

Corporate Governance Report

Well-functioning corporate governance principles are essential for helping assure shareholders and other stakeholders that the activities of the SAS Group are characterized by reliability, effective management and control, openness, clarity and good business ethics. Transparency and sustainability are key words in the Group. The SAS Group follows the Swedish Code of Corporate Governance.

SAS AB is a Swedish public limited company headquartered in Stockholm, Sweden. The company is the parent company in the SAS Group. Corporate governance in the SAS Group is based on Swedish legislation, primarily the Swedish Companies Act, the Articles of Association, the Swedish Code of Corporate Governance, and the listing agreement with the Nordic Exchange in Stockholm, as well as other applicable rules and recommendations issued by relevant Swedish and foreign organizations. The SAS Group follows developments in the area of corporate governance, adapting its corporate governance policies to create value for owners and other stakeholders through providing adequate information to shareholders, real shareholder influence, and effective management and Board work. To ensure sound

and fair provision of information to the capital market, the SAS Group has an information/IR policy set by the Board. In 2008 the Swedish Code of Corporate Governance will be revised, which the SAS Group will follow and make adjustments if necessary.

Application of the Code

SAS AB applies the Swedish Code of Corporate Governance, "the Code," which has been a part of the regulations of the Nordic Exchange in Stockholm since July 1, 2005. This report, which has been prepared in accordance with the provisions of the Code, constitutes the SAS Group's corporate governance report for the 2007 financial year. The report has not been examined by the company's auditors.

Departures from the Code

The SAS Group followed the Code apart from the following instance: Clause 1.4.3 states that the Shareholders' Meeting is to be conducted in Swedish and that the material presented is to be in Swedish.

Reason for the departure: Pursuant to provisions of the Articles of Association for SAS AB, the language of the meeting shall be Swedish, Danish or Norwegian, and, if the Board so decides, other languages as well. The reason for this provision of the Articles of Association is the SAS Group's strong Scandinavian character with the largest number of shareholders in Denmark and Norway, a management and Board comprising persons from all three Scandinavian countries, and a system for remote attendance of the Shareholders' Meeting from Copenhagen and Oslo. Meeting deliberations in SAS AB are held primarily in Swedish, but contributions and speeches are regularly made at the meeting in Norwegian and Danish. Also, certain material presented at the Shareholders' Meeting of SAS AB is in Danish or Norwegian. In view of this the Board believes that any one of the Scandinavian languages may be freely used at Shareholders' meetings in the company. It is also the Board's view that the three Scandinavian languages' similarity means there is no reason for simultaneous interpreting.

Shareholders' Meeting

Pursuant to the Companies Act, the Shareholders' Meeting is the company's supreme decision-making body. At the Shareholders' Meeting shareholders exercise their voting rights. At the Shareholders' Meeting of SAS AB, one share is equal to one vote.

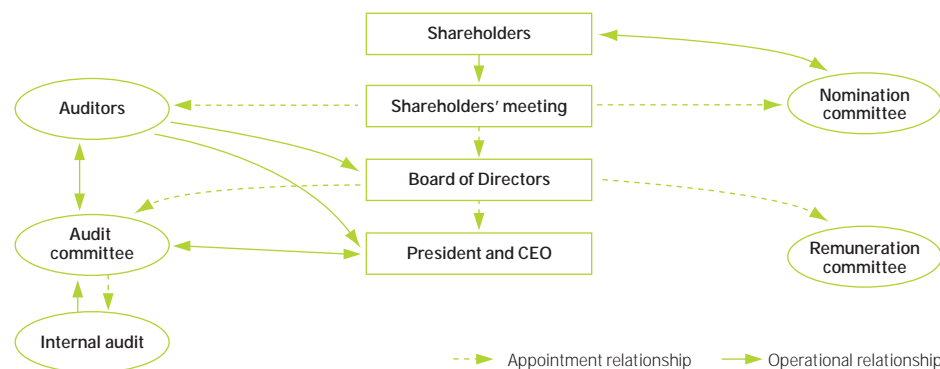
All shareholders who are recorded in the share register as of the meeting date and have given notice of their attendance in due time have a right to attend the Annual General Shareholders' Meeting and vote

their total holding of shares. Decisions at the meeting are generally made by a simple majority. However, in certain matters the Companies Act or SAS AB's Articles of Association require a motion have the support of a higher percentage of the shares represented and votes cast at the meeting. Decisions made at the Shareholders' Meeting are made public immediately after the meeting in a press release, and the minutes of the meeting are published on the company's website.

- ▶ The Annual General Shareholders' Meeting shall be held within six months from the end of the financial year. Among other things, the meeting decides on the adoption of the company's annual financial statements, the application of the company's profit or coverage of its loss, and discharging the Board and President from liability. The Annual General Shareholders' Meeting also elects Board members, auditors, members of the company's nomination committee and decides on directors' and audit fees as well as guidelines for pay and other compensation for the President and Group Management.

- ▶ The Annual General Shareholders' Meeting is held in Stockholm or in Solna. According to a provision in the company's Articles of Association, shareholders can also attend the meeting from locations in Copenhagen and Oslo via remote audio-video hookup. Shareholders attending the meeting from Copenhagen and Oslo have the same rights, including voting rights, as the shareholders attending in Stockholm.

- ▶ Notice of an Annual General Shareholders' Meeting is published in daily newspapers in its entirety in Sweden and in abbreviated format in Denmark and Norway and is announced in a press release and published on the company's website. The company sends notices to those shareholders whose addresses are known to it.



