrelated to production but specified 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 permit reconsidered. Luftfartsverket bases its petition on the comments that the Environmental Court solicited earlier from affected bodies. The Environmental Court is expected to rule in the first half of 2007.

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 one of the reasons the SAS Group is now considering measures to lower the noise level of its MD-80 aircraft.

Due to higher noise standards, more and more airports have tougher restrictions requiring aircraft to stay in designated approach and takeoff corridors. Weather and navigation equipment may occasionally complicate use of these new approach and takeoff paths.

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 technology from an environmental standpoint.

The climate issue

CO_2 emissions account for about half of aviation's total impact on climate, while water vapor, NO_X, 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, committing itself to reducing 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 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 system covers only fixed installations in the period until 2008. Norway is expected to join the system, with certain additions, as of January 1, 2008. Like numerous airlines, at which the SAS Group was at the forefront, airline industry organizations have long worked to include civil aviation in emissions trading.

The idea behind the system is that open emissions trading for CO_2 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 in emissions are brought about by companies able to do this on commercially reasonable terms. Thus the airline industry will take its environmental responsibility on the same terms as other industries in the EU emission trading scheme.

At the end of 2006 the European Commission announced a draft directive regarding aviation's entry into the emission trading scheme. The goal for aviation to be included by no later than 2011.

This proposal is largely in line with the views of the SAS Group. The Group views aviation's participation in emissions trading as the first step toward the hoped-for goal of a global emission trading system. The system has considerable advantages over taxes and charges – measures that have so far proved both insufficient and unsuitable to limiting aviation's environmental impact. The Commission's proposal includes all air traffic in the EU, both national and international. According to the proposal the system will also include traffic to and from the EU as of 2012. A matter so far unresolved is how the EU should get airlines not based in the EU to participate in trading. This is needed to prevent competition from being distorted in favor of non-European players.

The SAS Group is convinced that open emissions trading will help bring about lower emissions under acceptable economic terms. The Group's costs according to the current proposal are estimated to be MSEK 200–400 per year as of 2011, on average around SEK 10–30 per ticket.

Other emissions

Another relevant issue is any taxes on other greenhouse emissions from aviation. With regard to CO_2 emissions, scientists and airline industry representatives are in relative agreement on effects, magnitude, and measurement methods. However, there is great uncertainty about the significance of other emissions, such as NO_X, water vapor, and particulates. The current view is that aviation's total contribution to climate change is twice as large as that of its CO_2 emissions.

To compensate for aviation's entire climate impact, the EU has indicated the possibility of introducing a multiplier on CO_2 emissions as part of the emission trading scheme. However, this multiplier is not included in the Commission's current proposal for emissions trading.

The SAS Group does not see any benefit of such a multiplier. The Group regards dealing with the costs of one kind of emission by paying for another kind as inefficient. Besides, it is systemically incorrect for lower emissions of water vapor to correspond to lower emissions of CO_2.

Alternative jet fuel

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. There are several interesting projects under way in the world to develop Biojet A1 fuel.

Together with the government and Volvo Aero, the SAS Group has supported the Swedish company Ecopar, which has produced a synthetic jet fuel from biomass. Although judged to be within the technical criteria for jet fuel, it is not yet commercially available.

The entire airline industry is now devoting considerable sums to research and development on alternative jet fuels, for both environmental and resource reasons.

According to the IATA it is possible to save fuel even using conventional technology. Calculations show that it is fully possible to cut fuel consumption by up to 10%, compared with current levels.

Green approaches

A collaboration with the Swedish Luftfartsverket, "Green Approaches" is a project intended to reduce fuel consumption. In the SAS Group Scandinavian Airlines Sverige operates the flights that are evaluated. The pilot does not take off until the flight path and permission to land have been set. Using the shortest possible flight path and without holding in the air, a successive descent begins in sufficient time from the cruising altitude to the runway. In 2006 around 800 green approaches were made. Experience so far shows an average fuel saving of around 100 kg per landing, equivalent to a reduction in CO_2 emissions of just over 300 kg. Green approaches also help to reduce the noise around airports.

In 2006 SAS Group airlines made on average 1,515 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 the air traffic control system and coordination between the cockpit and air traffic control.

Security

The demand for air travel is sensitive to external disruptions such as war, natural disasters, acts of terrorism, etc. Recent development have led to tighter security at airports and on board. Governments react more to threats than to risks. This has required considerable investment in

infrastructure at airports in the form of expanded security systems and controls.

The cost of tighter security is added to ticket prices. In addition, it takes longer for passengers to get through security. Along with other inconveniences, these reduce the competitiveness of aviation compared with other means of transportation, above all on short and medium distances.

Infrastructure

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 the SAS Group, the Danish and Swedish civil aviation authorities are working together to put some of the intentions into practice. Nordic Upper Area Control (NUAC) is a partnership aimed at creating more direct and efficient overflying in the upper strata. The project reduces congestion and pollution, while saving time and fuel.

Business ethics and responsible globalization

The recent corporate scandals in and outside Europe have created distrust towards segments of the business world. Society has reacted with legislation, such as the Sarbanes-Oxley Act in the U.S. In Sweden, a code of corporate governance has been introduced that is also included in the rules of the Stockholm Stock Exchange, which the SAS Group follows. Similar requirements apply to listed companies in Denmark.

Companies, including the SAS Group, have responded by introducing codes of ethics that clarify the company's behavior, values, and principles of business ethics.

The rapid globalization has prompted calls for companies to take greater social responsibility. Besides assuming responsibility for their own employees, this involves acting responsibly in the local community and contributing to economic progress in all parts of the world. The talk is now of responsible globalization.

As a global transportation company and partner in the world's largest airline alliance, Star Alliance, the SAS Group impacts its destinations to varying degrees by its air traffic as well as by its transportation of cargo and passengers. Local contracts and purchasing come in addition.

By joining the Global Compact, the SAS Group has committed itself to ensuring that this impact leads to a better life for people affected and a reduced adverse local environmental impact.

Openness – transparency

A number of stakeholders, including customers, owners, and investors, are increasingly voicing demands for the SAS Group to openly report targets and performance in the area of sustainable development. The SAS Group is expected to maintain high standards of ethics, corporate social responsibility, and environmental performance, in both its actions and the services it offers. Consequently, the SAS Group sets the same standards for its suppliers for contracts and purchases of goods and services.

The SAS Group notes a keener interest from investment funds, banks, and the growing sector of socially responsible investment management, i.e., environmental and ethical funds. Morgan Stanley estimates that in the near future, at least 15% of capital under management in Europe and the U.S. will be invested in such funds.

The SAS Group is among companies approved as an ethically and environmentally acceptable investment by the Swedish investment management company Robur. There is an ongoing dialog with other ethical advisers primarily to pension management funds, such as Storebrand Invest in Norway and GES Investment Services in Sweden.

Pressure for openness and sustainability information also comes from governments and policymakers. In accordance with an EU directive, Swedish and Danish legislation currently requires companies to provide information about environmental and social issues in their annual reports. Even before the new laws entered into force, the SAS Group has addressed these requirements in its reporting. Stricter laws in Norway are also expected.

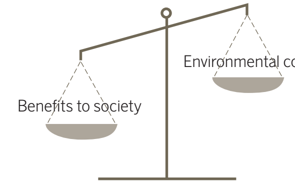
Openness and transparency in member companies are essential if a voluntary agreement on the Global Compact is to retain its credibility. These companies are required to report the steps they are taking to fulfill the principles of the Global Compact. The SAS Group reports on these efforts in an annual report – Communication on Progress – published on the Global Compact's website.

Cooperation

The SAS Group is able to free personnel for various UN efforts, such as setting up and running civil aviation activities in developing countries or efforts in acute crisis situations.

SAS Scandinavian Airlines, Spanair, and Blue1 are engaged in an international cooperation with leading organizations in science, culture, and the environment. This is taking place within the framework of Star Alliance and includes cooperation with UNESCO, Ramsar, the international wetlands convention, and IUCN, an umbrella organization of over 1,000 environmental agencies and organizations in 140 countries.

Striking a balance – the challenge of aviation



The challenge of aviation is to show that its benefits to society outweigh its environmental costs.

Sustainable development work

The SAS Group's operational sustainability work is based on its sustainability policy, as well as the Group's commitment to fulfill the principles of the UN Global Compact. The sustainability and environmental policies, as well as targets and key performance indicators associated with them, were most recently presented to SAS Group Management in February 2007.

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 companies have operational responsibility.

SAS Group companies set relevant targets for their respective activities and prepare action plans for their ongoing 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. It is part of Corporate Communications & Public Affairs (CC&PA), the management of which the Group's Director for Environment & Sustainability is a part. The head of CC&PA 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.

Issues directly affecting employees are dealt with by the SAS Group HR Forum, made up of the personnel directors of the Group's companies and units. They, too, report 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.

The HR function also plays an advisory role in the Group's working environment efforts, which represent a considerable portion of its sustainability work. This also 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 and labor-management joint safety committees in each country.

While other companies often choose to purchase company health services from outside, the SAS Group in Scandinavia has chosen to build up its own resources. This provides unique knowledge about the conditions of the SAS Group's various employee groups.

Besides medical staff, the company health services or health, environment, and safety (HES) department employs therapists, stress and rehabilitation experts, and ergonomic engineers.

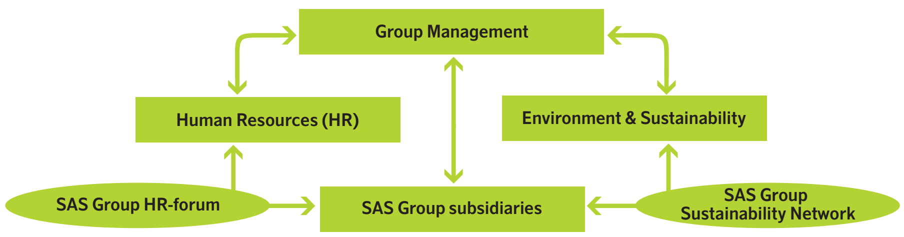
The HES department has also developed and offers special programs, including a stress management program.

Handling sustainability data

Environmental data are reported twice a year, while data concerning employee sick leave and injuries are reported quarterly. In addition, companies and units are to report at least once a year on measures to improve the Group's sustainability work.

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. The data are compiled by the Group's central and advisory department for Environment & Sustainability and then reported to Group Management.

Organization and management of the SAS Group's sustainability work



SAS Group HR Forum: *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 and corporate functions.*

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 Environment & Sustainability.*

Human Resources: *HR coordinates, negotiates, administers, and develops personnel issues. HR has several support functions, including the HES department in each country, which provide health and working environment services.*

Environment & Sustainability: *Corporate function that coordinates and advises on issues concerning the environment and sustainability/CSR vis-à-vis Group Management and Group companies.*

SAS Group subsidiaries: *On the basis of their activities, set specific objectives for sustainability work, environmental targets, social objectives, etc. Perform activities and follow up results of sustainability work, including via the employee index PULS and other databases and tools.*

Results for the year

The SAS Group continues to post constant improvements in the area of sustainability. Its environmental performance in 2006 was the best ever, while the employee index PULS showed a better result than in the previous year.

The most important single event during the year of importance to future sustainability work was the EU draft directive to include the airline industry in the emission trading scheme as of 2011. This is a measure the SAS Group and aviation industry organizations have long advocated. It will enable aviation to take indirect responsibility for cutting greenhouse gas emissions while waiting for new technology to yield direct results.

