OFFERING MEMORANDUM **STRICTLY CONFIDENTIAL—NOT FOR DISTRIBUTION**

SAS Group

Rights Offering of up to 2,303,000,000 New Ordinary Shares
Subscription Price of SEK 2.63 per New Ordinary Share

SAS AB (the "**Company**") is offering not more than 2,303,000,000 new ordinary shares (the "**New Shares**"), quota value of SEK 2.50 per share, to holders of its ordinary shares (the "**Shares**") at a subscription price of SEK 2.63 per New Share (the "**Subscription Price**"), pursuant to pre-emptive transferable subscription rights (the "**Subscription Rights**") granted to them under Swedish law (the "**Rights Offering**").

Shareholders who on 18 March 2009 (the "**Record Date**") are registered as shareholders of the Company will, subject to the terms and conditions of the Rights Offering, receive 14 Subscription Rights for each Share held. Every one Subscription Right entitles the holder to subscribe for one New Share. If shareholders wish to subscribe for New Shares, they must exercise their Subscription Rights against payment of the Subscription Price during the period from and including 23 March 2009 to and including 6 April 2009 (the "**Subscription Period**"), and any Subscription Rights purchased during the Subscription Period on NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen and Oslo Børs (together, the "**Exchanges**") must be exercised prior to 5:00 p.m. CET on 6 April 2009. To the extent that any Subscription Rights remain unexercised at 5:00 pm CET on 6 April 2009, such Subscription Rights will be forfeited by shareholders without compensation.

Prior to the Rights Offering, the governments of Sweden, Norway and Denmark (together, the "**Principal Shareholders**"), and the Knut and Alice Wallenberg Foundation ("**KAW**"), through Foundation Asset Management, own 21.4%, 14.3%, 14.3% and 7.6%, respectively, of the Company's outstanding Shares and are expected to maintain the same level of ownership following the Rights Offering.

Any New Shares that are not subscribed for pursuant to the exercise of Subscription Rights will be offered by the Company to those who have exercised Subscription Rights and have subscribed for additional New Shares, regardless of whether such subscribers were shareholders on the Record Date or not. Any remaining New Shares will be offered by the Company to shareholders and other investors who have indicated their interest to subscribe for New Shares without Subscription Rights in (i) a public offering to investors in Denmark, Norway, Sweden and the United Kingdom, (ii) an offering in the United States to "qualified institutional buyers" ("**QIBs**"), as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), in compliance with the exemption from registration provided by Rule 144A under the U.S. Securities Act ("**Rule 144A**") or another applicable exemption from registration and (iii) an offering to investors outside Denmark, Norway, Sweden, the United Kingdom and the United States in reliance on Article 3 of Directive 2003/71/EC of the European Parliament and of the Council (the "**Prospectus Directive**") and/or Regulation S under the U.S. Securities Act (the "**Secondary Allocations**"). To the extent any New Shares remain available after Secondary Allocations (excluding the New Shares subscribed for by the Prinicpal Shareholders and KAW), J.P. Morgan Securities Ltd., Skandinaviska Enskilda Banken AB and Nordea Bank AB (each a "**Joint Lead Manager**" and together, the "**Joint Lead Managers**"), on behalf of themselves and the other several underwriters, have severally agreed, subject to certain conditions, to subscribe for, or to procure subscribers for, any remaining New Shares (the "**Remaining Underwritten Shares**").

No Subscription Rights, paid subscription shares (*betalda tecknade aktier*; "**BTAs**") or New Shares (including the Remaining Underwritten Shares, if any) have been, or will be, registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold (i) within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act, or (ii) outside the United States, except in offshore transactions in reliance on Regulation S under the U.S. Securities Act. In the United States, only QIBs may participate in the Rights Offering in compliance with an exemption from registration under Rule 144A or another applicable exemption under the U.S. Securities Act.

The distribution of this Offering Memorandum and the subscription for any New Shares (by exercising Subscription Rights or otherwise) may be restricted by law. Therefore, those persons into whose possession this Offering Memorandum comes, or who wish to exercise any of the Subscription Rights or otherwise subscribe for any of the New Shares, must inform themselves about and observe any such restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction. See "Plan of Distribution, Selling and Transfer Restrictions."

See "Risk Factors" beginning on page 12 for a discussion of selected risks that prospective investors should consider before investing in the New Shares.

Joint Lead Managers and Joint Bookrunners

J.P. Morgan **Nordea** **SEB Enskilda**

Co-Lead Managers

Danske Markets **DnB NOR Markets**

The date of this Offering Memorandum is 16 March 2009

CERTAIN INFORMATION WITH RESPECT TO THE OFFERING

In this Offering Memorandum, the "**Company**" and "**SAS**" refer to SAS AB and the "**Group**" refers to SAS AB and its subsidiaries, as the context may require.