Corporate Governance, accountability and decision process
The SAS Group has 29,053 shareholders on December 31, 2007. The biggest shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, SEB Funds, Handelsbanken Funds and the State of New Jersey Common Pension Fund.

Meetings in 2007
The Board had 11 recorded meetings. The audit committee had four recorded meetings and the remuneration committee had eight recorded meetings. The nomination committee had eight recorded meetings since the 2007 Annual General Shareholders' Meeting.

2007 Annual General Shareholders' Meeting

In 2007 the Annual General Shareholders' Meeting was held on April 17, 2007, in the company's head office in Solna. At the 2007 Annual General Shareholders' Meeting the Board members were reelected. Egil Myklebust was also reelected Chairman of the Board. The meeting also decided on directors' and audit fees, remuneration for work on Board committees, remuneration policies and other employment terms for company management and elected members to the nomination committee to serve until the end of the 2008 Annual General Shareholders' Meeting. The meeting approved the Board's recommendation not to pay a dividend for 2006.

Board of Directors

The Board consists of seven members elected by the Annual General Shareholders' Meeting without deputies and three employee members, each with two personal deputies, who are elected by the SAS Group's employee groups in Denmark, Norway, and Sweden, according to a special agreement. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. The members and the composition of the Board appear on [p. 7](#). The average age of members is 55.5 years and two of the seven members elected by the Annual General Shareholders'

Meeting are women. All Annual General Shareholders' Meeting-elected members are independent of the company and company management. Moreover, except for Anitra Steen, all Annual General Shareholders' Meeting-elected members are independent of the company's major shareholders. Thus, SAS AB meets the Stockholm Stock Exchange Listing Requirements and the requirements of the Code regarding board independence vis-à-vis the company, company management, and the company's major shareholders.

The Board's responsibility and work

Pursuant to the Companies Act, the Board is responsible for the company's organization and management and proper control of its accounting, funds management and financial situation in other respects.

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year, which regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. The work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis and instructions for the President and the company's Board committees. Accordingly:

- ▶ The Chairman, in close collaboration with the President, is to monitor the company's performance and plan and chair Board meetings.

- ▶ The Chairman shall also be responsible for the Board evaluating its work each year, scrutinize his own work routines, and see to it that the Board always receives the information necessary to do its work effectively. The Chairman represents the company in owner matters.
- ▶ The Board's tasks are setting the overarching objectives and strategies of the SAS Group, adopting a budget and business plan, discussing and approving the year-end and interim reports, and setting important policies and regulations.
- ▶ The Board shall also follow economic developments and ensure the quality of financial reporting and internal control and evaluate operations on the basis of the objectives and guidelines set by the Board.
- ▶ Finally, the Board shall decide on major investments and changes in the organization and activities of the SAS Group.

Board work in 2007

In 2007 the Board held 11 meetings, of which 10 were ordinary and one extraordinary. In addition, one meeting was held per capsulam. The work of the Board during the year followed the agenda set by the Board each year with permanent items for information and deciding on as well as special topics. Each ordinary meeting followed an approved agenda, and proposed agendas and support documentation are sent to Board prior to each Board meeting. The President and certain

- other senior executives also attended Board meetings to make presentations, and the General Counsel of the SAS Group served as the Board's secretary. At its meetings the Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow-up, the company's financial position, and investment. In fall 2007 the Board had an extraordinary meeting when it decided to permanently remove the aircraft type Q400 from the SAS aircraft fleet after three accidents and recurring problems with regularity. Other essential matters and business considered during the year included:
- ▶ Adopting, implementing and following up the Strategic Plan for 2007-2011 (Strategy 2011).
 - ▶ Monitoring and dealing with the antitrust investigations of SAS Cargo's possible participation in illegal price fixing in the air freight business.
 - ▶ Sale of the subsidiary SAS Flight Academy and the Spanish ground handling company Newco,
 - ▶ Strikes and labor conflicts.
 - ▶ Settlement of the sale of SAS Component.
 - ▶ The Q400 accidents and flight safety work in the SAS Group.
 - ▶ Investment in aircraft.

The Board also discussed sustainability-related information of material importance and quarterly changes in sick leave. The Board studied the annual Sustainability Report. Additionally, at various meetings the Board discussed matters and topics involving internal control

Nomination committee

The nomination committee is to reflect the shareholder composition in the company and has the aim of helping to elect a Board of Directors that is suitable to and representative of the shareholders and lay the groundwork for the Annual General Shareholders' Meeting's decisions on various issues.

Nomination committee, eight recorded meetings

Bjørn Mikkelsen,
Ministry of Industry, Employment and Communications, for the Swedish government, chairman
Peter Brixén,
Danish Ministry of Finance
Morten Kallevig,
Norwegian Ministry of Trade and Industry
Peter Wallenberg, Jr.,
Knut and Alice Wallenberg Foundation
Henrik Michael Normann,
Danske Bank
Conny Karlsson,
SEB Funds

Recommendations to be decided by the 2008 Annual General Shareholders' Meeting:

- ▶ Chairman of the Meeting
- ▶ Number of Board members
- ▶ Election of Board members and Chairman
- ▶ Directors' fees, divided among the Chairman and other Board members, and any remuneration for work on Board committees
- ▶ Audit fee
- ▶ Nomination committee for 2009 Annual General Shareholders' Meeting

The nomination committee evaluated the Board's work, qualifications and composition. The Chairman attended some of the nomination committee's meetings and at them reported the results of the Board's own evaluation of its work. The nomination committee's recommendations will be published in the notice of the Annual General Shareholders' Meeting, on the company website, and at the 2008 Annual General Shareholders' Meeting. Members did not receive any fees or other remuneration for their work on the nomination committee. The nomination committee engages external advisers and consultants as needed.