Important events during the year

- SAS Group's best year ever for environmental performance, with the lowest fuel consumption per produced unit and best environmental index for all units.
- Awards for the best sustainability report in Sweden and Denmark and the highest ranking in Deloitte's evaluation of Swedish sustainability reports. The SAS Group was also named Best in Class in the Norwegian company Storebrand's assessment of business ethics.
- SAS Cargo certified according to ISO 14 001.
- The SAS Group's fuel saving program, with a target of reducing consumption from 2006 by 3% relative to production by 2008, implemented in all airlines.
- Promising trials of green approaches at Arlanda conducted along with the EU, Eurocontrol, and the Swedish Luftfartsverket.
- The sale of the SAS Group's shares in Rezidor Hotel Group as part of listing that company's shares on the Stockholm Stock Exchange means a change in the Group's sustainability related risk profile.
- SAS Cargo was under investigation for illegal price fixing along with a large number of other airlines with international airfreight operations.
- Total sick leave in the SAS Group fell by just over half a percentage point.
- As a result of the SAS Group's work to introduce the SAS Competition Law Compliance Program, the Group was removed from the list of companies barred from being held by the Swedish Sjunde AP-fonden.

The SAS Group's sustainability work

		Airline operations								SAS Aviation Services				Other companies	
	Corp. Funct.	SAS Braathens	Scandinavian Airlines Danmark	Scandinavian Airlines Sverige	Scandinavian Airlines International	Spanair	Widerøe	Blue1	airBaltic	SAS Ground Services	SAS Technical Services	SAS Cargo	SAS Flight Academy	SAS Media	Newco
Has the Group Code of Conduct been discussed by the management team?	5	5	5	5	5	5	5	5	4	5	1	4	1	4	2
Has the Code of Conduct been implemented in the organization?	4	5	2	4	4	5	4	3	3	4	3	4	1	3	1
Is there any form of educational activity related to the Code of Conduct?	2	5	2	4	4	3	4	3	4	4	3	5	1	1	1
Are the Global Compact's ten principles being implemented and complied with?	5	5	3	5	4	5	5	4	2	5	3	4	1	4	4

Same as 2005 · Improvement compared with 2005 · 5 Same as 2005 · Deterioration compared with 2005

1 = No 2 = Initiated 3 = Partly 4 = Well on the way 5 = Yes

The matrix above shows how far the various companies have come in meeting goals for implementing the Code of Conduct and commitments to the Global Compact's principles. Shown here are relative measurements determined by a process of self-assessments in each company and discussions with the Group's department for Environment & Sustainability. The responses in rows two and three are based on the process beginning in 2005. Since the SAS Group's sustainability work is based on continuous improvement, a 5 in 2005 can become a 4 the following year because the ambition level is raised. More information on each company on pages 112–117. The follow-up of the progress of the SAS Group's work on corporate social responsibility shows numerous advances in efforts to implement and create understanding for the Group's Code of Conduct. The follow-up shows that the smaller companies need to give priority to work on the Code.

Corporate social responsibility

In 2006 there was a substantial rise in the number of employees of Group airlines that are based in growth markets. At the same time, continued savings are required in several companies in SAS Scandinavian Airlines in view of the stiffening competition from new carriers, which puts the focus on greater efficiency and lower costs.

Efficiency measures in 2006, aimed at further reducing the Group's costs by SEK 2.5 billion, required sustained hard work from management and staff to attain satisfactory profitability in the Group and its business units.

Employees' understanding of business conditions is crucial and has become part of their daily routine. Key to this effort is increasing information on the market situation and how individual employees can help bolster the individual company's competitiveness.

Restructuring

In 2006, Scandinavian Technical Services closed down its technical base in Stavanger, Norway (BTS A/S). Despite considerable initial disagreement between the parties, the closure was able to proceed quickly, respecting the parties' various interests. The result was acceptable to affected employees, managers, and the local community. The closure was made easier by the high demand for labor in the area. By the end of the year, all employees had been offered new positions.

Working environment

In many employee categories sick leave is high, and above average for the Group as a whole and for comparable industries. In 2006 the SAS Group stepped up efforts to reduce sick leave through focused efforts at both the Group level and at each company. The aim is to lower costs and improve health and to boost employee morale.

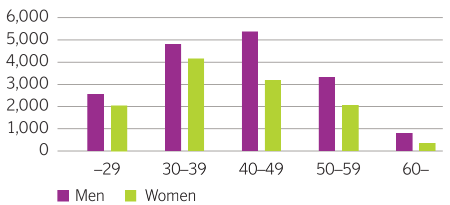
Average total sick leave fell by just under one percentage point Group-wide. There was a slight rise primarily among flight staff in Scandinavia, while falling sick leave figures can be seen in certain companies such as Blue 1, Spanair, and SAS Media. The estimated cost reduction for 2006 corresponds to around MSEK 120.

The number of workplace accidents in the SAS Group's Scandinavian companies rose in 2006 from 764 to 782.

In 2006 an activity and follow-up program in SAS Cargo's Swedish operations reduced sick leave by a third. The program involves a number of measures from diet and exercise advice to referrals while on sick leave. The initiators and implementers are two real enthusiasts and were awarded the Group's Swedish working environment prize for 2006.

During the year a new tool was introduced to facilitate individual reporting and follow-up of sick leave and provide support for ongoing measures. The aim is to raise awareness in companies of the costs of sick leave.

Age and gender breakdown in the SAS Group in 2006
Average age, 41.2 (40.7)



The age breakdown varies considerably among Group companies. While 74% of Blue1 employees are under 40, 28% of Scandinavian Airlines Sverige employees are in that age group. At Newco and SGS the percentage under 40 is 91% and 43%, respectively.

Diversity and equality

Scandinavian Airlines Sverige is one of 11 companies in Sweden participating in the "Diversity Challenge." By sponsoring an ideas competition the project's aim is to encourage ethnic diversity in business and introduce students to business. The objective is for the composition of a company's workforce to reflect the society in which it operates. In recruitment to job categories with a gender imbalance, the underrepresented gender is to be given particular attention.

The company is also working to prevent sexual harassment by actively conveying its policy on this to all employees. In the annual follow-up, 67% (52%) of employees state that they are familiar with the policy and with what actions to take if they discover harassment.

Employee surveys

Employee Surveys on Life at SAS (the employee index PULS) were conducted in the same way as in previous years, containing about 10 questions common to all companies, as well as specific questions for the company concerned in order to obtain responses on selected questions among employee categories.

In the SAS Group's PULS measurement in 2006 the response rate rose to 70% (68%). For the ten Group-wide questions, the PULS index improved in 65% of companies, was unchanged in 9% and declined in 26%. Several companies in SAS Aviation Services showed an improved index, as did Scandinavian Airlines Sverige and Widerøe.

Executive and human resource development

On behalf of Group Management a program was started to identify persons who within 3–5 years may be considered for positions on company management teams or other positions in the Group's Top 150 group. The review of all the companies in the Group and of the parent company began in 2006 and will conclude in 2007. The intention is then for continual follow-up to take place each year.

Cooperation with labor organizations

Since the incorporations in 2003 cooperation with labor organizations has primarily taken place at the company level. At SAS AB, the Group's parent company, cooperation takes place with labor organizations with collective agreements.

There is an employee representative from each of the three Scandinavian countries on the SAS Group's Board of Directors. They are elected by the labor organizations and represent employees in all companies and operations in the countries concerned.

Union activity in each company and unit takes place on the basis of the laws and agreements in each country. This means, for example, that cooperation between labor and management takes place at the local level, which results in better quality and greater accountability by both parties.

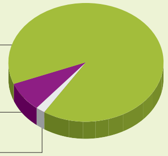
Contract negotiations and disputes

Customers expect airlines to deliver on schedule. For that reason the SAS Group's airline operations are vulnerable to threats and strikes. In the short term this can lead to rebookings, but in the long run it can affect the customer's faith in and opinion of the Group. It is therefore essential that management and labor acknowledge responsibility for negotiations and agreements, and that both parties do their utmost to reach agreement.

A new cabin agreement in Norway was preceded by a two-day strike. In Denmark and Sweden both cabin unions threatened strikes, but agreements were signed before they could be carried out.

During the first six months, negotiations were held with the pilot unions regarding the transfer

The SAS Group's total environmental impact



** Sold in November 2006*

Of the SAS Group's total environmental impact, airline operations account for around 90%, airline SAS Aviation Services for around 2% and Hotel operations for around 8%. See Accounting principles for sustainability reporting at www.sasgroup.net

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
Cabin	
Food and beverages Packaging Disposable/semi-disposable items Articles for sale Newspapers Chlorinated water Germicides	Organic waste Packaging Unopened beverages Articles for sale Waste Lavatory waste

IN	SAS Aviation Services OUT
Mark	
Glycol 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)

IN	Hotels* OUT
Energy Water Food and beverages Chemicals Maintenance materials Office supplies Disposable/semi-disposable items Newspapers, brochures Halons, freons	Waste Hazardous waste Organic waste Wastewater Emissions to air Carbon dioxide (CO_2) ** Sold in November 2006*

of pilots from the SAS Consortium to companies in SAS Scandinavian Airlines. While negotiations were under way the Danish pilot union went on a wildcat strike in Copenhagen. The strike lasted three days. At the same time, a higher than usual number of Norwegian pilots called in sick. The conflicts are estimated to have resulted in costs and loss of revenue of around MSEK 400.

The Danish pilots' union is suing the SAS Group for breach of the collective agreement and violation of the Swedish Codetermination Act for three times MSEK 5. The case is expected to come before the Swedish Labor Court in 2007. The reason the case is being heard by a Swedish court is that all negotiations with labor organizations in the three parent countries are to follow the rules in the Codetermination Act.

Other conflicts and disputes

In connection with the SAS Group's purchase of Norwegian Braathens, both companies' ground services were combined, which was key to realizing synergies from the acquisition. The SGS case, i.e., examining whether the combination involved a business takeover, was heard by the Supreme Court in 2006. The Court agreed with the claim of the 325 former Braathens employees idled by the merger that the case should be considered a business transfer, which means that seniority in the event of redundancies has to be adjusted.

The outcome prompted concern and complicated working relationships, affecting current as well as former employees of SAS Ground Services and Braathens. Efforts are under way to find practical solutions in the wake of the court ruling.

As part of Turnaround 2005, the pension levels of Norwegian cabin staff were lowered. According to law, a cut has to apply to all employees of a company. The Norwegian cabin union (NKF) saw that pilots were compensated for the cut and therefore demanded compensation for its members. A dispute arose, which was settled in NKF's favor. However, the compensation has not been set.

During the year there were redundancies among flight technicians at certain line stations in Norway where activities and air traffic were reduced. STS Norway has resolved this redundancy at the places concerned in accordance with the rules now set by the Norwegian labor court.

In 2006 SAS Braathens was found not guilty of alleged abuse of its dominant position on two domestic routes.

Humanitarian aid work

During the year employees in the SAS Group voluntarily took part in humanitarian aid programs in Africa and Asia. Efforts took place and continue within the framework of national and international aid organizations whereby SAS releases personnel for aviation-related activities in the various countries.

The Swedish Civil Aviation Authority and the SAS Group have a partnership involving air ambulances to disaster areas and in disaster situations. The project involves two Boeing 737s equipped with an ICU and technical, medical, and flight staff. In 2006 the aircraft with staff were ready to go into operation.

Alcohol and tobacco

Following the sale of the majority of its shareholdings in the Rezidor Hotel Group at the end of 2006, the SAS Group's sale of alcohol currently consists of serving drinks on board. In addition alcohol and tobacco are sold on flights outside the EU. Serving and selling the items in question are a highly marginal part of the Group's operations.

Environmental responsibility

In 2006, the SAS Group's flight operations accounted for approximately 90% of its overall environmental impact. Most of the remainder came ground and cabin operations, as well as the hotel business, which was sold at the end of the year.