The Offering Memorandum in Swedish has been prepared in compliance with the standards and requirements of the Swedish Financial Instruments Trading Act of 1991 (*lagen (1991:980) om handel med finansiella instrument*) (the "**Trading Act**"), implementing the Prospectus Directive and Commission Regulation (EC) No. 809/2004. The Offering Memorandum in Swedish has been approved and registered by the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the "**SFSA**") pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Trading Act. Approval and registration by the SFSA does not imply that the SFSA guarantees that the factual information provided in the Offering Memorandum in Swedish is correct or complete. No representation or warranty, express or implied, is made by J.P. Morgan Securities Ltd. ("**J.P. Morgan**"), Nordea Bank AB ("**Nordea**"), SEB Enskilda, Skandinaviska Enskilda Banken AB ("**SEB Enskilda**") or Skandinaviska Enskilda Banken AB ("**SEB**," and collectively with J.P. Morgan and Nordea, the "**Joint Bookrunners**"), the Joint Lead Managers, Danske Markets (Division of Danske Bank A/S) ("**Danske Markets**"), or DnB NOR Markets, an entity within DnB NOR Bank ASA, ("**DnB NOR Markets**" and collectively with the Joint Lead Managers and Danske Markets, the "**Underwriters**") as to the accuracy or completeness of information contained in this Offering Memorandum.

The Rights Offering is governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any dispute arising out of or in connection with the Rights Offering.

This Offering Memorandum has been prepared for use in connection with the Rights Offering in Swedish and English language versions. In case of any inconsistency between the Swedish and the English versions of the Offering Memorandum, the Swedish version shall prevail.

No person has been authorized to give any information or to make any representation not contained in this Offering Memorandum and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Joint Bookrunners or the other Underwriters. The delivery of this Offering Memorandum at any time does not imply that there has been no change in the Company's business or affairs since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof. In the event of any material changes to the information in this Offering Memorandum during the period from the date of announcement to the first day of trading, such changes will be announced pursuant to the rules in the Trading Act, which governs the publication of Offering Memorandum supplements.

In making an investment decision, investors must rely on their own examination of the Group and the terms of the Rights Offering, including the merits and risks involved.

The distribution of this Offering Memorandum and subscription of New Shares (through exercise of Subscription Rights or otherwise), as well as the offer or sale of the Subscription Rights, the BTAs and the New Shares in certain jurisdictions are restricted by law. No action has been or will be taken by the Company or the Underwriters to permit a public offering in any jurisdiction other than Denmark, Norway, Sweden and the United Kingdom. Persons into whose possession this Offering Memorandum may come are required by the Company and the Underwriters to inform themselves about and to observe such restrictions. This Offering Memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful. For further information with regard to restrictions on offers and sales of the Subscription Rights, the BTAs and the New Shares and the distribution of this Offering Memorandum see "Plan of Distribution, Selling and Transfer Restrictions—Selling Restrictions." This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Subscription Rights, the BTAs or the New Shares in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

None of the Company, the Joint Bookrunners or any of the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective investor in the Subscription Rights, the BTAs or the New Shares, of any such restrictions.

None of the Company, the Joint Bookrunners or any of the Underwriters or any of their respective representatives is making any representation to any offeree or purchaser of the securities offered hereby regarding the legality of an investment by such offeree or purchaser under applicable legal investment or similar laws. Each investor should consult with its own advisors as to the legal, tax, business, financial and related aspects of the subscription and the purchase of the securities.

As a condition to exercising Subscription Rights or otherwise subscribing for New Shares, each exercising holder or purchaser will be deemed to have made, or, in some cases, be required to make, certain representations and warranties that will be relied upon by the Company. See "Plan of Distribution, Selling and Transfer Restrictions—Selling Restrictions."

In connection with the Rights Offering, SEB Enskilda, or a representative or affiliate of SEB Enskilda, (in such capacity, the "**Stabilization Manager**") may effect transactions which stabilize or maintain the market price of the Shares, Subscription Rights, BTAs or New Shares at levels which might not otherwise prevail. Such transactions may be effected on any of the exchanges where the Shares are listed, in the over-the-counter market or otherwise. The Stabilization Manager is under no obligation to engage in any such stabilization measures, and such stabilization, if commenced, may be discontinued at any time without prior notice. Such stabilization measures may be carried out from the day of publication of the Offering Memorandum, up to and including 30 days following the Subscription Period, which is expected to expire on 6 May 2009. The Stabilization Manager may not stabilize (i) the Subscription Rights at a price exceeding SEK 1.29 per Subscription Right, equal to the theoretical value of a Subscription Right at the announcement of the Subscription Price or (ii) the Shares, BTAs or New Shares at a price exceeding SEK 3.92 per Share, BTA or New Share, equal to the sum of the Subscription Price and the theoretical value of a Subscription Right at the announcement of the Subscription Price (SEK 2.63 plus SEK 1.29). For a more detailed description of the stabilization activities, see "Plan of Distribution, Selling and Transfer Restrictions—Stabilization and Other Trading Activities."