Attendance at Board meetings in 2007

	7/2	15/3	17/4	18/4	2/5	12-13/6	8/8	26/9	28/10	7/11	17/12
Egil Myklebust	●	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg	●	●	●	●	●	●	○	●	○	●	●
Berit Kjøl	●	●	●	●	●	●	●	●	●	●	●
Timo Peltola	●	●	●	●	●	●	●	●	●	●	●
Fritz H. Schur	●	●	●	●	●	●	●	●	●	●	●
Anitra Steen	○	●	●	●	●	●	●	●	●	●	○
Jens Erik Christensen	●	●	●	●	●	●	●	●	●	●	●
Verner L. Jensen	●	●	●	●	○	●	●	●	●	●	●
Ulla Grøntvedt	●	●	●	●	●	●	●	●	●	●	●
Olav H. Lie	●	●	●	●	●	●	●	●	●	●	●

● Present ○ Absent

and follow-up of compliance activities and work of the internal audit, evaluating the work of the Board, the Year-end Report, interim reports, strategy, the business plan, and the budget.

Main issues considered at Board meetings

7/2	SAS Group Year-end Report for 2006.
15/3	SAS Annual Report and notice of Annual General Shareholders' Meeting.
17/4	Strategy work, Strategy 2011.
18/4	Statutory meeting.
2/5	Approval of the first quarter report.
12-13/6	Adoption of Strategy 2011.
8/8	Approval of the second quarter report.
26/9	The Q400 accidents and evaluation of Board work.
28/10	Decision to permanently withdraw the Q400s from SAS's aircraft fleet (Extraordinary meeting).
7/11	Approval of the third quarter report and the auditor's review of the "hard close" and internal control.
17/12	Review of financial plans for 2008, implementation of parts of Strategy 2011, the SAS Cargo case and review of compliance work as well as revising the Board's work plan and committee instructions.

The Chairman and other members are remunerated for their work on the Board in accordance with a decision made by the Annual General Shareholders' Meeting, see the SAS Group Annual Report [p. 66](#)

Fees decided at the 2007 Annual General Shareholders' Meeting

TSEK	Board rem.	Aud.-com.-rem.	Rem.-com.-rem.	Total
Egil Myklebust	600		75	675
Jacob Wallenberg	400		25	425
Berit Kjöll	300	50		350
Timo Peltola	300	100		400
Fritz H. Schur	300		25	325
Anitra Steen	300	50		350
Jens Erik Christensen	300	50		350
Verner L. Jensen	300			300
Ulla Grøntvedt	300			300
Olav H. Lie	300			300
Total	3,400	250	125	3,775

Board committees and committee work

To streamline and enhance the work of the Board on certain issues there are two committees. The Board appoints a remuneration committee and an audit committee from among its own members. The main duty of the committees is to prepare issues for the Board's decision. These committees, whose work is preparatory in nature, imply no delegation of the legal liability of the Board or its members. Reports to the Board on issues discussed at committee meetings are either in writing or given orally at the following Board meeting. The work on each committee follows written instructions and a work plan stipulated by the Board. The General Counsel of the SAS Group serves as the secretary to the committees. Minutes of committee meetings are provided to all Board members. Remuneration was paid for work on Board committees in 2007 in accordance with the decision of the Annual General Shareholders' Meeting. See the SAS Group Annual Report [p. 66](#)

Auditors

Auditors in Swedish limited companies are elected by the Annual General Shareholders' Meeting and tasked with scrutinizing the company's financial reporting and management of the company by the Board and the President. Pursuant to the Swedish Companies Act, the term for auditors in Swedish limited companies is four years.

The most recent election of an auditor was at the 2005 Shareholders' Meeting, when Deloitte AB, with Peter Gustafsson as principal auditor, was reelected for the period until the end of the 2009 Annual General Shareholders' Meeting. Peter Gustafsson (born in 1956) has headed audit services for Deloitte since 2003. Besides SAS AB he has audit engagements for SAAB Automobile, Ledstiernan, Nexus, Teleca, Rezidor Hotel Group, Semcon, Akademiska Hus, Göteborgs Hamn and Göteborgs kommunala Förvaltning AB. Peter Gustafsson was previously an auditor at Elanders, Connex Transport, Ports of Stockholm and Song Networks, among others.

The principal auditor met with the Board on three occasions in 2007, presenting the program for his auditing work, reporting his observations from auditing the year-end report, examining the interim report as of September 30, and assessing the company's internal control. The auditor attended all meetings of the audit committee during the year. On one occasion the Board met with the company's auditor without the

President or anyone else from company management present. Deloitte submits an audit report regarding SAS AB, the Group, and an overwhelming majority of subsidiaries. In the past three years, in addition to its auditing work, Deloitte performed advising services for SAS Group companies in auditing-related areas, such as tax consulting, and the transition to IFRS, for a total invoiced amount of MSEK 38, of which MSEK 15 pertains to 2007. The auditor receives a fee for his work in accordance with a decision of the Annual General Shareholders' Meeting. For information about the auditor's fee in 2007, see Note 42 in the SAS Group Annual Report [p. 80](#)