Aviation's environmental impact is primarily connected with the combustion of fossil fuels. Besides the addition of CO_2, aircraft engines' emissions of nitrogen oxides (NO_X) at high altitudes, as well as contrails (water vapor), which can produce cirrus clouds, may also have an impact on the climate. CO_2 emissions account for about half of aviation's total environmental impact, while other emissions, such as water vapor, NO_X, and particulates at low altitudes, account for the remainder. NO_X emissions can locally affect air quality and regionally cause acidification and eutrophication of soil and water.

Among other activities with a certain environmental impact are offices as well as technical companies and units. The latter group includes SAS Technical Services (STS) and SAS Ground Services (SGS), whose environmental impact also consists of chemical use and generating hazardous waste.

Environmental index

The SAS Group measures its eco-efficiency with an environmental index, which is also used as a tool for managing and following up the Group's environmental performance.

The majority of Group companies work with an environmental index, planning and setting targets and controlling and reporting environmental performance using the key performance indicators on which the index is based. The environmental index has been gradually refined since 1995 by Scandinavian Airlines, which reports the particular operation's environmental impact relative to production.

Environmental management system

Following the SAS Group's overarching objectives and strategies, each company or unit develops environmental targets based on the requirement for constant and relative improvements in environmental performance. The long-term goal is for all environmental management systems in the Group to be documented and in line with the international ISO 14001 environmental management standard.

ISO certification requires regular internal and external environmental audits. The question of certifying the systems will be decided by the company or unit in question on the basis of business strategy. Among subsidiaries, SAS Cargo and the ground handling company Newco are certified according to ISO 14001.

Environmental permits

A detailed description of the SAS Group's licenses and environmental permits for its operations is found in the Report by the Board of Directors on page 58.

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.

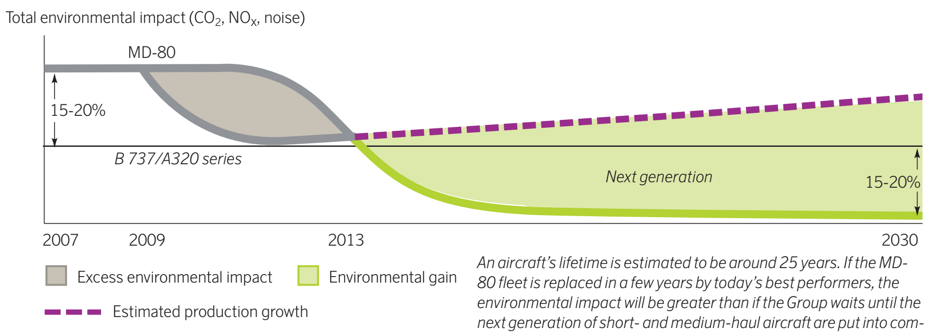
Airline operations have a dispensation for halon use and submit annual reports to the authorities on use and storage. The reason for this dispensation is that there is no sufficiently safe alternative to halon as an extinguishant for aircraft engine or cabin fires. The supply of halon is 15 tonnes.

SAS Oil is a jet fuel purchasing company for most Group airlines. Through SAS Oil, the SAS Group 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.

Environmental incidents

In 2006 at Copenhagen Airport a leak of oil and diesel was discovered in an area used for parking ground vehicles, covering 1,100 square meters. The leak had existed for several years. In 2007 the pollution will be investigated and cleaned up in agreement with the affected authorities. In connection with this SGS and Copenhagen Airport will determine the financial conditions for the cleanup and how future leaks can be prevented.

Conceivable effects of replacing the MD-80 fleet



An aircraft's lifetime is estimated to be around 25 years. If the MD-80 fleet is replaced in a few years by today's best performers, the environmental impact will be greater than if the Group waits until the next generation of short- and medium-haul aircraft are put into commercial service, by 2012 at the earliest.

The aircraft fleet

The SAS Group has an MD-80 fleet that is primarily used by Scandinavian Airlines Sverige, Scandinavian Airlines Danmark and Spanair. In Norway SAS Braathens has a fleet of Boeing 737s. The average age of the MD-80 aircraft is 17 years. The Boeing 737 fleet has an average age of around six years.

The MD-80 is a very economical and reliable aircraft, well suited to the SAS Group's domestic and European service. Its lifetime is estimated to be 25–30 years.

Since the SAS Group is currently considering the effects of replacing the MD-80 fleet, it has initiated studies of the next generation of short- and medium-haul aircraft. There are in reality two alternatives. The one would involve phasing out the first aircraft in two to three years and replacing them with today's best performers. The other would be to wait until the next generation of short- and medium-haul aircraft is put in commercial service. Both major manufacturers Boeing and Airbus have already stated that these can be available no earlier than 2012.

Both alternatives have advantages and drawbacks. Early replacement would mean 15–20% lower fuel consumption with the new aircraft compared with those taken out of service. However, costs increase by about MSEK 400 per year without adding any real benefits in terms of passenger comfort.

Putting the replacement on hold would enable the SAS Group to consolidate its balance sheet, while the next generation of aircraft is expected to yield fuel savings of 30–35% compared with the units slated for replacement today.

A replacement with the current new production of the Boeing 737 or Airbus A320 fleet would mean that the SAS Group would be investing in a fleet to be used for the next 20–25 years before there would be reason to replace them. In view of this, it is the current position of the SAS Group's to postpone the phasing-out of the MD-80 fleet until the next generation of aircraft and engines is on the market. This means in practice that the Group will forgo short-term environmental gains in the form of lower emissions and noise levels that early replacement would provide in the short run in favor of greater environmental gains over a longer period. Assuming that the manufactures keep to the timetable known so far, this involves a postponement of a least five and at most eight years. Both Boeing and Airbus are expected to announce their plans in 2007.

Noise

Noise is another environmental concern of the MD-80 fleet. Like all aircraft manufactured since the 1980s, the MD-80 is certified to Chapter 3 standards, and as one of the first Chapter 3 aircraft in this category it is relatively noisier than aircraft in the same size class produced later.

Some European airports have introduced noise restrictions in the form of total 24-hour exposure, what are called noise ceilings. Given constantly growing traffic and demands for lower noise levels from adjacent residents, there is a considerable risk that the noise ceilings will be lowered and/or environmental charges introduced. For example, there are already noise restrictions for night traffic at Copenhagen Airport in the form of a maximum night level that was lowered from 85 dB(A) to 80 dB(A) in 2005. Charles de Gaulle Airport outside Paris has also introduced a noise ceiling. This, however, has not affected the use of the MD-80 aircraft.

The SAS Group is looking into various ways to meet conceivable future noise standards, thus reducing the risk that the use of MD-80s will be restricted. 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 equip the engines with noise modification kits. In fall 2006 the SAS Group test-flew such equipment at Copenhagen Airport. A final evaluation of test results is planned for the first quarter of 2007.

DAC equipment on Boeing 737s

In the mid-1990s the SAS Group decided to equip its new 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 regarding tougher standards for lower emissions. Only DAC technology offered absolute reductions in NO_x emissions compared with the fleet to be replaced. Moreover, the decision was important for showing how serious the SAS Group takes its environmental responsibility.

The SAS Group 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 second-hand value. The engines use somewhat more fuel than conventional technology, meaning higher CO_2 emissions, and are more expensive to maintain. At airports such as Stockholm Arlanda and Zurich Kloten that introduced emission-related charges at the end of the 1990s, aircraft equipped with DAC engines had reduced charges. However, these do not outweigh the higher operating costs. However, at Stockholm Arlanda, with an emission ceiling for NO_x (among other things), the Group's 737 DAC fleet had a greater margin to the ceiling than what would otherwise be the case. For more information about the aircraft fleet, see page 27.

Cooperation and technology development

The SAS Group actively participates in a number of national and international forums where the policy framework for civil aviation is discussed. These include ICAO, the airline organizations IATA and AEA, and the Nordic working group for environmental issues in civil aviation N-ALM.

A representative of the SAS corporate function Fleet Development, which monitors changes in the environmental performance of the Group's aircraft fleet, has several key international assignments, including the chairmanship of one of IATA's newly formed environment committees.

Via AEA the SAS Group participates in the Advisory Council for Aeronautics Research in Europe (ACARE). ACARE comprises representatives of the EU counties, European Commission, researchers, the aviation industry, airport owners and aviation industry bodies. The goal of the project is by 2020 to find solutions to cut fuel consumption and CO_2 emissions in half. Noise levels are to be cut in half as well, i.e., lowered by 10 dB. NO_x emissions are to be cut by 80%.

Through Rezidor SAS the Group also participated in an industrywide standard for requirements for hotel construction, Sustainability Construction Guidelines. The SAS Group's property company, SAS Facility Management, has a similar standard for eco-friendly buildings.

The SAS Group's work on environmental responsibility

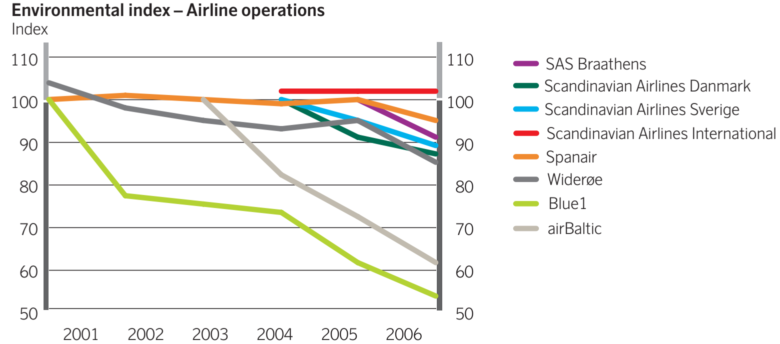
		Airline operations								SAS Aviation Services				Other comp.	
	Corp. Funct.	SAS Braathens	Scandinavian Airlines Danmark	Scandinavian Airlines Sverige	Scandinavian Airlines International	Spanair	Widerøe	Blue1	airBaltic	SAS Ground Services	SAS Technical Services	SAS Cargo	SAS Flight Academy	SAS Media	Newco
Environmental standards for choosing suppliers	5	5	4	5	4	5	3	3	1	4	4	5	1	5	1
Environmental standards for choosing products	4	4	4	4	4	4	3	3	1	4	4	5	1	5	1
Environmental management system	4	4	2	4	1	3	4	4	2	4	3	5	1	4	5
Environmental policy/targets	5	5	4	4	3	5	4	3	2	3	3	5	2	4	5

Same as 2005   Improvement compared with 2005   5 Same as 2005   Deterioration compared with 2005

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 numerous advances in efforts to set environmental requirements in choosing suppliers and products and in developing environmental targets and environmental management systems. The results show that more companies can post improvement over the previous year. Some of the smaller companies still have room for improving their environmental work.

Environmental index – Airline operations



The environmental index shows that airline operations have never had such a relatively low environmental impact. That all airlines began from a baseline environmental index of 100 does not mean that their environmental performances at that level were comparable. The environmental index is relative, and the companies that have worked longer on environmental issues are not able to post the same relative improvement each year as other companies. For more information on the environmental index, see accounting principles at www.sasgroup.net

Financial responsibility

Long-term sustainable profitability and growth requires that operations are able to meet the demands customers, employees, and society make on the SAS Group. These include environmental standards and requirements for social accountability and ethical behavior.

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. The risk of infringing codes of conduct and environmental laws is also lower. 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 the SAS Group for other operators.

This sustainability work has attracted the attention of customers, which is reflected in surveys, the image index, and other sources of stakeholder views.

Financial aspects of corporate social responsibility

Consideration is one of the SAS Group'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. The performance of the image index corporate social responsibility shows that this effort largely contributes to the Group's total image (see page 110).

Aviation helps to improve labor market conditions in rural Scandinavia as well as make business travel easier to the rest of Europe and to other continents. As globalization takes hold, the airlines facilitate business contacts and dealmaking. In regions with less developed industry, efficient transportation to, from, and within countries is a *sine qua non* for economic development and progress. Here the airlines 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. 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 subcontractors. Among indirect costs are the costs of sick leave as well as the taxes employees and other affected persons pay.