NOTICES TO INVESTORS

Important Information for Investors regarding the United States

None of the Subscription Rights, the New Shares or the BTAs have been approved by the U.S. Securities and Exchange Commission ("**U.S. SEC**") or by the securities or other regulatory authority of any state or other jurisdiction in the United States, nor have any of such regulatory authorities passed upon or endorsed the merits of the Rights Offering, the Subscription Rights, the New Shares, the BTAs, or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

None of the Subscription Rights, the New Shares or the BTAs have been or will be registered under the U.S. Securities Act or with any securities authority of any state of the United States. The Subscription Rights, the New Shares and the BTAs may not be offered, sold, exercised, pledged, transferred or delivered directly or indirectly in or into the United States at any time except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable state or other securities laws of the United States.

The New Shares and the BTAs are being offered (i) in a public offering to investors in Denmark, Norway, Sweden and the United Kingdom, (ii) in the United States only to QIBs in compliance with the exemption from registration provided by Rule 144A or another applicable exemption from registration and (iii) in an offering to investors outside Denmark, Norway, Sweden, the United Kingdom and the United States in reliance on Article 3 of the Prospectus Directive and/or Regulation S under the U.S. Securities Act ("**Regulation S**"). Prospective purchasers are hereby notified that sellers of the Subscription Rights, the New Shares and the BTAs may be relying on the exemption from the registration provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For certain restrictions on resales, see "Plan of Distribution, Selling and Transfer Restrictions—Selling Restrictions."

In the United States, this Offering Memorandum is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider subscribing for the New Shares. Distribution of this Offering Memorandum to any person other than the offeree specified by the Company or Joint Bookrunners or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without prior written consent of the Company, is prohibited. Any reproduction or distribution of this Offering Memorandum in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to purchase Subscription Rights, New Shares or BTAs, or subscribe for or otherwise acquire New Shares or BTAs.

If, at any time, the Company is neither subject to Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, it will furnish, upon request, to any owner of the New Shares or the BTAs, or any prospective purchaser designated by any such owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. In such cases, the Company will also furnish to each such owner all notices of shareholders' meetings and other reports and communications that are made generally available by the Company to its shareholders.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT, NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to Investors in the European Economic Area

This Offering Memorandum has been prepared on the basis that all offers of Subscription Rights and New Shares (other than the offers contemplated in this Offering Memorandum in Denmark, Norway, Sweden and the United Kingdom, once the Offering Memorandum has been approved by the SFSA, as competent authority in Sweden, and published and passported in accordance with the Prospectus Directive, as implemented in Denmark, Norway and the United Kingdom), will be made pursuant to an exemption under the Prospectus Directive, as implemented in the member states of the European Economic Area ("**EEA**") from the requirement to produce a prospectus for offers of Subscription Rights and New Shares. Accordingly, any person making or intending to make any offer within the EEA of the Subscription Rights or New Shares should only do so in circumstances in which no obligation arises for the Company or any of the Joint Bookrunners to produce a prospectus for such offer. Neither the Company nor the Joint Bookrunners have authorized, nor do they authorize, the making of any offer of Subscription Rights or New Shares through any financial intermediary, other than offers made by the Joint Bookrunners that constitute the final placement of the Subscription Rights and the New Shares contemplated in this Offering Memorandum.

In relation to each EEA member state which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer to the public of any Subscription Rights or New Shares may not be made in that Relevant Member State (other than the offers contemplated in this Offering Memorandum in Denmark, Norway, Sweden and the United Kingdom, once the Offering Memorandum has been approved by the SFSA, as competent authority in Sweden, and published and passported in accordance with the Prospectus Directive, as implemented in Denmark, Norway and the United Kingdom), except that an offer to the public in that Relevant Member State of any of the Subscription Rights or New Shares may be made at any time under the following exemptions from the Prospectus Directive, if they have been implemented in that Relevant Member State:

1. to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
2. to any legal entity which has two or more of (A) an average of at least 250 employees during the last financial year; (B) a total balance sheet of more than EUR 43 million; and (C) an annual net turnover of more than EUR 50 million, as shown in its last annual or consolidated accounts;
3. to fewer than 100 natural or legal persons (other than qualified investors within the meaning of the Prospectus Directive) subject to obtaining the prior consent of the Company or the Joint Lead Managers for any such offer; or
4. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Subscription Rights or the New Shares shall result in a requirement for the publication by the Company or any Joint Bookrunners of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes hereof, the expression an "**offer to the public**" in relation to any of the securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Rights Offering and any securities to be offered so as to enable an investor to decide to purchase any of the securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "**Prospectus Directive**" includes any relevant implementing measure in each Relevant Member State.