President and Group Management

The Board appoints the President of SAS AB, who is also Group CEO. Pursuant to the Companies Act, the Board's work plan and instructions to the President, he is responsible for the day-to-day management of the company and Group operations. The members of Group Management as well as the heads of certain corporate functions report to the President. In its instructions to the President the Board has laid down detailed rules for the President's authority and obligations. Within the framework of the current work plan and instructions to the President, which regulate *inter alia* the relationship between the President and the Board, Group Management is responsible for business control, financial reporting, acquisitions and disposals of companies, collaborations, financing, capital

structure, risk management, communication with financial markets, and other matters of a Group-wide nature. The President and CEO is Mats Jansson. Presentation of the President's background, experience, positions, and shareholdings [p. 8](#)

The President works closely and exchanges information with the Chairman and also meets regularly with the Chairman to plan Board meetings. The President keeps the Chairman and the rest of the Board continually apprised of the company's and the Group's operations, performance and financial status. To enable the Board to monitor the Group's financial position on an ongoing basis, the President makes monthly reports to the Board. In addition to the President, Group Management currently comprises five members, named by the President in consultation with the Board. Composition of Group Management [p. 8](#)

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Group Management normally has recorded meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management. The General Counsel of the Group serves as the secretary to Group Management. Group Management's management and control of the Group's subsidiaries and major business units are primarily tied to active work on the boards of the respective subsidiaries and

Remuneration committee

The committee's main task is to make recommendations for Board approval regarding the terms of the President's salary, employment, and pension, and deal with issues related to the SAS Group's overall remuneration policies for senior executives. Salary and other remuneration matters regarding supervisors reporting directly to the President are regularly cleared with the committee.

Remuneration committee, eight recorded meetings

	Number of meetings attended
Egil Myklebust (chairman)	8
Jacob Wallenberg	7
Fritz H. Schur	8

All members are independent in relation to the company, company management, and major shareholders.

- ▶ In 2007 the committee made recommendations to the Board on the previous and current President's salary and other terms of employment and overall remuneration policies and other terms for other members of Group Management.
- ▶ The committee also discussed and drafted a Board resolution on the President's target contract for 2007, the previous President's fulfillment of his target contract for 2006 and discussed general matters involving guidelines and policies for compensation to SAS senior executives.
- ▶ The committee assisted the President in the process of recruiting new members to Group Management.
- ▶ Prior to the 2008 Annual General Shareholders' Meeting, the committee will prepare the recommendation for remuneration policies and other terms of employment for company management that pursuant to the Companies Act and the Code the Board shall present to the Meeting for approval.

business units. For the Group's business units that are not separate legal entities, internal boards have been established that function like the boards of directors of the Group's subsidiaries. The boards are often composed of representatives of Group Management and Corporate Functions, with the responsible member of Group Management as chairman. In certain larger subsidiaries and business units there are external board members and representatives of the employees. Group Management's management and control of operations are based on a number of important guidelines and policies regarding financial management and follow-up, communication issues, human resources, the Group's brands, business ethics, and environmental matters,

Remuneration policies and other terms of employment for company management

For 2007, with departures stated below, the following guidelines adopted by the Annual General Shareholders' Meeting for remuneration and other terms of employment for senior executives were applied. The company will endeavor to offer its senior executives market remuneration that is nationally and individually set and differentiated. Remuneration policies are to be characterized by predictability regarding the costs to the company as well as the benefits for the individual concerned and be based on factors such as qualifications, experience, responsibility, and performance. Company management means the President and CEO and the other members of Group Management. The

remuneration comprising an individual's total compensation shall consist of the following components:

- ▶ base salary, which may be reviewed annually
- ▶ variable salary
- ▶ pension benefits
- ▶ other benefits and severance terms

The size of the variable salary is to vary depending on the position and contract and may be no more than 50% of the relevant base salary. The variable salary shall depend on the executive meeting quantitative and qualitative business and personal targets set in an annual target contract. For the President the maximum variable salary can amount to a maximum of 20% of his base salary and for other members of Group Management up to 40-50%.

At least 20% and no more than 60% of the total variable salary is to be related to the Group's earnings. No earnings-based pay will be paid if the Group's earnings are negative.

Pension benefits are to be defined-contribution, with premiums not exceeding 35% of the base salary. For one member of Group Management there is an agreement entered into previously for a defined-benefit pension plan, with a retirement age of 60 and with variable salary as partially pensionable.

Pension benefits for the President are defined-contribution (35% of the fixed base salary). One member of Group Management has a defined-benefit pension plan, where a fully earned pension is equal

to 70% of pensionable salary up to 30 base amounts and 35% of pensionable salary above that. Other members of Group Management have defined-contribution pension plans, in which a fixed percentage, 15-35%, of the pensionable salary is paid into the pension.

For the President and the rest of Group Management, the period of notice is six months on their part and 12 months on the company's part.

If a senior executive is dismissed by the company, severance pay may be paid equal to no more than 12 months' base salary. If the executive obtains a new position, the severance pay will be reduced by the amount of remuneration for this new position. Nevertheless, already concluded agreements with two members of Group Management on a right to severance pay equal to two years' fixed salary and a maximum of one year's settlement will be respected.

Other benefits, such as a company car and health insurance, are to be market-based.

There is no share-based incentive program in the SAS Group.

Remuneration policies for company management are to be presented by the remuneration committee to the Board, which presents the proposal to the Annual General Shareholders' Meeting for approval.