In recent years the SAS Group invested in a Group-wide Code of Conduct and the SAS Competition Law Compliance Program. Educational programs have been carried out to ensure that employees are able to act in accordance with the Group's values and guidelines and deal with any infringements.

The SAS Group's contribution to the economy

Airline operations are powerful engines of job creation. So concludes the report "Civil Aviation in Scandinavia – value and importance," published in 2004. The report was compiled for the SAS Group by the consultancies COWI, TØI, and Inregia, from Denmark, Norway, and Sweden, respectively. According to calculations in the report, every employee of Group airlines generates almost two jobs in other industries and companies. This means that the SAS Group's operations directly and indirectly employ between

nearly 45–50,000 persons in the Scandinavian countries. They, in turn, pay around SEK 10 million in taxes in the three countries.

According to the report, the SAS Group's operating revenue is 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 2006 the SAS Group paid wages and salaries totaling MSEK 18,699 (19,715) (including Rezidor), of which social security expenses were MSEK 2,388 (2,700) and pensions MSEK 1,682 (1,900). Of these amounts, costs for the divested hotel business account for MSEK 1,830 (2,160), MSEK 262 (312) and MSEK 41 (92), respectively. A breakdown of the employees by country is provided in the figure below.

Human resource development

To retain and develop employee skills, extensive training programs are carried out each year. In 2006, the SAS Group's total costs for these programs amounted to MSEK 326 (250), corresponding to SEK 12,277 per employee.

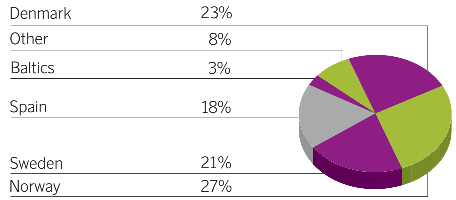
Payroll expenses

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 the 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.

Geographic breakdown of employees in 2006 (excl. Rezidor)



Besides lowering costs for the company, a low sick leave rate can make the Group more attractive as an employer among current as well as potential employees. To improve monitoring and following 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 will include the direct costs in salaries and wages paid for nonproductive time, i.e., illness.

On the basis of the Group's total payroll expenses of MSEK 16,869, the total costs of sick leave in the SAS Group in 2006 can be estimated to be around MSEK 1,000. The Group's sick leave rate fell in 2006 from 6.8% the previous year to 6.1%. 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 around MSEK 170, which means that the estimated cost reduction for 2006 corresponds to about MSEK 120.

Financial aspects of environmental responsibility

The SAS Group's environmental work has several overriding purposes: Besides ensuring that the Group operates in line with environmental laws and regulations, it is intended to reduce the Group's environmental impact and make resource use more efficient. Environmental work thus serves to strengthen the Group's finances and brands. The performance of the image index for environment shows that work on environmental responsibility largely contributes to the Group's total image.

In the SAS Group's operations greater cost-efficiency is strongly tied to lower environmental impact. A clear example is the relationship between CO_2 emissions from engines and the aircraft's fuel consumption. Here the SAS Group's bottom-line endeavor to limit fuel consumption down coincides with its aim of reducing CO_2 emissions. The same applies to all other activities that, beside environmental reasons, have strong financial incentives to reduce consumption of energy and other resources.

Program for saving fuel

The diagram below shows fuel costs' share of the Group's total costs in 2006. 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 2006 the cost of jet fuel accounted for 18% of the total costs of SEK 58 billion.

The goal of the fuel saving program, launched in 2005, is a 3% saving by 2008. Consumption fell during the year by 0.5%, resulting in a reduction in CO_2 emissions of just over 30,000 tonnes and savings of MSEK 52.5.

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 and maintenance of flight equipment and engines among pilots, traffic planners, and other categories of employees that directly affect the completion of flights.

Charges for infrastructure

Aviation pays its own costs for the infrastructure it needs and uses to complete flights, i.e., airports and air traffic control.

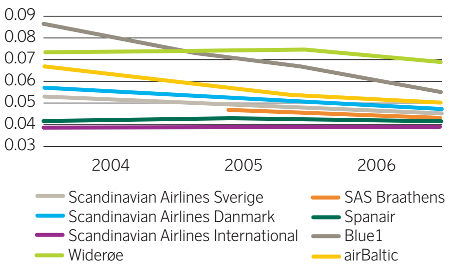
For 2006 total costs for SAS Group airlines amounted to MSEK 9,355 (8,955), of which MSEK 5,385 (5,305) pertained to the Group's own costs. The remainder comprised taxes and charges that the airlines administer. Corresponding figures for SAS Scandinavian Airlines were MSEK 6,214 (6,601) and MSEK 3,354 (3,651), respectively. Thus, infrastructure charges represented 9% (10%) of the Group's total operating revenue.

Costs for security

In the wake of terrorist acts, the EU has since 2001 laid down new security requirements for the airline industry. The airlines themselves have to pay for measures on the ground required by governments to protect of passengers and staff.

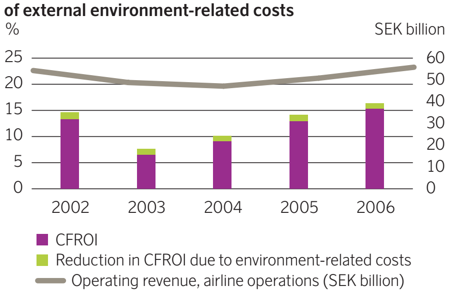
The SAS Group's security costs for 2006 are estimated at MSEK 1,500. These costs are expected to rise in 2007. Comparable security measures and costs connected with them for

Fuel efficiency
Fuel consumption/RPK



In 2006 most SAS Group companies posted improved fuel efficiency. Fuel efficiency is primarily affected by the length of the air route and age of the aircraft fleet, but more efficient approaches also have a beneficial impact.

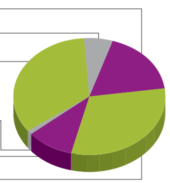
Impact on CFROI of external environment-related costs



External environment-related costs clearly affect the overarching earnings target for the SAS Group, CFROI. For 2006 the impact was just over one percentage point.

Breakdown of costs in 2006, %

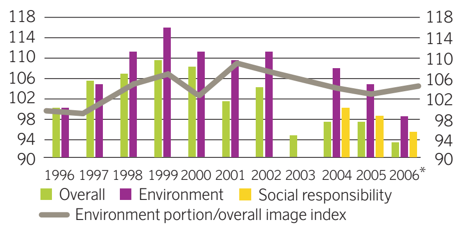
Jet fuel	18%
Leasing costs	6%
Other*	34%
External environment-related costs	1%
Government users fees	10%
Payroll expenses	31%



** E.g. data and telecommunication, selling costs, and technical aircraft maintenance.*

Jet fuel represents a surging share of the SAS Group's costs. Payroll expenses are still the biggest single item.

Overall image index, environment and social responsibility
1996 = 100



** In part due to change in method and new analysis institute.*

Since 1998 sustainable development work (environment and social responsibility) has contributed positively to the SAS Group's image. In the last three years the total image index has declined, which is also reflected in the environment and social responsibility portions.

rail and ferry traffic are generally financed by the government through taxes.

External environment-related charges

The SAS Group considers taxes and environmental charges to be an inefficient means of regulating the airline industry. One reason is that the investment in aircraft and engines is high and long-term. Furthermore, 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 situation.

The SAS Group's external environment-related costs comprise environmental charges and environment-related charges and taxes. For 2006 these costs came to MSEK 477 (565). Environmental charges are meant to cover the costs of special environmental measures such as noise measurement and noise insulation of properties near airports. These charges are linked to the aircraft's environmental performance and are included in the landing fee. The Group's environmental charges for 2006 amounted to MSEK 49.5 (37.2). The rise is primarily due to higher costs for noise charges for the Scandinavian airlines.

Environment-related charges, too, often refer to 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 2006 were MSEK 28.6 (28.0). Because of its high proportion of Boeing 737s with engines with low NO_X emissions, SAS Scandinavian Airlines has lower environmental charges as Swedish airports that the majority of its competitors.

Environment-related taxes amounted to MSEK 399 (500) in 2006. The change was primarily due to a reduction in Danish passenger taxes from MSEK 282 to MSEK 148. The tax was eliminated at the end of 2006.

Other environment-related costs

The SAS Group's other environment-related costs concern e.g., expenses for waste management, purification plants, depreciation on environmental investment, etc., as well as costs for the environmental organization. For 2006 these costs came to MSEK 86.5 (59.9). The increase is due to a rise in the costs of waste management and the Group's sustainability work, as well as fines imposed on Spanair for deviating from approach and takeoff paths primarily at Madrid Airport. The SAS Group has no known environment-related debts or contingent liabilities, for example in the form of contaminated soil.

Sustainability-related investment

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 ongoing in SAS Group airlines. In recent years airport owners and environmental agencies have tightened standards above all for noise levels.

Investment in 2006 in SAS Group airlines amounted to MSEK 2,299 (1,827), of which MSEK 65.7 (22.4) represented sustainability-related investment. The majority of this investment pertains to improved security in the SAS Group's aircraft in the form of reinforcing cockpit doors. To reduce infringements of local noise standards and fines, the SAS Group chose during the year to invest MSEK 16 in new GPS equipment.

Research and development (R&D)

The SAS Group contributes in many ways to the emergence of a more sustainable society. One way is its commitment to and support in developing and spreading green technology, such as deicing using triazole-free fluids, infrared deicing, and bio-based jet fuel.

The SAS Group engages in – and to a certain degree pays for – technological development benefiting the entire industry. The Group and its airlines also play a leading role internationally in drafting environment-related norms and standards for aviation. 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. Through SAS Flight Academy (sold in February 2007), which trains pilots, SAS Technical Academy, which trains personnel for technical maintenance, the SAS Group takes part in spreading know-how to countries in the Third World. A vital element of all training of pilots and flight dispatchers is optimizing flight routines so that aircraft are utilized eco-efficiently.

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.

Employees in the SAS corporate function Environment & Sustainability 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.

Sustainability-related investment (MSEK)	1999	2000	2001	2002	2003	2004	2005	**2006**
Airline operations	65.0	95.0	20.0	11.7	–	–	22.2	**63.3**
Ground operations	27.0	15.0	20.1	–	8.4	14.3	0.2	**2.4**
Total	92.0	110.0	40.1	11.7	8.4	14.3	22.4	**65.7**
Share of the SAS Group's total investment in %	1.5	1.1	0.3	0.1	0.2	0.4	1.2	**2.9**

In the late 1990s and early 2000s the SAS Group invested in 48 new Boeing 737s with DAC engines, which have especially low NO_X emissions. An environment-related added cost of MSEK 250 was subsequently recouped in part in the form of lower landing fees. However, the engines have resulted in certain additional costs for operation and maintenance.

Sustainability-related business risks and business opportunities

The SAS Group's work on sustainable development is to be so systematic that it helps minimize the business risks that operations are subject to. These efforts also help to create business opportunities.

Airline operations are subject to extensive risks in the world. The SAS Group's strategy is to ensure effective control of sustainability-related risks and, if they occur, turn them into opportunities.

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 aviation, but that do not necessarily involve developing environmentally effective solutions to the environmental impact aviation gives rise to.

The SAS Group 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 commercially available technology. This strategy is expected to result in the Group eventually seeing lower environment-related costs than its competitors.

The risk exposure to terrorist acts has risen sharply in recent years. Despite the fact that Scandinavia and the SAS Group's other home markets have largely been spared such attacks, a risk exists that the Group takes deadly seriously. By developing security routines and systems with high reliability and low inconvenience, e.g., using biometric security, the SAS Group endeavors to offer smoother solutions than its competitors.