Notice To Investors in France

Neither this Offering Memorandum nor any other offering material relating to the Subscription Rights, BTAs or New Shares has been prepared in the context of a public offer of securities in the Republic of France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Articles 211-1 et seq. of the General Regulations of the *Autorité des marchés financiers* and has therefore not been and will not be submitted to the clearance procedures of the *Autorité des marchés financiers* in France or notified to the *Autorité des marchés financiers* after clearance of the *Commission de Surveillance du Secteur Financier*.

The Subscription Rights, BTAs and New Shares have not been offered, sold or otherwise transferred and will not be offered, sold or otherwise transferred, directly or indirectly, to the public in the Republic of France. Neither this Offering Memorandum nor any other offering material relating to the Subscription Rights, BTAs or New Shares has been or will be (i) released, issued, distributed or caused to be released, issued or distributed to the public in the Republic of France or (ii) used in connection with any offer for subscription or sale of the Subscription Rights, BTAs or New Shares to the public in the Republic of France.

Any offers, sales or other transfers of the Subscription Rights, BTAs or New Shares in the Republic of France will be made in accordance with Article L.411-2 of the French *Code monétaire et financier* only (i) to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case, and except as otherwise stated under French laws and regulations, investing for their own account, all as defined in and in accordance with Articles L.411-2, D.411-1 to D.411-4, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier* and/or (ii) to investment services providers authorized to engage in portfolio management on a discretionary basis on behalf of third parties, or (iii) in a transaction that, in accordance with Article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and Article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers*, does not constitute a public offer (*appel public à l'épargne*), in each case in compliance with Articles L.341-1 to L.341-17 of the French *Code monétaire et financier*.

Such Subscription Rights, BTAs or New Shares may be resold directly or indirectly only in compliance with Articles L.411-1, L.411-2, L.412-1, L.621-8 through L.621-8-3 and L.341-1 to L.341-17 of the French *Code monétaire et financier*.

Notice to Investors in Switzerland

This Offering Memorandum does not constitute a public offering prospectus as that term is understood pursuant to article 652a or 1156 of the Swiss Code of Obligations. This document may not be issued, circulated or distributed or otherwise made publicly available in or from Switzerland and is not intended as an offer or solicitation with respect to the purchase or sale of the New Shares by the public.

Notice to Investors in the People's Republic of China

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, the "**PRC**") to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The Company and the Underwriters do not represent that this Offering Memorandum may be lawfully distributed, or that any Subscription Rights, BTAs or New Shares may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company or the Underwriters that would permit a public offering of any Subscription Rights, BTAs or New Shares or distribution of this Offering Memorandum in the PRC. Accordingly, the Subscription Rights, BTAs and New Shares are not being offered or sold within the PRC by means of this Offering Memorandum or any other document. Neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

Notice to Investors in Singapore

Offer to holders of existing ordinary shares in Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Subscription Rights, BTAs and New Shares may not be circulated or distributed, nor may Subscription Rights, BTAs or New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to a holder of existing ordinary shares pursuant to Section 273(1)(cd) of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") or (ii) otherwise pursuant to, and in accordance with, the conditions of an exemption under any provision of Subdivision (4) of Division 1 of Part XIII of the SFA.

Offer to institutional investors and sophisticated investors in Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Subscription Rights, BTAs and New Shares may not be circulated or distributed, nor may Subscription Rights, BTAs or New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Subscription Rights, BTAs or New Shares are subscribed or purchased under Section 275 of the SFA by a relevant person that is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Subscription Rights, BTAs or New Shares pursuant to an offer made under Section 275 except:

(1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than SGD $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

Notice to Investors in the United Arab Emirates

This Offering Memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Offering Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that none of the Subscription Rights, BTAs, New Shares or this Offering Memorandum have been approved by the UAE Central Bank, the UAE Ministry of Economy and Planning or any other authorities in the United Arab Emirates, nor has the placement agent, if any, received authorization or licensing from the UAE Central Bank, the UAE Ministry of Economy and Planning or any other authorities in the United Arab Emirates to market or sell the Subscription Rights, BTAs or New Shares within the United Arab Emirates. No marketing of the Subscription Rights, BTAs or New Shares has been or will be made from within the United Arab Emirates and no subscription for the Subscription Rights, BTAs or New Shares may or will be consummated within the United Arab Emirates. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment adviser under the laws applicable in the United Arab Emirates, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The interests in the Subscription Rights, BTAs and New Shares may not be offered or sold, directly or indirectly, to the public in the United Arab Emirates. This does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum, including certain statements set forth under the headings "Summary," "Risk Factors," "Business Overview," "Regulatory Framework," "Operating and Financial Review in Summary," "Operating and Financial Review," and "Dividends and Dividend Policy" are based on the beliefs of the Group's management ("**Group Management**"), as well as assumptions made by and information currently available to Group Management, and such statements may constitute forward-looking statements. These forward-looking statements (other than statements of historical fact) regarding the Group's future results of operations, financial condition, cash flows, business strategy, plans and objectives of Group Management for future operations can generally be identified by terminology such as "targets," "believes," "expects," "aims," "intends," "plans," "seeks," "will," "may," "anticipates," "would," "could," "continues" or similar expressions or the negatives thereof.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Group's actual results, performance or achievements or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others:

- changes in general economic and business conditions and financial markets;
- terrorist attacks, military conflicts and pandemic diseases;
- jet fuel price increases;
- strikes or other labor conflicts;
- competitive actions taken by other airlines and other transportation operators, including low-cost carriers;
- exchange rate fluctuations;
- the success of the Group's strategic alliances;
- further consolidation in the airline industry;
- changes in the Group's business strategy or development plans;
- changes in the regulatory environment;
- changes in the Group's credit ratings;
- the outcome of pending litigation/investigations;
- other factors that are discussed in more detail under "Risk Factors" in this Offering Memorandum; and
- factors that are not known to the Group at this time.

Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, the Group's actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected. The Company urges investors to read the sections of this Offering Memorandum entitled "Risk Factors," "Business Overview" and "Operating and Financial Review" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates.

The Company does not intend, and does not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

ENFORCEMENT OF CIVIL LIABILITIES AND SERVICE OF PROCESS

The Company is organized under the laws of Sweden. All members of the Board of Directors and the Company's management are non-residents of the United States. All or a substantial portion of the Group's assets and the assets of other such non-resident persons are located outside the United States. As a result, it may not be possible for investors to effect service of process upon the Group or such persons or to enforce against the Group or them in a U.S. court a judgment obtained in such courts.

Original actions, or actions for the enforcement of judgments of a U.S. court, relating to the civil liability provisions of the federal or state securities laws of the United States are not directly enforceable in Sweden.

The United States and Sweden do not have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Accordingly, a final judgment for the payment of money rendered by a U.S. court based on civil liability will not be directly enforceable in Sweden. However, if the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Sweden, that party may submit to the Swedish court the final judgment that has been rendered in the United States. A judgment by a federal or state court in the United States against the Company or the Group will neither be recognized nor enforced by a Swedish court, but such judgment may serve as evidence in a similar action in a Swedish court.

PRESENTATION OF FINANCIAL INFORMATION AND CERTAIN OTHER INFORMATION

Financial Information

This Offering Memorandum contains audited consolidated financial statements for the Group as of, and for the years ended, 31 December 2006, 2007 and 2008, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the EU. The consolidated financial statements included in this Offering Memorandum are translations of the original Swedish language documents.

The Group's consolidated income statements included in this Offering Memorandum have been restated on a comparable basis for the periods presented to reflect divestitures that were classified as discontinued operations. The assets and liabilities associated with these entities were classified as "assets held for sale" and "liabilities attributable to assets held for sale," respectively, on the date on which the criteria to classify these assets as "assets held for sale" were met.

Historically, the Group has presented financial information with respect to its revenues by the geographic markets in which the Group operates. Traffic revenue from domestic service in Denmark, Norway and Sweden is allocated to the "domestic" geographic market. Traffic between Denmark, Norway and Sweden is allocated to the "intra-Scandinavian" geographic market. All other traffic revenue is allocated to the geographic market where the destination is located. In February 2009, the Company's Board of Directors approved a renewed strategic approach known as "Core SAS," aimed at focusing and reorganizing the Group's business operations. One goal of Core SAS is to focus on the Group's Nordic home market, which the Group defines as Denmark, Norway, Sweden and Finland. While Finland is included in the Group's home market for purposes of its business strategy, the presentation of the Group's revenues by geographic market includes Finland as part of the "European" geographic market.

The Group has included certain financial measures in this Offering Memorandum that are not determined in accordance with IFRS or any other generally accepted accounting principles. These measures, which are defined in this Offering Memorandum (see "Glossary"), include EBITDAR (before impairments), adjusted EBITDAR, adjusted EBT, adjusted EBIT (in relation to the Group's business segments), adjusted debt/equity ratio and CFROI. These measures are not uniformly or legally defined measures and are not recognized under IFRS or any other generally accepted accounting principles and should not be considered as alternatives to net income (loss), operating income or any other performance measures derived in accordance with IFRS. Group Management believes that these measures provide a clearer picture of results, on either the Group or business segment level, generated by its core operating activities, thus enabling Group Management to evaluate relevant trends more meaningfully when considered in conjunction with (but not in lieu of) other measures that are calculated in accordance with IFRS. Specifically, Group Management finds that EBITDAR (before impairments) is a useful measure of the Group's operating performance, as it believes an airline with more operating leases is not readily comparable with an airline with more purchased aircraft and therefore higher depreciation and potentially higher financial costs. Further, the Group believes that adjusted EBITDAR, which excludes certain items that Group Management believes are non-recurring, is a useful measure to analyze the Group's operating performance without the effects of these non-recurring items. For example, EBITDAR (before impairments):

- excludes certain tax payments that may represent a reduction in cash available to the Group;
- does not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- does not reflect any impairments of assets, such as goodwill, in the Group's affiliates and subsidiaries;
- does not reflect changes in, or cash requirements for, the Group's working capital needs; and
- does not reflect the significant financial expense, or the cash requirements necessary to service interest payments, on the Group's debts.