Remuneration of the President is to be decided within the framework of policies approved by the Board of SAS AB and on the recommendation of the remuneration committee established by the Board.

Remuneration of other members of Group Management is to be decided by the President within the framework of approved remuneration policies and after consulting with the remuneration committee.

For information about remuneration and benefits paid to the Board, President and senior executives in 2007, see Note 3 in the SAS Group Annual Report

[p. 66-67](#)

Financial reporting

According to Clause 5.1.3 of the Code, in the corporate governance report, the company shall disclose information about the manner in which the Board assures the quality of financial reporting and communicates with the company's auditor.

The audit committee is responsible for preparing the Board's work in quality assuring financial reporting. This quality assurance takes place whereby the committee discusses critical auditing issues and the financial reports that company submits. Among the issues the

committee discusses are those regarding internal control, compliance with rules, specifically identified focus areas, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected and verified irregularities, and other matters affecting the company's financial reporting. In 2007 the Board adopted an updated information/IR policy aimed at ensuring sound and fair provision of information to all capital market players.

The company's external auditor attends all meetings of the audit committee.

The Board scrutinizes and approves the company's year-end report and interim reports. To quality assure the Board's work on financial reporting and ensure the Board's access to and oversight and follow-up of auditing work, the Board normally meets the company's principal auditor on at least three occasions a year. At the Board Meeting in February, the auditor reports his observations from auditing the year-end report. In May the auditor presents, and the Board discusses, the program for risk analysis work and the focus of examination for the year in question. After the "hard close" as of September 30 the auditor reports to the Board in November his observations from the examination and his analysis of critical processes and risks.

Internal control - financial reporting

The SAS Group applies COSO, the internationally most recognized and adopted framework for internal control to describe and evaluate the Group's control structure. Internal control over financial reporting is a process that involves the Board, company management and personnel and is designed to provide assurance of reliability in external reporting. The Group-wide control environment is described in detail elsewhere in the corporate governance report.

Internal control over financial reporting is described below in five areas that jointly form the basis of a sound control structure.

Control environment

The control environment forms the basis of internal control and includes the culture that SAS communicates and operates from. The aim of the SAS Group is for its values such as reliability and openness as well as consideration and value creation to permeate the organization. It is important for all actions, internal as well as external, to reflect these basic values. In 2005 a Code of Conduct was distributed to all employees, which describes well the desired attitudes in various

Audit committee

Chief task: to support the Board in monitoring and assessing the internal and external auditing process, be responsible for preparing the Board's work on quality assuring the company's financial reporting, meet regularly with the company's auditor, and study and evaluate reports from the external auditors.

Audit committee, four recorded meetings

	Number of meetings attended
Timo Peltola	4
Anitra Steen	3
Berit Kjell	4
Jens Erik Christensen	4

Besides the committee secretary, the SAS Group CEO and CFO, the company's external auditor, and, depending on the nature of the business, the head of internal auditing attend meetings of the committee. The committee shall also

scrutinize the auditor's independence vis-à-vis the company, including the extent of the auditor's non-audit-related engagements for the company.

The requirements of the Code regarding the number of members of the audit committee who are to be independent of the company, company management, or major shareholders are met.

In 2007, in addition to the yearly recurring business regarding quality assurance of financial reporting, detailed review of the year-end report and interim report as of September 30, the committee discussed, among other matters, the accounting of the Swedish ITP pensions placed with Alecta, the work and function of internal auditing, special focus areas for auditing work, risk analyses, and internal control, including revised instructions for the whistleblower function in the SAS Group, as well as assessing the auditors' work and follow-up of the European Cooperation Agreement.

situations, including a structure for reporting deviations from desired attitudes (whistleblowing).

During the past years, the SAS Group has altered its organizational and legal structure to better harmonize it with its business structure and to achieve greater clarification of accountability and authority. The management of the Group has been described in a management document, which outlines management philosophy, management model, roles and responsibilities of subsidiary boards, shareholder requirements, overarching follow-up and intra-Group business relations. The management document has been communicated and distributed to all management teams in subsidiaries and other senior executives. For the SAS Group's Board as well as for each subsidiary there are instructions for its board and CEO that clearly set out responsibilities and authority.

The SAS Group works continuously to ensure that key positions centrally as well as in subsidiaries are held by qualified persons. Beyond this there are policies in all key areas, at both the Group and subsidiary level, that define responsibilities and authority as well as guidelines for procedures. All policies are available on the Group intranet.

Risk assessment

Every year, company management performs a risk assessment in the spring regarding financial reporting. The risk analysis has identified a number of critical processes, such as the revenue process, purchasing process, payroll handling process, financial statement process, and IT. The analysis of risks in various major balance sheet and income items is graded. Moreover, company management has identified a number of critical areas, common to all subsidiaries, where an analysis of internal control is to be done, see below. Beyond that, the internal audit performs an ongoing overarching risk analysis of the SAS Group's internal audit function, which results in an annual audit plan, which in turn is revised if the risk analysis is changed.

The audits performed by the internal audit are primarily aimed at operational auditing, but also focus on processes that impact financial reporting and risks of irregularities, improper favoritism of another party at company expense, and the risks of losses or embezzlement. The audit plan is reviewed with the audit committee and the SAS Group's Board.

Control activities

The aim of the SAS Group is to have adequate activi-

ties to manage the risks affecting internal control over financial reporting. This also includes control activities that prevent irregularities.