Business areas

SAS Scandinavian Airlines

The positive trend characterizing the progress in SAS Scandinavian Airlines was amplified in 2006 with sustained improvement regarding sustainability work and environmental performance.

The environmental index improved by one point to 71. The target is a three point improvement on average each year. This means that the index for 2006 is very close to the target set already in 1996, when the index was 100. Fuel efficiency improved from 0.045 to 0.043 kg/RPK. Fuel consumption and related CO_2 emissions were the lowest in the operation's history. A drop in production measured in available tonne kilometers, ATK, of 2.3% cut fuel consumption by 4.1%.

All units stepped up sustainability work, with environmental factors woven more and more into quality and management systems. Training and information efforts raise the awareness of staff of the positive effects of sustainable development. However, the experience so far from the introduction of the SAS Group's Code of Conduct shows that further efforts are needed to attain the desired outcome.

SAS Braathens

SAS Braathens is the SAS Group's largest airline, with 2,600 employees and 24% of the Group's passengers. The airline noted a rise in its passenger load factor from 65.0% in 2005 to 67.9% and reported a clear improvement in fuel efficiency to 0.043 (0.046) kg/RPK. Available tonne kilometers, ATK, rose by 4.1%, while the rise in fuel consumption stopped at 2.7%. The environmental index was 91, a 9 point improvement over 2005. The target is a 1.5 point improvement on average each year.

SAS Braathens has an ambitious program for its sustainability work, where HES (health-environment-safety) is an integral part of the quality system. The airline publishes its own sustainability report. In 2006 Internet-based training on the SAS Group Code of Conduct developed in-house was launched, a program that will be imitated elsewhere in the Group.

In 2007 two new Boeing 737s will be equipped with winglets, which reduce fuel consumption by 2–3%.

Regarding the return system for recycling aluminum, the target of 85% returned was not reached, and the aluminum charge may be increased by nearly MSEK 1. Release of 0.95 kg of halon from a Boeing 737 was reported to the Norwegian Pollution Control Authority.

In 2006 SAS Braathens was the subject of legal investigations in Norway. In many of these judgments were rendered (see page 36 and page 106). SAS Braathens was also cited for infringing local noise standards in Norway, the U.K., and Spain. In Nice SAS Braathens was ordered to pay SEK 28,000 in fines for infringing local noise standards.

Scandinavian Airlines Danmark

In 2006 Scandinavian Airlines Danmark accounted for 20% of the Group's passenger volume. During the year work on dynamic traffic planning intensified. This has led to removal of unprofitable production from the traffic program. Production measured in available tonne kilometers, ATK, fell by 5%, with fuel consumption down 6%. Consequently the passenger load factor rose in 2006 from 65% to 71%. Consumption totaled 0.047 (0,052) kg/RPK, a result of the airline's participation in the Group's program to cut fuel consumption. In fall 2006 Scandinavian Airlines Danmark put two new Airbus A319s into service and phased out two MD-87s. The new aircraft help reduce fuel consumption. The environmental index improved by 4 points from 91 to 87, exceeding the airline's target of a 3 point improvement per year on average.

In 2006 environmental work continued with a number of measures. These include reducing the use of glycol in aircraft deicing, measures to reduce the noise levels of MD-80 aircraft, and installing GPS in the MD-80 fleet for greater precision for takeoffs and approaches. Noise modification kits were tested on an MD-80 aircraft. The test will now be evaluated for a decision on possible installation in the fleet.

There are programs for waste management and energy saving at SAS Huset at Copenhagen airport.

The airline was fined a total of SEK 75,000 for two deviations from stated flight paths.

Scandinavian Airlines Sverige

Accounting for 15% of the Group's total passenger volume, Scandinavian Airlines Sverige posted sharply improved results for 2006. The passenger load factor was up four percentage points to 71.4% (67,1%), and fuel consumption fell from 0.048 kg/ RPK in 2005 to 0.044 kg/RPK. The environmental index improved by 6 points to 89. The target is an average 3 point improvement in the index per year.

In 2006 work continued to raise operational efficiency by improving traffic planning, which in turn makes higher capacity utilization possible. Also there were activities throughout the year to cut fuel consumption by flying more efficiently within the framework of the fuel saving project.

Scandinavian Airlines Sverige works closely with the various airports, especially Arlanda, to identify opportunities to minimize the airport's environmental impact. One project, "Green Approaches," is being evaluated after almost 800 approaches were carried out. Each green approach yielded an estimated reduction in fuel consumption of around 100 kg. Future potential savings are estimated be on average 200 kg per approach.

Scandinavian Airlines Sverige works actively to reduce long-term and short-term sick leave. Specific goals were formulated to reduce sick leave. A process has been prepared to follow up those on long-term sick leave and get them back to work once they have been rehabilitated. Those frequently on short-term sick leave are followed up with "health dialogs" aimed at catching the problem at an early stage, and where possible, taking action to prevent future long-term sick leave.

Sustainability and the environment are focus areas in the airline's strategic plan for 2007-09. In 2006 employees were involved in sustainability work through a number of different activities. These efforts will intensify in 2007.

Scandinavian Airlines International

Accounting for 3% of the Group's total passenger volume, Scandinavian Airlines International reports a decline in available tonne kilometers, ATK, of 4% compared with 2005. At the same time, fuel consumption fell by 4.9%, implying better efficiency. The passenger load factor improved from 80% in 2005 to 82,8%. Fuel consumption measured in kg/RPK was unchanged, 0.039. The environmental index is unchanged at 102. The calculation of the environmental index for Scandinavian Airlines International was changed due to higher NO_X values in SAS emission calculator in 2006.

A project started to reduce the weight of sleeper seats, which will lead to lower fuel consumption.

There was no fuel jettisoning during the year.

Scandinavian Airlines International is a sponsor of the Linnaeus tercentennial in 2007 by supporting Mattias Klum's film team. The film will be shown on SAS Scandinavian Airlines' flights. The sponsorship is aimed at marketing the SAS Group, creating interest in air travel to other continents, and showcasing the SAS Group's environmental work internally and externally.

SAS Individually Branded Airlines

Spanair

The SAS Group's second-largest airline, Spanair accounted for 25 % of the Group's total passenger volume in 2006.

In 2006 efforts continued to boost the airline's environmental performance and enhance its environmental management system and documentation. Spanair's environmental index improved by 5 points to 95 (100), primarily due to a reduction in fuel consumption. The airline has thus reached its target of a one-point per year improvement on average between 2001 and 2006. All bases in Spain have been audited with regard to environmental standards and actions taken where required.

In 2006 more than ten new national and international routes opened. The passenger load factor rose from 70% in 2005 to 72%, while fuel consumption fell to 0.040 (0.042)kg/RPK. Up to

The SAS Group's sick leave and accident statistics[1]		Airline operations								SAS Aviation Services				Other companies		
	Corporate and shared functions	SAS Consortium Incl. SA International	SAS Braathens	Scandinavian Airlines Danmark	Scandinavian Airlines Sverige	Spanair	Widerøe	Blue1	airBaltic	SAS Ground Services	SAS Technical Services	SAS Cargo	SAS Flight Academy	SAS Business Opportunities	SAS Media	Newco
Average number of employees[3]	1,046	1,880	2,604	1,982	1,615	3,570	1,393	491	790	6,262	2,478	1,312	168	20	40	904
of which women, %	55[2]	44	55	53	61	40	35	46	57	35	7	20	31	69	63	64
Total sick leave, %	4.6[2]	1.6[4]	9.0	7.3	7.9	2.6	6.2	4.9	5.0	8.2	5.0	5.6	1.9[4]	1.2[4]	0.3	3.2
Long-term sick leave (more than 59 days), %	2.8[4]	1.0[4]	0.0	3.0	5.3	1.9	0.0	0.0	0.0	4.9[4]	2.7[4]	2.2	1.1[4]	0.0[4]	0.0	1.2
Sick leave for women, %	4.3[4]	0.8[4]	11.5	8.3	9.7	–	9.8	–	5.6	9.2[4]	2.9[4]	6.9	3.5[4]	1.8[4]	0.4	–
Sick leave for men, %	2.6[4]	2.2[4]	6.0	6.0	4.6	–	4.4	–	4.2	8.5[4]	4.6[4]	5.8	1.3[4]	0.0[4]	0.1	–
Sick leave, employees under 30, %	0.4[4]	0.2[4]	–	3.4	2.5	2.1	–	–	5.0	6.5[4]	3.7[4]	0.4	0.8[4]	0.0[4]	0.0	–
Sick leave, employees aged 30–49, %	3.9[4]	2.5[4]	–	7.5	7.3	2.9	–	–	5.1	7.9[4]	3.4[4]	2.4	1.5[4]	1.0[4]	0.4	–
Sick leave, employees aged 50 and over, %	3.6[4]	1.3[4]	–	8.1	9.0	2.7	–	–	2.8	10.8[4]	5.6[4]	2.7	2.5[4]	1.6[4]	0.0	–
Total no. of occup. injuries causing more than 1 day's sick leave	0	–	23	39	9	315	9	7	2	298	27	24	0	0	0	29
H-value[5]	0.0	–	3.9	11.2	3.9	48.6	3.6	–	1.4	31.0	7.2	9.6	0.0	0.0	0.0	18,2

[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 = 791 persons.
[3] Average number of employees in 2006. [4] Covers persons employed by Swedish units only: Corporate Functions, 322 persons. Consortium = 550, SGS = 1,760, STS = 730, SAS BO = 19, SAS FA= 126.
[5] Number of occupational injuries relative to number of working hours.

MSEK 6 may be charged against earnings for deviations from approach and takeoff paths primarily at Madrid Airport in 2003 and 2005.

As regards the airline's internal work, the dialog between management and staff continues to improve, thanks largely to a new intranet that gives employees access to quick and structured information.

Corporate social responsibility work intensified and was aimed primarily at organizations promoting human rights and providing assistance to poor and sick children. Spanair also cooperates with Intermón Oxfam, an international organization that works to promote economic justice and to combat poverty.

Widerøe's Flyveselskap

Accounting for 5% of the Group's passenger volume, Widerøe reports a 10-point improvement in the environmental index to 85. The target is a 1.5 point improvement each year. The passenger load factor rose to 56.5 (51.9)% and fuel consumption was 0.069 (0.075) kg/RPK.

The airline has a developed environmental management system that accurately reports nonconformances. A number of sustainability projects are currently under way in waste management and rational energy use.

Widerøe is phasing out three deHavilland Q300 aircraft in favor of two Q400s with better environmental performance.

The airline was cited for deviating from set flight paths at Copenhagen Airport.

Blue1

In 2006 the positive trend characterizing the airline's recent performance was amplified. The airline accounted for 4% of the Group's total passenger volume. The passenger load factor rose from 61.1% in 2005 to 66.6%, and fuel consumption fell from 0.070 to 0.055 kg/RPK. Blue1 will be participating in the SAS Group's fuel saving program.

The environmental index improved by 8 points to 53. In the most recent five-year period the airline's environmental index improved on average 9 points per year. The target is a 6 point improvement on average each year.

Blue1 has a program for its sustainability work, which is a key part of the airline's strategic plan and involves all employees. The airline participates actively in the European Regions Airline Association's environmental working group. Blue 1 also has extensive activities aimed at the public, including cooperation with educational institutions, governments, and major customers, and cultural, environmental, and sports organizations.