Adjusted EBITDAR also excludes the impact of charges resulting from items that the Group considers not be indicative of the Group's operations. In calculating adjusted EBITDAR and adjusted EBT, the Group adds back certain extraordinary and non-recurring charges that Group Management does not believe are reflective of the Group's underlying operations. These include, but are not limited to:

- restructuring costs incurred to realize future cost savings;
- the effects of the Q400 incidents (as described in this Offering Memorandum);
- the effects of strike activity by the Group's employees; and
- the effects of certain airline cooperation agreements that the Group does not believe are ordinary course transactions.

Group Management believes that CFROI (cash flow return on investment) is a useful measure of the Group's operating performance, as it believes an airline with more operating leases and off-balance sheet arrangements is not readily comparable with an airline with more purchased aircraft and fewer off-balance sheet arrangements. The Group therefore presents CFROI as a comparability measure to evaluate the results of the Group, which has a high number of operating leases and off-balance sheet arrangements, with the results of other airlines that have more purchased aircraft and fewer off-balance sheet arrangements.

Certain numerical information and other amounts and percentages presented in this Offering Memorandum may not sum due to rounding. In addition, certain figures in this document have been rounded to the nearest whole number.

Unaudited Operating Information

Unaudited operating information in relation to the business of the Group is derived from internal reporting systems. The Group's unaudited operating information presented in this Offering Memorandum does not include the operating information for discontinued operations, such as the operating information in relation to airBaltic Corporation A/S ("**airBaltic**") and Spanair S.A. ("**Spanair**"), unless otherwise indicated.

Industry and Market Data

This Offering Memorandum contains information from third parties in the form of industry and market data as well as statistics and calculations derived from industry reports and studies, market research reports, publicly available information and commercial publications.

Certain market share information and other statements in this Offering Memorandum regarding the airline industry and the position of the Group relative to its competitors are not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect the Company's best estimates based upon information obtained from trade and business organizations and associations and other contacts within the industry in which it competes, as well as information published by its competitors. The Company believes that such data are useful in helping investors understand the industry in which the Group operates and the Group's position within the industry. However, the Company does not have access to the facts and assumptions underlying the numerical data, market data and other information extracted from publicly available sources and has not independently verified market data provided by third parties or industry or general publications. In addition, while the Company believes its internal research to be reliable, such research has not been verified by any independent sources and the Company cannot guarantee its accuracy.

Two types of market share data are presented in this Offering Memorandum: market share data specific to certain countries and market share data relating to intercontinental flights. The country specific market share information in this Offering Memorandum is based on passenger-segments, which reflect the total number of passengers multiplied by the total number of segments (i.e., one take-off and landing) such passengers flew. The passenger-segments for a particular country represent the total number of passenger-segments for flights that depart or arrive from airports in the relevant country, including all domestic, European and intercontinental passengers. For each market share presented in this Offering Memorandum that is specific to a particular country, the Group has estimated its, or the relevant airline's, approximate share of the total passenger-segments for that particular country. The Group's estimates with respect to the total passenger-segments for specific countries are based on published statistical information obtained from independent third parties. Total passenger-segment information is based on Luftfartsverket (www.lfv.se) in Sweden, Avinor (www.avinor.no) in Norway, Statens Luftfartsvæsen (www.slv.dk) in Denmark and Finavia (www.finavia.fi) in Finland. Market shares with respect to intercontinental flights are based on the total ASK of scheduled flights between Scandinavia, on the one hand, and North America and Asia, on the other. The Company's source for the total ASK of scheduled flights operated by other airlines is APG Dat (www.airlineplanning.com). For the intercontinental market shares presented in this Offering Memorandum, the Company has estimated its approximate share of the total ASK of such scheduled intercontinental flights.