Control activities cover inter alia internal control in each Group company. In 2006 a relatively extensive formula was prepared containing defined control targets in the management process, financial statement process, revenue process, purchasing process, and payroll process. There are also control targets for dealing with fixed assets and dealing with cash/bank balances and loans. The managements of all subsidiaries perform their own evaluations each year regarding internal control with regard to meeting control targets and documenting the processes of control activities. These are also examined by the external auditors, who do an independent analysis of the status and potential for improvement. When analyses are not approved, where the judgment of the external auditors prevails, plans of action shall be prepared and implemented, which is followed up by the Group's internal audit. The evaluation done in 2007 showed an improvement compared with the previous year regarding most processes in all units.

In addition to this, areas for in-depth study are focused on in the critical processes identified for most Group subsidiaries. All of these examinations result in a number of recommendations aimed at improving the quality of internal control.

The audits conducted by the internal audit always result in recommendations that are graded on the basis of a risk perspective. During the year the internal audit focused inter alia on internal control at Estonian Air as well as contract management at SAS Ground Services and SAS Cargo.

In addition, an audit was done of British Midland's reported results in the European Cooperation Agreement.

In-depth reviews, conducted by the Group's central accounting unit, are done on an ongoing basis of accounting and applying the SAS Group's accounting policies in subsidiaries. In 2007 a review was done of SAS Cargo Group. Reviews are planned in 2008 for two subsidiaries. Companies were chosen on the basis of a risk analysis.

Information and communication

The SAS Group's ambition is for information and communication paths regarding internal control for financial reporting to be appropriate and known in the Group. Policies and guidelines regarding the financial

process are communicated to all parties in the Group affected through direct distribution via electronic mail, but also via the intranet, where all policies and guidelines in the financial areas are collected in the "SAS Group Financial Guide."

The SAS Group's published external reports are based on reporting from all legal entities in accordance with a standardized reporting routine. The SAS Group's accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in all subsidiaries. Moreover, every month all subsidiaries submit a report on their activities, including their financial status and performance, to the Board and affected corporate functions.

To ensure that the provision of external information is correct and complete, there is an information policy regarding disclosures to the stock exchange as well as an Investor Relations policy that have been laid down by the SAS Group's Board. This policy, which is available on the SAS Group website under Investor Relations, states what, in what manner, and how information is to be dealt with.

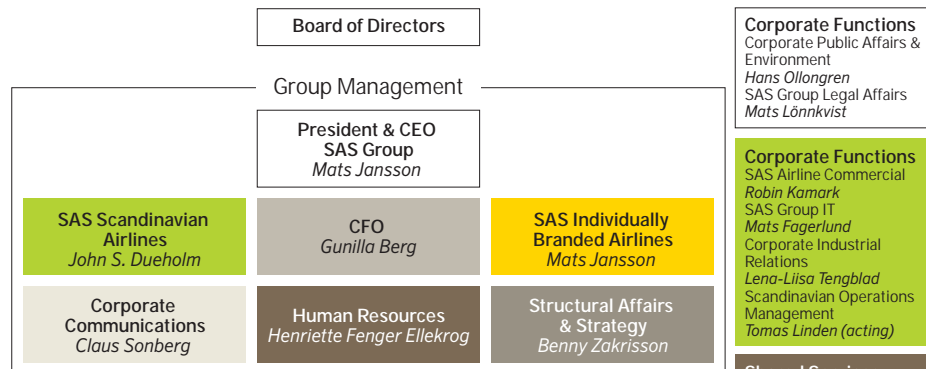
Monitoring

Follow-up and continuous assessment of compliance with policies and guidelines as well as the follow-up of reported deficiencies are done regularly. In connection with following up plans of action for noted deficiencies in the "self assessment," the new or modified controls are tested.

Recommendations from the external and internal audits and the status of measures are compiled in a clear manner and presented to company management and the audit committee. The external and internal audits perform follow-up audits until all recommended measures are implemented.

The SAS Group's areas of responsibility

March 3, 2008



SAS Scandinavian Airlines	SAS Individually Branded Airlines	SAS Aviation Services
Scandinavian Airlines Danmark ¹ Susanne Larsen	Blue1 Stefan Wentjärvi	SAS Ground Services Björn Alegren
Scandinavian Airlines Norge Ola H. Strand	Widerøe Per Arne Watle	SAS Cargo Kenneth Marx
Scandinavian Airlines Sverige ¹ Anders Ehrling	airBaltic Bertolt Flick	SAS Technical Services Peter Möller
Scandinavian Airlines International ¹ Lars Sandahl Sørensen	Estonian Air Andrus Aljas (acting)	
	Spanair ² Marcus Hedblom	

Corporate Functions
Corporate Business Control
Arnfinn Utne
SAS Group Finance & Asset Management
Johan Tørrgren
Corporate Accounting
Ulla Edlund
SAS Group Purchasing
Patrik Knutsson
Corporate Internal Audit
Peter Toft Berg

Shared Services
SAS Facility Management
Bjørn Frivold
SAS Revenue Information
Steen Wulff
SAS Accounting Services
Sara Jinnerot