As part of the airline's expansion, a new hangar is being built at Helsinki-Vantaa Airport. It will go into operation in early 2007 and meets all environmental criteria.

airBaltic

Headquartered in Riga, Latvia, airBaltic is 47%-owned by the SAS Group and accounted for 4% of SAS's passenger volume in 2006. The airline is engaged in sustainability work, which is an integral part of its management process. In 2006 a fuel saving program was launched, which has already yielded a 10% drop in the Fokker 50 fleet's fuel consumption. In all, fuel consumption fell to 0.050 (0.053) kg/RPK.

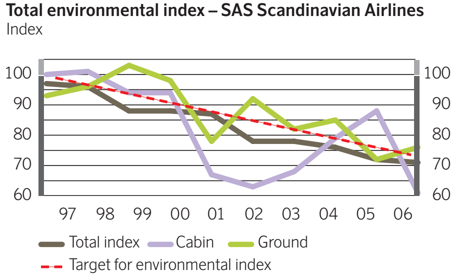
The environmental index improved by 11 points to 61. The passenger load factor rose from 56.6% to 60.4%.

KPIs SAS Scandinavian Airlines

	SAS Braathens		Scandinavian Airlines Danmark			Scandinavian Airlines Sverige			Scandinavian Airlines International		
	2006	2005	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
RPK, mill.[1]	**7,768**	7,158	**6,731**	6,471	6,292	**5,633**	5,666	5,092	**10,207**	10,482	10,398
ASK, mill.[1]	**11,442**	11,013	**9,475**	9,947	10,819	**7,891**	8,448	8,623	**12,323**	13,095	12,959
Passenger load factor, %[1]	**67.9**	65.0	**71.0**	65.0	58.2	**71.4**	67.1	59.1	**82.8**	80.0	80.2
Fuel consumption, kg/RPK	**0.043**	0.046	**0.047**	0.052	0.058	**0.044**	0.048	0.053	**0.038**[1]	0.039	0.039
Carbon dioxide (CO_2) emissions, 1,000 tonnes	**1,059**	1,031	**998**	1,065	1,153	**787**	859	852	**1,226**	1,290	1,263
Nitrogen oxides (NO_X) emissions, 1,000 tonnes	**3.49**	3.20	**4.35**	3.98	4.32	**2.70**	2.85	2.57	**6.74**	5.99	5.94
Noise impact, km²/85dB(A) at takeoff[2]	**1.66**	1.64	**2.40**	2.70	2.55	**2.53**	2.51	2.35	**4.50**	4.13	4.15
Environmental index[3]	**91**	100	**87**	91	100	**89**	95	100	**102**[4]	102[4]	102[4]

[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. [3] Environmental index = flight index, i.e., excluding ground and cabin. [4] Environmental index restated due to a change in calculating nitrogen oxides.

Total environmental index – SAS Scandinavian Airlines



For a description of how these indexes are calculated, see Accounting principles for sustainability reporting, **www.sasgroup.net**

Estonian Air

Based in Tallinn, Estonia, Estonian Air is 49% owned by the SAS Group. The passenger load factor fell to 62.3 (64.7)%, and fuel consumption was cut to 0.045 (0.047) kg/RPK. The environmental index improved by one point to 87(87). Estonian Air's production data is not consolidated with the Group's data.

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 company viewed by the number of employees, SGS is tasked with performing passenger and ramp services on the ground. SGS operates at 160 airports in 43 countries and is the biggest operator in the three Scandinavian countries.

SGS has extensive local environmental programs with continuous follow-up and monitoring. These include water consumption and waste management and dialog with governments and airline customers.

SGS's biggest environmental impact consists of deicing aircraft with glycol, waste generation, and transportation at airports.

In 2006 the testing of infrared deicing technology continued together with the company Radiant and Oslo Lufthavn AS. The aim is to develop an alternative to glycol. At the same time, SGS has developed a new system for reporting deicing fluids to raise awareness of the consequences of using glycol and for monitoring quantities. The possibility of recycling deicing fluid was also looked into.

In 2006, SGS began a program to reduce sick leave and occupational injuries. The program is wide-ranging and includes everything from stress and mental health to rehabilitation to ensure a speedy return to work, identifying risk groups and contact with those on sick leave already from day one.

After years of testing, RampSnake was introduced for baggage handling. Using RampSnake to lift and carry baggage to the aircraft saves the backs of baggage handlers, contributing to a better physical working environment. RampSnake also means that the sliding carpets used previously could be detached, reducing the weight of aircraft by 345 kg and saving on fuel.

SGS operates a bus service in Norway, with 14 relatively new buses in the highest environmental class (Euro 3), which consume one million liters of fuel. To reduce its environmental impact, SGS will consider alternative fuels for its future bus fleet.

SAS Technical Services (STS)

STS, which provides technical aircraft maintenance, has its primary operations in Scandinavia. Companies in SAS Scandinavian Airlines are its biggest customers.

STS accounts for most of the operations in the Group requiring environment-related permits. STS also accounts for most of the use of chemicals and generates the biggest share of hazardous waste. This is handled by approved waste management companies.

STS's environmental management system is integrated in local manuals at Copenhagen, Oslo, and Stockholm airports. STS is part of SAS Facility Management's environment and energy program for all owned and leased properties in the Group.

As part of the closure of the technical base at Sola Airport near Stavanger, MSEK 4.6 was set aside for decontamination of the former galvanizing plant. All environmental aspects were taken into consideration when the base was closed.

KPIs SAS Individually Branded Airlines [1]

			Spanair			Widerøe			Blue1			airBaltic
	2006	2005	2004	**2006**	2005	2004	**2006**	2005	2004	**2006**	2005	2004
RPK, mill. [2]	**12, 035**	10,672	9,930	**608**	547	555	**1,432**	906	731	**1,540**	1,161	568
ASK, mill. [2]	**16,727**	15,246	14,370	**1,076**	1,055	1,040	**2,156**	1,482	1,456	**2,548**	2,050	1,106
Passenger load factor, % [2]	**72.0**	70.0	69.1	**56.5**	51.9	53.3	**66.6**	61.1	50.2	**60.4**	56.6	51.4
Fuel consumption, kg/RPK	**0.040**	0.042	0.041	**0.069**	0.075	0.073	**0.055**	0.070	0.087	**0.050**	0.053	0.067
Carbon dioxide (CO_2) emissions, 1,000 tonnes	**1,500**	1,405	1,275	**132**	129	129	**249**	199	199	**242**	195	120
Nitrogen oxides (NO_x) emissions, 1,000 tonnes	**6.09**	5.63	5.36 [5]	**0.34**	0.33	0.33	**0.77**	0.51	0.50	**0.77**	0.67	0.32
Noise impact, km2/85dB(A) at takeoff [3]	**4.14**	4.22	4.27	**0.34**	0.33	0.33	**1.98**	1.65	1.60	**1.08**	1.11	1.08
Environmental index [4]	**95**	100	99 [5]	**85**	95	93	**53**	61	73	**61**	72	82

[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 is an aggregate weighting of flight, ground and cabin indexes. [5] Corrected.

KPIs SAS Aviation Services

	2006	2005	2004
Energy consumption, GWh [1]	**198**	193	183
Water consumption, 1,000 [3] [1]	**181**	162	162
Unsorted waste, tonnes [1]	**399**	529	344
Hazardous waste, tonnes [1]	**390**	576	655
Fuel consumption, vehicles, 1,000 liters	**5,705**	5,616 [2]	5,739 [2]
Glycol consumption, m^3	**3,667**	3,954	4,081
Total number of employees	**10,092** [3]	14,331	–

[1] Data from SAS Facility Management.
[2] Adjusted. Including Newco.
[3] Excl. BTS A/S and SAS Components.

A minor pollution incident occurred in 2006 at a parking area near pier C at Copenhagen Airport. Cleanup ensued and actions taken to prevent a recurrence. The cost was SEK 12,000.

SAS Cargo

SAS Cargo provides airfreight services using the operations of Scandinavian Airlines, SAS Braathens, Blue1, and other partners. Approximately 70% capacity is in airlines in the SAS Group.

In 2006 SAS Cargo was certified according to ISO 14 001. This means that SAS Cargo has a management system that includes environmental and sustainability issues. Sustainability work includes environmental performance, working environment, corporate social responsibility, and quality throughout the operation. Over 80% of employees have undergone training in issues affecting the environment and corporate social responsibility.

In 2006 the company Spirit Air Cargo Handling was formed, which accounts for freight-related ground services at 12 terminals in Scandinavia. The company is ISO 9001:2000-certified.

SAS Cargo's surface transportation is primarily provided by Kim Johansen International Transport A/S, which also reports the environmental impact of this transportation separately. SAS Cargo has an ongoing environmental dialog with major customers and suppliers, including Tetra Pak and Volvo. The company publishes its own environmental report. See also www.sascargo.com

SAS Flight Academy (SFA)

SAS Flight Academy conducts pilot and cabin crew training for airlines worldwide, including the SAS Group's own units. In this way, SFA is engaged in the transfer of know-how to countries in Asia and Africa in particular. A vital element of pilot training is optimizing flight routines so that aircraft can be utilized eco-efficiently.

As part of the SAS Group's focus on its core business, SAS Flight Academy was sold in February 2007.

Other companies

Newco

Newco provides passenger and ramp services at 24 airports in Spain. Its biggest customers are Spanair and other SAS Group airlines.

Its entire operation is certified according to ISO 14 001. Certification requires regular internal and external environmental audits. The most recent audit resulted in the installation of an oil separator at the airport in Palma de Mallorca.

Newco has environmental targets for energy, fuel, and waste. All were reached in 2006. Newco is engaged in an ongoing dialog with its biggest customer, Spanair.

Newco has a well-developed environmental management system, which includes all parts of its operation. Particular weight is given to reducing fuel consumption in connection with transportation at airports and the quantity of hazardous waste.

SAS Media

SAS Media operates in publishing, media sales, advertisement production, and design within the SAS Group. Its biggest environmental impact is via subcontractors like printing plants and courier companies. SAS Media has a well-developed management system for sustainability issues, and environmental awareness among staff is high. In all contracting, suppliers' environment and sustainability systems are accorded great weight.

In 2006 the inflight magazine *Scanorama*, which is printed on FSC paper, received an ecolabel. As of 2007 the magazine *Seasons* will also be printed on FSC paper.

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.

Some of the operations in these buildings require permits and/or licenses. It is the tenants, primarily STS and SGS, that hold the permits or licenses, but SFM has the responsibility for facility requirements being met SFM has a program and targets for waste management and energy use. The environmental target for energy use was reached in 2006, where energy efficiency was 269 kWh/m^2. In Norway ENOVA made a grant of SEK 705,000 SEK for an energy-saving program to reduce consumption by 10% in 2006/07.

There is a license for a purification plant at Oslo Airport Gardermoen. No infringements were reported for 2006. However, a similar purification plant at Stockholm-Arlanda Airport reported excessive cadmium values. This is now being followed up along with Sigtuna Municipality.

Assistance in calculating emissions

Many large customers and other stakeholders demand reports of environmental impacts of aircraft in order to calculate their own impact or that of their freight carriers. To assist them, SAS Group airlines have devised an emission calculator for personal transportation and SAS Cargo one for airfreight. Data can be used as a basis for neutralizing the customer's impact, e.g., in the form of purchasing carbon offsets or other measures. The emission calculators are available on the Internet:

www.sasgroup.net **www.sascargo.com**

Hotels

Rezidor Hotel Group was introduced on the Stockholm Stock Exchange on November 28, 2006, through a public offer. Thus the SAS Group sold most of its holding in the group.

Relative energy use rose by over 9%. Direct CO_2 emissions rose by 22% to 7,330 tonnes due to greater oil use. The personnel satisfaction index rose from 84.5 to 85.5.

At the end of November 2006 78% of the owned hotels and 28% of the franchise hotels had action plans according to the Responsible Business program. More than 10,000 employees have taken courses in environmental and social/ethical issues since the start of 2002.