Neither the Company nor the Joint Bookrunners assume responsibility for the correctness of any market share or industry data included in this Offering Memorandum. The Company confirms that the information provided by third parties has been accurately reproduced. So far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Certain Terms Used

In this Offering Memorandum,

- "SEK" refers to the Swedish krona, the lawful currency of Sweden;
- "NOK" refers to the Norwegian krone, the lawful currency of Norway;
- "DKK refers to the Danish krone, the lawful currency of Denmark;
- "Euro," "EUR" or "€" refer to the Euro, the lawful currency of the participating member states in the Third Stage of the European and Monetary Union of the Treaty Establishing the European Community;
- "U.S. Dollar," "USD" or "$" refer to the United States Dollar, the lawful currency of the United States of America;
- "LVL" refers to the Latvian Lats, the lawful currency of Latvia;
- the "European Union" or "EU" refers to the members states of the European Union;
- the "European Economic Area" or "EEA" refers to the European Union, Iceland, Liechtenstein and Norway;
- the "Nordic countries" or the "Nordic region" refers to Denmark, Norway, Sweden and Finland, and **excludes** Iceland;
- "Scandinavia" refers to Denmark, Norway and Sweden; and
- "North America" refers to the United States and Canada.

For the definitions of certain other terms used in this Offering Memorandum, see "Glossary."

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SUMMARY

This summary should be understood as an introduction to the Offering Memorandum, and highlights information presented in greater detail elsewhere in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the New Shares. You should carefully read this entire Offering Memorandum before investing, including "Risk Factors," "Business Overview" and the historical financial statements. Every decision to exercise Subscription Rights or to invest in the New Shares should be based on an assessment of the entire Offering Memorandum. See "Operating and Financial Review" for information regarding the financial statements, exchange rates and other matters. An investor who commences judicial proceedings as a result of the information included in this Offering Memorandum may be compelled to pay for a translation of the Offering Memorandum in the relevant jurisdiction of such proceedings. A person may be liable for information that is included in, or omitted from, this summary or a translation thereof only where this summary note or a translation thereof is misleading or erroneous in relation to the other parts of the Offering Memorandum.

Overview

The Group's core business is operating passenger flights on an extensive Nordic, European and intercontinental route network. During 2008, the Group employed an average of 20,496 full time employees, operated an average of 1,167 daily departures and offered scheduled and chartered passenger flight services to 176 destinations in the Nordic region, the rest of Europe, North America and Asia. During 2008, the Group generated total revenues of SEK 53,195 million and carried approximately 29 million passengers.

The Group is a member of the Star Alliance, which is the cornerstone of the Group's global partner and network strategy, offering the Group's customers reliable travel products and services worldwide. The Star Alliance is the largest airline alliance in the world with 24 member airlines, which operate more than 16,500 daily flights to 912 destinations in 159 countries (Source: www.staralliance.com).

In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network. The Group currently provides cargo services to destinations in the Nordic region, the rest of Europe, North America and Asia. The majority of its cargo revenues are derived from utilizing the cargo holds of aircraft on the Group's passenger flights to transport merchandise, spare parts and other goods for a wide customer base that includes Scandinavian corporations and other third parties. The Group's other aviation services are primarily used by the Group's airlines and include ground handling services for passengers, baggage and aircraft, maintenance, repair and other airport-related services.

To increase the Group's profitability, in response to the current economic downturn and internal challenges, the Group has launched a renewed strategic approach ("**Core SAS**"), which is expected to be implemented from 2009 through 2011. Core SAS is aimed at focusing and reorganizing the Group's business operations and sets out the following five strategies:

- Focus on the Nordic home market;
- Focus on business travelers and a strengthened commercial offering;
- Improve the Group's cost base;
- Streamline the Group's organization; and
- Strengthen the Group's capital structure.

See "Business Overview—Core SAS" for a detailed description of Core SAS, the measures the Group expects to take to implement Core SAS and the Group's estimates of the effects of Core SAS on its business, results of operations and financial condition.

Key Competitive Strengths

- Attractive home market
- Strong market position
- Reliable operational platform and profitable core operations

- Comprehensive commercial offering
- Flexible fleet structure
- History of implementing operational changes

Background and Reasons

Background

Between 2005 and 2007, the European airline industry benefited from a strong overall economic environment. During that period, demand for air travel within Europe and between Europe and intercontinental destinations demonstrated strong growth, and a number of existing carriers increased their capacity significantly on such routes. Despite this capacity expansion, increasing demand outpaced the capacity growth of the airline industry.

In 2008, however, market conditions for airlines deteriorated markedly, and the year was probably one of the most challenging and turbulent years in the history of the airline industry. Airlines faced record high fuel prices, particularly during the first half of 2008, and declining passenger demand in the second half of 2008, impacting yields and load factors, which have led to a significant decrease in profitability throughout the airline industry.

The Group has also faced a number of internal challenges, such as a significantly higher cost base compared to its local low cost competitors, losses in non-core operations and adverse non-recurring events. Since 2002, the Group has introduced a number of initiatives to reduce its cost base. Despite these programs, however, the Group still has a higher cost base than its local low cost competitors, and the Group has generated significant losses in non-core operations that have recently been sold or are to be sold. The Group has also suffered from strikes and Q400 groundings, which have resulted in significant costs for the Group in recent years. In combination, the above items have hampered the profitability of the Group.