Corporate Investor Relations
Sture Stølen

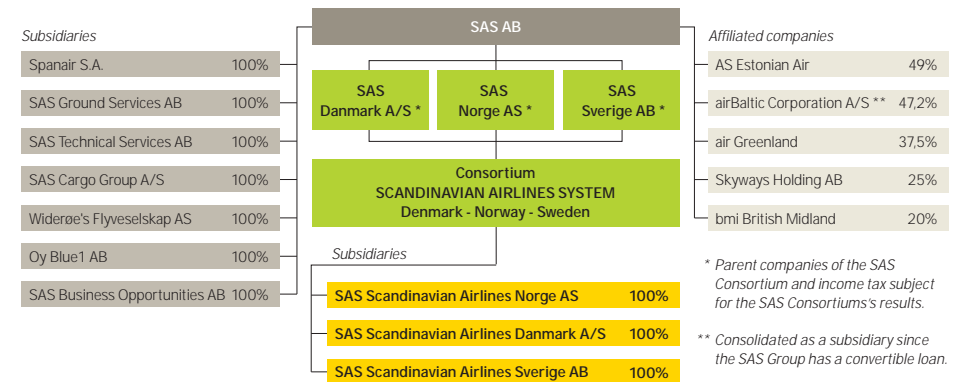
Corporate Advisory & Strategy
Björn Nordgren

¹ Joint Air Operator Certificate (AOC)
² Discontinuing operation

Shareholdings
Reporting of shareholdings in SAS AB among senior executives (including immediate families):
Sture Stølen, Vice President, Head of Investor Relations, 2,200 shares.
Steen Wulff, CEO, SAS Revenue Information, 1,137 shares.
Kenneth Marx, CEO, SAS Cargo, 1,500 shares.
Shareholdings of Group Management, see [p. 8](#)

The SAS Group's legal structure

March 3, 2008



The SAS Consortium is the SAS Group unit through which financing and aircraft leasing is carried out.

SAS Danmark A/S, SAS Norge AS and SAS Sverige AB are taxable entities for the SAS Consortium's results.

The SAS Consortium also holds the traffic rights for SAS Scandinavian Airlines and the Air Operator Certificate (AOC) for the airlines in Scandinavian Airlines (excluding Scandinavian Airlines Norge).

The SAS Group's intercontinental airline operations (Scandinavian Airlines International) are a business unit in the SAS Consortium.

In the period 2001-2004, the SAS Group harmonized the legal structure with the Group's business structure.

The most important changes in the legal structure were:

- ▶ February 2004: a number of subsidiaries were transferred from the SAS Consortium to SAS AB.
- ▶ July 2004: SAS Braathens was founded as a subsidiary of the SAS Consortium.
- ▶ October 2004: SAS Ground Services and SAS Technical Services were incorporated. SAS Scandinavian Airlines Sverige AB and SAS Scandinavian Airlines Danmark A/S were newly founded as subsidiaries.
- ▶ November 2006: Initial public offering of Rezidor Hotel Group.
- ▶ February 2007: SAS Flight Academy was sold.

The SAS Group's labor union structure within Scandinavia



Board of Directors



Chairman
Egil Myklebust
 Born 1942
 Chairman of the Board of SAS AB since 2001.
Directorships: University of Oslo and Sandvik AB.
Education: Cand.jur. degree
Shareholding: 3,000



Vice Chairman
Jacob Wallenberg
 Born 1956
 Vice Chairman of the Board of SAS AB since 2001.
 Chairman of Investor AB.
Directorships: Vice Chairman of Atlas Copco and SEB. Member of the Board of ABB Ltd, The Coca-Cola Company, the Knut and Alice Wallenberg Foundation, the Stockholm School of Economics and the Nobel Foundation.
Education: B.Sc. Economics and MBA, Wharton School, University of Pennsylvania.
Shareholding: 5,000



Fritz H. Schur
 Born 1951
 Member of the Board of SAS AB since 2001.
 Chairman of the companies in the Fritz Schur Group.
Directorships: Chairman of Post Danmark A/S, DONG Energy A/S, F. Uhrenholt Holding A/S. and Relation-Lab ApS.
 Vice Chairman of Brd. Klee A/S. Member of the Board of DE POST NV/LA POSTE SA, Belgium.
Education: Handelshøjskolens Afgangs-eksamen (HA) business degree.
Shareholding: 20,000



Berit Kjöll
 Born 1955
 Member of the Board of SAS AB since 2001.
Directorships: Aker Holding AS, Inter-Oil Exploration and Production ASA.
Education: B. A. in Travel and Tourism, Markedsøkonom degree, AMP, Insead Paris.
Shareholding: 1,600



Timo Peltola
 Born 1946
 Member of the Board of SAS AB since 2005.
Directorships: Chairman of AW Energy Oy, Neste Oil and Pension Insurance Company Ilmarinen (Supervisory Board). Vice Chairm. of Nordea, Member of the Board of TeliaSonera and CVC Capital Partners Advisory Board.
Education: MBA, Turku School of Economics and Business Adm. Studied at IMI, Geneva. Honorary doctorate in economics, Swedish School of Economics and Business Adm. in Helsinki and Turku School of Economics and Business Administration.
Shareholding: 0



Jens Erik Christensen
 Born 1950
 Member of the Board of SAS AB since 2006.
Directorships: Chairman of Scandinavian Private Equity A/S, Dansk Merchant Capital, Tower Group A/S, Alpha Holding A/S. Vice Chairman of P/F Føroya Banki. Member of the Board of Falck Holding A/S, Hugin Expert A/S, mBox A/S and member of the Danish Government's infrastructure commission.
Education: Cand. act. degree from the University of Copenhagen.
Shareholding: 0



Anitra Steen
 Born 1949
 Member of the Board of SAS AB since 2001.
 President of Systembolaget AB.
Directorships: Member of the Board of Sodersjukhuset AB, Almega and Kungsträdgården Park & Evenemang AB.
Education: Cand.phil. degree with a concentration in the behavioral and social sciences, Uppsala University.
Shareholding: 0