A total of 20 hotels had some form of third-party environmental certification. Rezidor had its own database covering legislation in the areas of environment, working environment, and international human rights.

In 2006, two-thirds of the hotels had access to the database, which enables users to conduct internal audits.

KPIs Radisson SAS	2006	2005	2004
Water consumption per guest night, L	**468**	450	451
Energy consumption per m^2, kWh	**285**	260	277
Carbon dioxide (CO_2), emissions, 1,000 tonnes	**7.33**	5.99	6.90
Renewable energy sources (elec.), %	**–**	19	23
Unsorted waste per guest night, kg	**1.69**	1.86	1.84

Data collected from the 115 hotels under the Radisson SAS brand operating under lease or management contracts.

Assurance report

To the readers of the SAS Sustainability Report 2006:

We have performed a review of information in the SAS Sustainability Report 2006. The sustainability reporting includes the SAS Group Annual Report & Sustainability Report 2006 as well as accounting principles, GRI cross-reference list and stakeholder dialog, found on the SAS Group website (www.sasgroup.net under the heading "Sustainability").

Our review has been of qualitative and quantitative information in the Sustainability Report. 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 draft standard on independent reviews of voluntary separate sustainability reports (Rev R6).

The SAS Sustainability Report 2006 was presented to SAS Group Management in February 2007. The SAS Group's Board of Directors submitted the SAS Annual Report & Sustainability Report 2006 on March 15, 2007. It is the responsibility of SAS Group Management to organize and integrate the sustainability related work into its business and to report progress in the Sustainability Report. Our task is to express an opinion on the Sustainability Report 2006 based on our review.

The Sustainability Report 2006 is prepared based on the SAS Group's Accounting 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 according to which our review has been performed.

The scope of our review procedures included the following activities:

- Discussions with Group Management to obtain 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 2006.
- Review of the Group's principles for calculation and disclosure of sustainability-related information.
- Review of the Group's systems and routines of data registration, accounting, and reporting of sustainability related data.
- Interviews and site visits in order to assess that all significant conditions are considered in the sustainability reporting and that sustainability related data are reported, in all material aspects, in a standardized format and in accordance with established principles.
- Review, on a test basis, of underlying documentation 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 95-117, contradict the information in the rest of SAS Group Annual Report 2006.

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 2006 have not, in all material aspects, been prepared in accordance with the stated criteria.

Stockholm, March 15, 2007

Deloitte AB

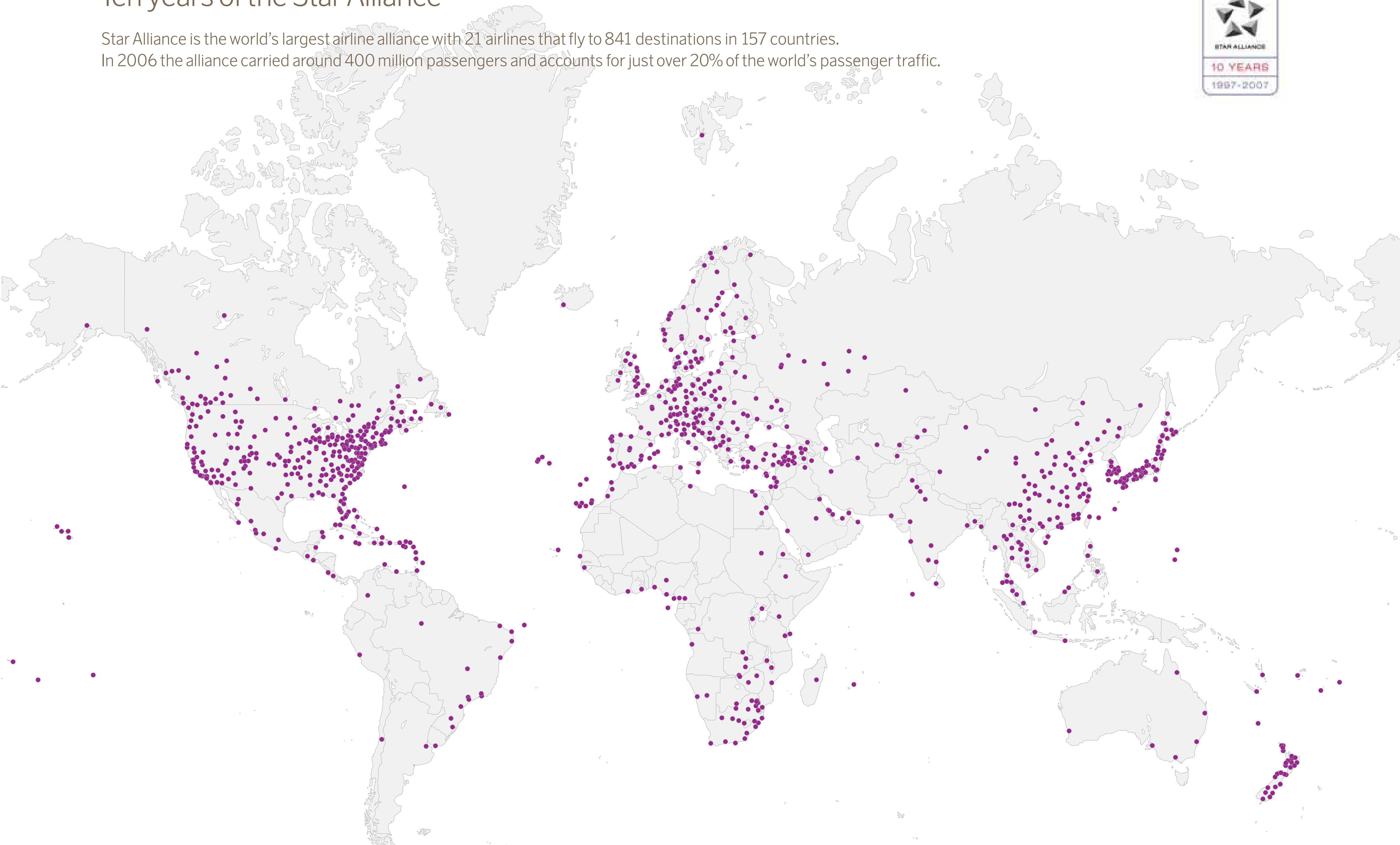
Svante Forsberg
Authorized Public Accountant

Elisabeth Werneman
Authorized Public Accountant

Ten years of the Star Alliance

Star Alliance is the world's largest airline alliance with 21 airlines that fly to 841 destinations in 157 countries.
In 2006 the alliance carried around 400 million passengers and accounts for just over 20% of the world's passenger traffic.

STAR ALLIANCE
10 YEARS
1997-2007



AIR CANADA · AIR NEW ZEALAND · ANA · ASIANA AIRLINES · Austrian · bmi · LOT POLISH AIRLINES · Lufthansa · Scandinavian Airlines · SINGAPORE AIRLINES · SOUTH AFRICAN AIRWAYS · Spanair · swiss · TAP PORTUGAL · THAI · UNITED · US AIRWAYS
ADRIA · Blue1 · CROATIA AIRLINES

Star Alliance™ key figures 2005/2006

	Passen-gers/year (mill.)	Destina-tions	Coun-tries	Air-craft	Daily depar-tures	RPK (bill.)	Yearly oper. rev. (USD bill.)	Em-ployees
Air Canada	29.0	180	31	200	1,200	75.3	8.4	32,000
Air New Zealand	11.9	49	15	94	668	25.6	2.5	10,233
ANA - All Nippon Airways	49.6	72	10	190	1,400	58.9	12.0	22,170
Asiana Airlines	11.8	56	17	61	283	19.2	3.0	7,147
Austrian	9.4	130	66	103	438	22.9	3.1	7,662
bmi	10.5	36	14	42	240	5.6	1.6	4,100
LOT Polish Airlines	3.6	61	33	53	240	6.3	0.9	3,539
Lufthansa	53.4	185	97	375	1,756	110.3	22.4	91,400
SAS Scandinavian Airlines	25.1	124	26	180	833	27.5	5.2	7,588
Singapore Airlines	16.9	74	38	88	231	82.7	8.0	13,700
South African Airways	7.7	34	26	58	n/a	24.3	3.0	11,000
Spanair	8.3	31	7	59	246	7.4	1.5	3,570
Swiss	9.6	69	42	69	n/a	20.5	2.9	7,400
TAP	6.5	43	25	44	200	14.5	1.7	6,664
THAI	18.1	74	35	82	112	49.9	4.1	26,054
United Airlines	70.8	208	26	455	3,700	183.3	17.4	57,000
US Airways	40.0	240	28	411	3,800	62.6	10.6	35,158
Varig	12.9	61	20	74	475	28.5	2.8	11,600
Regional members:								
Adria Airways	0.9	22	17	9	26	1.0	0.2	569
Blue1	1.8	26	14	12	87	1.4	0.3	491
Croatia Airlines	1.6	29	16	11	67	1.2	0.2	1,037
Alliances:								
Star Alliance™	399.4	841	157	2,670	16,002	828.9	111.7	360,082
SkyTeam™	372.9	730	149	2,018	14,615	749.0	86.1	286,958
oneworld™	258.3	605	134	2,161	8,151	584.3	63.9	242,415

Key figures, the world's largest airline alliances 2006

Share of world total	ASK	RPK	Passengers	Annual oper. revenue
Star Alliance™	20.6%	20.9%	20.2%	25.4%
Sky Team™	18.6%	19.0%	17.3%	19.1%
oneworld™	14.5%	14.8%	13.2%	14.2%
Total	**53.7%**	**54.7%**	**50.7%**	**58.7%**

Sources: Airline Business Magazine, September 2006/alliance website/airlines' own data.

Aircraft fleet (as of December 31, 2006)

The SAS Group's total fleet consists of 301 aircraft, of which 234 are leased and 67 owned. The total value of the fleet is SEK 39.4 billion.

Scandinavian Airlines Sverige

Destinations	45
domestic	14
European	31
Daily departures	190
Passengers (000)	5,892
Average no. of cabin crew	798*
Average no. of pilots	368
Revenue pass. km (RPK), mill.	4,491
Available seat km (ASK), mill.	6,349

19 Boeing 737-600/800s
(8 owned, 11 leased)

16 MD-82s
(16 leased)

7 deHavilland Q400s
(7 leased)

* *Of which around 336 are hired out to Scandinavian Airlines International/Intercont.*

SAS Braathens

Destinations	45
domestic	18
European	27
Daily departures	340
Passengers (000)	9,554
Average no. of cabin crew	1,105*
Average no. of pilots	594
Revenue pass. km (RPK), mill.	6,839
Available seat km (ASK), mill.	9,948

52 Boeing 737-400/500/600/700/800s
(12 owned, 40 leased)

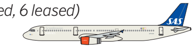
6 Fokker F50s
(6 leased)

* *Of which around 205 are hired out to Scandinavian Airlines International/Intercont.*

Scandinavian Airlines Danmark

Destinations	51
domestic	3
European	48
Daily departures	283
Passengers (000)	8,246
Average no. of cabin crew	1,053*
Average no. of pilots	509
Revenue pass. km (RPK), mill.	6,018
Available seat km (ASK), mill.	8,351

10 Airbus A321-200/319-100s
(4 owned, 6 leased)



28 MD-81/82/87s
(5 owned, 23 leased)

16 deHavilland Q400s
(16 leased)

* *Of which around 296 are hired out to Scandinavian Airlines International/Intercont.*

Scandinavian Airlines International/Intercont.