Employee representative
Ulla Gröntvedt
 Born 1948
 Employed at Scandinavian Airlines Sverige.
 Member of the Board of SAS AB since 2001.
Shareholding: 300
Deputies: Sven-Erik Olsson, first deputy.
Shareholding: 0
 Par-Anders Gustafsson, second deputy.
Shareholding: 0



Employee representative
Olav H. Lie
 Born 1963
 Employed at SAS Ground Services Norway.
 Member of the Board of SAS AB since 2005.
Shareholding: 0
Deputies: John Lyng, first deputy.
Shareholding: 0
 Asbjørn Wikestad, second deputy.
Shareholding: 0



Employee representative
Verner Lundtoft Jensen
 Born 1955
 Employed at Scandinavian Airlines Danmark.
 Member of the Board of SAS AB and Board of Scandinavian Airlines Danmark A/S since 2005.
Shareholding: 866 (close relation)
Deputies: Nicolas E. Fischer, first deputy.
Shareholding: 30,100.
 Carsten Bardrup Nielsen, second deputy.
Shareholding: 0

All Shareholders' Meeting-elected members of the Board are independent in relation to the company and company management. All members of the Board are independent in relation to major shareholders with the exception of Anitra Steen, owing to her position in wholly Swedish-government owned Systembolaget AB. The SAS Group has not issued any share convertibles or options.

Auditors: Deloitte AB
 Principal auditor:
 Peter Gustafsson, born 1956
 Authorized Public Accountant
 Elected 2003.

Other major engagements: SAAB Automobile, Ledstiernan, Nexus, Teleca, Rezidor Hotel Group, Semcon, Akademiska Hus, Göteborgs Hamn and Göteborgs kommunala Förvaltning AB. Previously auditor at Elanders, Connex Transport, Ports of Stockholm and Song Networks, among others

Corporate Secretary:
 Mats Lönnkvist, General Counsel, SAS Group.

Share convertibles and options
 The SAS Group has not issued any share convertibles or options.

Group Management



Mats Jansson

*Born 1951
President & CEO*
Assumed office on January 1, 2007.
Formerly President and CEO of Axfood and President and CEO of Axel Johnson AB.
No external directorships.
Education: Studies in cultural geography, economic history and sociology at Örebro University.
Shareholding: 46,000



John S. Dueholm

*Born 1951
Deputy CEO & COO*
Member of SAS Group Management since September 1, 2002. Responsible for the business area SAS Scandinavian Airlines. Previously responsible for the business areas Airline Support Businesses and Airline Related Businesses, CEO of SAS Data and Senior Vice President of SAS Technical Division 1996-1998. Senior Vice President of Group4Falck 1998-2002.
No external directorships.
Education: Cand.merc. degree in Business Administration.
Shareholding: 0



Gunilla Berg

*Born 1960
Deputy President & CFO*
Member of SAS Group Management since September 16, 2002. Responsible for corporate functions in the areas of accounting, and finance, asset management, purchasing and Shared Service units for Accounting, Revenue Information and Facility Management. Formerly Vice President and CFO of Kooperativa Förbundet. Experience from various executive positions in banking and industry.
External directorships: Alfa Laval AB and L E Lundbergföretagen AB.
Education: Civilekonom degree, Stockholm School of Economics.
Shareholding: 1,000



Benny Zakrisson

*Born 1959
Executive Vice President, Structural Affairs & Strategy*
Member of SAS Group Management since June 14, 2007. Responsible for structural and strategic issues as well as for SAS Ground Services and SAS Cargo. Previously Senior Vice President Corporate Advisory SAS Group, 2003-2007, Vice President Corporate Advisory/Finance SAS Group, 1993-2003, Director Corporate Taxes, SAS Group 1990-1993.
External directorships: Rezidor Hotel Group AB (publ).
Education: Jur.kand. degree from Stockholm University.
Shareholding: 0



Claus Sonberg

*Born 1967
Executive Vice President, Corporate Communications*
Member of SAS Group Management since November 1, 2007. Responsible for the SAS Group's external and internal communication and the corporate function Investor Relations. Previously a journalist and responsible for media contact at TV2 in Norway. Since 1996 various posts at Burson-Marsteller, including CEO for operations in Norway, 2000-2005, and the Nordic region, 2004-2007.
No external directorships.
Education: B.A. from Indiana University.
Shareholding: 0



Henriette Fenger Ellekrog

*Born 1966
Executive Vice President, Corporate Human Resources*
Member of SAS Group Management since October 1, 2007. Responsible for Human Resources. Since 2000 executive positions in TDC A/C, most recently HR & Chief of Staff, Senior Executive Vice President and Tele Danmark A/S 1998-2000. Prior to that, management and other posts at Mercuri Urval A/S and Peptech (Europe) A/S.
External directorships: Advisory board for women executives and company directors for the Confederation of Danish Industries and member of the University of Copenhagen's Competencepanel.
Education: Cand.ling.merc. degree from Copenhagen Business School from 1992.
Shareholding: 0

The President and CEO is in charge of the day-to-day management of the Group. In addition to the President, SAS Group Management comprises five members by the President in consultation with the Board. Members of Group Management have divided among themselves the responsibilities for the Group's business management.

Share convertibles and options
The SAS Group has not issued any share convertibles or options.

Secretary for Group Management
Mats Lönnkvist,
General Counsel, SAS Group