Destinations	11
Daily departures	18
Passengers (000)	1,407
Average no. of cabin crew	–*
Average no. of pilots	324
Revenue pass. km (RPK), mill.	10,207
Available seat km (ASK), mill.	12,323

7 Airbus A340-300s
(2 owned, 5 leased)

4 Airbus A330-300s
(3 owned, 1 leased)

* *Hired in from other companies in SAS Scandinavian Airlines.*

Blue1

Destinations	26
Daily departures	87
Passengers (000)	1,848

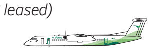
9 Avro RJ 85/100s
(9 leased)

3 MD-90s
(3 leased)

Widerøe

Destinations	41
Daily departures	270
Passengers (000)	1,916

29 deHavilland Q 100/300/400s
(16 owned, 13 leased)



Estonian Air

Destinations	14
Daily departures	11
Passengers (000)	643

4 Boeing 737-500/300s
(4 leased)

Spanair

Destinations	31
domestic	23
European	8
Daily departures	246
Passengers (000)	8,315
Charter passengers (000)	2,256
Average no. of cabin crew	1,093
Average no. of pilots	519
Revenue pass. km (RPK), mill.	7,358
Available seat km (ASK), mill.	11,042

21 Airbus A320/A321s
(21 leased)

33 MD-82/83/87s
(33 leased)

5 Boeing 717-200s
(5 leased)

airBaltic

Destinations	54
Daily departures	80
Passengers (000)	1,430

8 Boeing 737-500/300s
(8 leased)

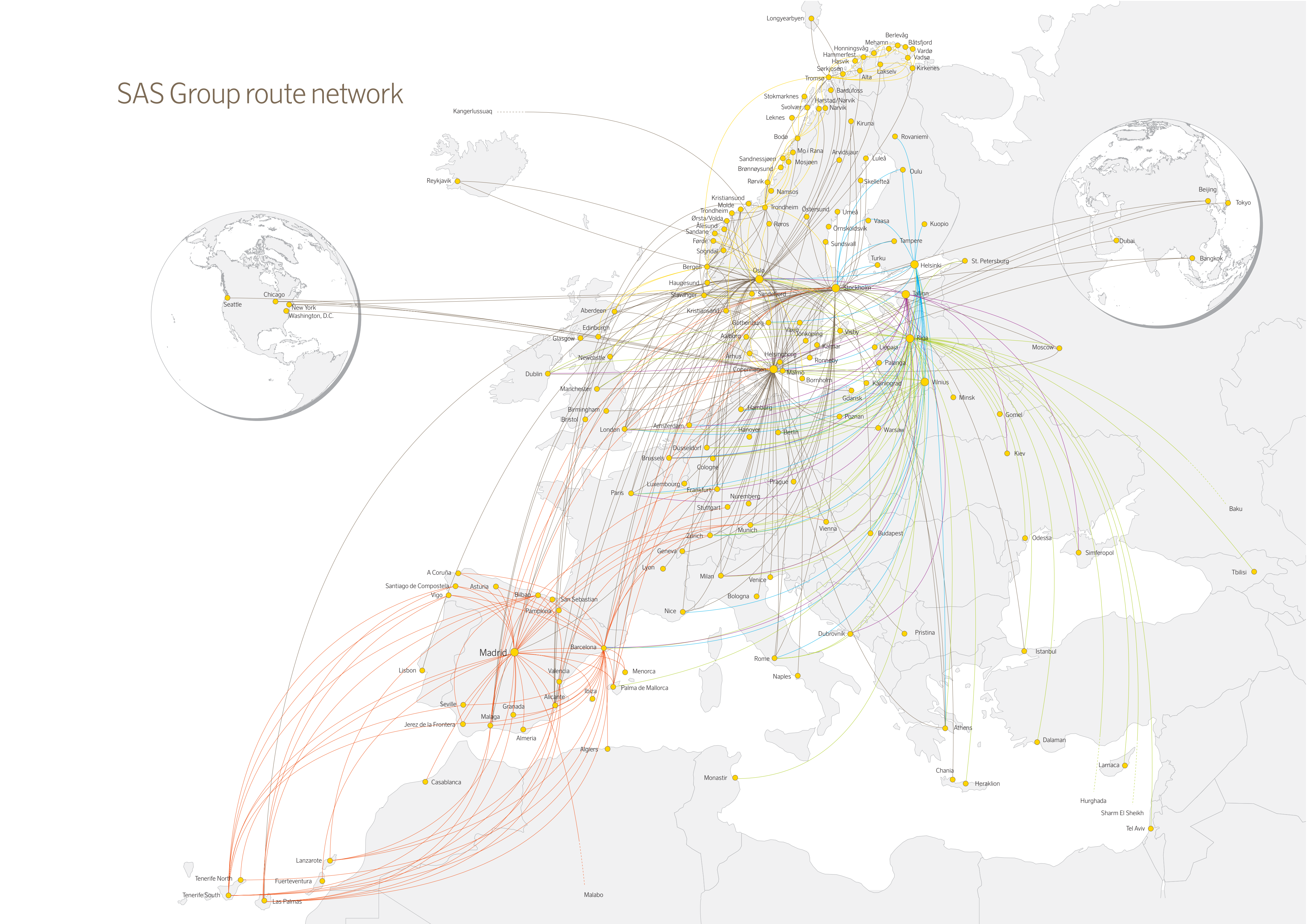
8 Fokker F50s
(8 leased)

Scandinavian Airlines has three Bombardier CRJ200s and one Avro RJ70 on a wet lease contract.
Spanair has three Fokker F-100s on a wet lease contract.

	SAS Scandinavian Airlines										
	Airbus A340	Airbus A330	Airbus A321/319	Boeing 737-4/500	Boeing 737-600	Boeing 737-700	Boeing 737-800	Boeing MD-81/82	Boeing MD-87	deHavilland Q400	Fokker F50
Number of aircraft, Group total	7	4	8/2	4/13	26	15	13	2/34	8	23	6
No. of seats, max.	245	264	184/141	150/120	123	134	186	150	125	76	50
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	29.3	20.8
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	7.5	4.9
Length, meters	63.7	63.7	44.5/33.8	36.4/31.0	31.2	33.6	39.5	45.1	39.8	32.8	25.3
Wingspan, meters	60.3	60.3	34.1	28.9	34.3	34.3	34.3	32.9	32.9	28.4	29.0
Cruising speed, km/h	875	875	850	825	825	825	825	825	825	660	520
Range, km	12,800	9,700	3,000/6,850	3,150	2,900	2,200	3,700	1,600/2,700	3,500	2,000	1,400
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	0.039	0.038
Engine	CFMI CFM56-5C4	RR Trent 772B	IAE V2530/ V2524-A5	CFMI CFM56-3C/3	CFMI CFM56-7B	CFMI CFM56-7B	CFMI CFM56-7B	P&W JT8D 217C/219	P&W JT8D 271C	P&W PW150A	P&W PW125B

	Blue1		airBaltic		Estonian Air	Spanair				Widerøe		
	Avro RJ100/85	Boeing MD-90	Boeing 737-500/300	Fokker F50	Boeing 737-500/300	Airbus A321/A320	Boeing MD-82/83	Boeing MD-87	Boeing 717-200	deHavilland Q400	Q300	Q100
Number of aircraft, Group total	2/7	3	7/1	8	3/1	5/16	10/15	8	5	3	9	17
No. of seats, max.	99/84	163	126/149	52	113/142	212/180	153/170	125	115	76	50	39
Max. takeoff weight, tonnes	46.0/42.2	70.8	57.0/57.8	20.8	52.4/62.8	93.0/77.0	66.7/72.6	63.5	51.7	29.3	19.5	15.6
Max. load, tonnes	9.5/8.1	18.1	13.5/14.8	4.9	13.5/–	19.2/16.0	25.0	14.8	12.5	8.7	5.9	3.6
Length, meters	31.0/28.6	46.5	31.0/32.2	25.3	31.0/33.4	44.5/37.6	45.1	39.8	37.8	32.8	25.7	22.3
Wingspan, meters	26.3	32.9	28.9/31.2	29.0	28.9	34.1	32.9	32.8	28.5	28.4	27.4	25.9
Cruising speed, km/h	750	825	825/900	520	825	840	811	811	825	667	528	496
Range, km	2,200/2,300	2,800	3,150/2,400	1,400	3,150/3,900	3,800/3,500	3,798/4,635	4,395	2,800	1,990	1,690	1,280
Fuel consumption, l/seat kilometer	0.032/ 0.038	0.039	0.047/ 0.040	0.038	0.047/ 0.040	0.029/ 0.028	0.030/ 0.031	0.048	0.030	0.040	0.037	0.038
Engine	Honeywell LF507-1F	IAE V2525-DS	CFMI/ CFM56-3	P&W PW125B	CFMI CFM56-3	IAE V2533/ V2527-A5	P&W JT8D-217/219	P&W JT8D-217	RR BR 715A1-30	P&W PW150A	P&W PW123	P&W PW121

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 (market adjusted capital employed). Book shareholders' equity, plus minority interests, plus surplus value in the aircraft fleet, plus 7 times the net annual cost of operating leases for aircraft, plus financial net debt, minus share of equity in affiliated companies. Can also be expressed as the book value of total assets, plus surplus value in the aircraft fleet, plus 7 times the net annual cost of operating leases for aircraft, minus share of equity in affiliated companies, minus noninterest-bearing liabilities and interest-bearing assets, excluding net pension funds.

Available seat kilometers • See ASK.

Available tonne kilometers • See ATK.

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 • Operating income before depreciation, share of income in affiliated companies and income from the sale of fixed assets.

EBITDAR margin • EBITDAR divided by revenue.

EBITDAR • Operating income before 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 • Challenge issued by UN Secretary-General Kofi Annan to business leaders to live up to 10 principles in the areas of human rights, labor and the environment.

Gross profit margin • Operating income before depreciation in relation to revenue.

Definitions & concepts *continued*

I

IATA, International Air Transport Association • A global association of more than 200 airlines.

ICAO, International Civil Aviation Organization • The United Nations' specialized agency for international civil aviation.

Interest coverage ratio • Operating income plus financial income in relation to financial expenses.

Interline revenues • Ticket settlement between airlines.

IPCC, Intergovernmental Panel on Climate Change • Scientific panel appointed by the United Nations Environmental Program, UNEP, and the World Meteorological Association, WMO, to assess what is happening to the global climate and the impact of climatic disturbances.

IRR, Internal Rate of Return • Discount rate where the present value of a project's cash flow, from investment to sales, is equal to zero.

J

JAA • Joint Aviation Authorities

M

Market capitalization at year-end • Share price multiplied by the number of outstanding shares.

N

Net debt • Interest-bearing liabilities minus interest-bearing assets.

Net profit margin • Income after financial items in relation to revenue.

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.

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.

NORDIC ENVIRONMENTAL LABEL
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Printing: Jernström Offset.
Environmentally friendly papers: Galerie One Silk and Silverblade Silk.

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, 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. **1994** Focus on airline operations in the SAS Group - sale of a number of subsidiaries. **1995** SAS published its first environmental report. **1996** SAS celebrated its 50th anniversary. Harmonization and name change 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 of the SAS Group. **1999** The SAS Group became a majority owner of Widerøe. **2001** A single SAS share is listed on the stock exchanges. Braathens acquired by the SAS Group in December. **2002** The SAS Group became a majority owner of Spanair. Rezidor SAS Hospitality signed a master franchise agreement with Carlson Hotels Worldwide. **2003** Acquisition of 49% of the shares in Estonian Air. **2004** Incorporation of Scandinavian Airlines Danmark, SAS Braathens, Scandinavian Airlines Sverige out of the SAS Consortium. The units SAS Ground Services and SAS Technical Services were also incorporated. **2005** Scandinavian Airlines introduced a new business model with one-way fares in Europe, domestic and intra-Scandinavia. **2006** Rezidor Hotel Group was listed on the stock exchange. SAS celebrated 60 years. **2007** SAS Flight Academy was sold.






sasgroup.net

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