Reasons

In response to the current global operating environment and internal challenges, and with the aim of strengthening the Group's long term position as a competitive and profitable airline, Group Management and Board of Directors have decided on a renewed strategic approach for the Group, which was announced on 3 February 2009. Core SAS is intended to provide the key elements necessary to develop a competitive SAS by creating a Group that generates long-term value for shareholders and pro-actively addresses the current industry dynamics, internal challenges and the global recessionary environment. In connection with Core SAS, the Board of Directors has resolved to raise approximately SEK 6 billion through the Rights Offering.

Use of Proceeds

The gross proceeds of the Rights Offering are expected to be not more than approximately SEK 6 billion, and not more than approximately SEK 5.8 billion after deducting expenses of approximately SEK 230 million. The Group intends to use the net proceeds of the Rights Offering to strengthen its capital structure and to facilitate the implementation of Core SAS, including the payment of restructuring costs incurred in carrying out reorganization and cost reduction measures in accordance with Core SAS.

Risk Factors

Risks related to the Airline Industry

- The demand for air travel, the Group's profitability and its ability to finance its operations have been and may continue to be adversely affected by the economic downturn in both the global and local markets.
- Demand for airline travel and the Group's business is subject to strong seasonal variations.
- The Group operates in a highly competitive industry.
- Overcapacity in the airline industry may continue or increase in the future.
- The Group is exposed to risks associated with the price and availability of jet fuel.
- Airlines have high levels of fixed costs, including a significant amount of fixed obligations.

- The airline industry has experienced, and may continue to experience, consolidation.
- Airlines are dependent on access to suitable airports, and on such airports meeting the operational needs of the industry.
- Airlines are exposed to the risk of losses from air crashes and similar disasters, design defects and operational malfunctions.
- Epidemics and pandemics can adversely affect the demand for air travel.
- Airline insurance may become too difficult or expensive to obtain, which could expose the Group to substantial loss and may have a material adverse effect on the Group's business, financial condition and results of operations.
- The adoption of new regional, national and international regulations, or the revision of existing regulations, could have a material adverse effect on the Group's business, financial condition and results of operations.
- Environmental laws and regulations including, but not limited to, restrictions regarding noise pollution and greenhouse gas emissions, could adversely affect the Group.
- Terrorist attacks and military conflicts or the threat of such attacks or conflicts, as well as their aftermath, have had a materially adverse effect on the Group's business and may do so again.
- The airline industry is subject to extensive taxes, aviation and license fees, charges and surcharges, which can affect demand.
- Airlines are subject to operational disruptions and interruptions.

Risks related to the Group

- The Group may not be able to meet the targets and projections set out in Core SAS. If the Group fails in meeting these objectives or Core SAS is otherwise unsuccessful, the Group's business, financial condition and results of operations could be materially adversely affected.
- The profitability and value of the Group's subsidiaries and holdings in affiliates may be adversely affected by a protracted market decline, making it harder or impossible to carry out divestitures and, in connection with such divestitures, the Group may undertake continuing obligations following such divestitures, which could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects if they materialize.
- The Group has a history of reported losses, and the Group's future profitability and financial condition depend on the successful implementation of Core SAS.
- The Group depends on the Scandinavian markets for a significant portion of its revenue. The economic slowdown in these markets has had, and will continue to have, a material adverse effect on the Group's business, financial condition and results of operations.
- The Group's debt levels could have significant effects on the Group's operations and liquidity, and may make the Group more vulnerable to adverse economic and competitive conditions.
- Any default of the obligations under, or breach of the financial covenants in, the Group's loan agreements would have a material adverse effect on the Group's business, financial condition and results of operations.
- Credit rating downgrades could have a material adverse effect on the Group's liquidity and the Group's cost of funds.
- The Principal Shareholders, the Group's largest shareholders, have the ability to exert significant influence over the Group's actions.
- Labor disruptions could adversely affect the Group's operations.
- The Group is dependent on attracting and retaining qualified personnel at reasonable cost.
- The Group is exposed to currency exchange rate risk.

- The Group is exposed to interest rate risk.
- The Group faces risks relating to adverse developments affecting the Group's strategic alliances and cooperation agreements with partner airlines.
- The Group is involved in litigation and arbitration proceedings.
- The Group is exposed to tax related risks.
- The Group's pension obligations may exceed the reserves that have been created for these obligations, and changes in accounting standards could have a material impact on the Group's pension obligations.
- The Group faces risks associated with losses from counterparties in certain financial and other transactions.
- The Group is dependent on travel agents, air traffic control, IT service providers, maintenance support, ground services and various other third party service providers.
- A significant failure of, or disruption relating to, the Group's computer systems could adversely affect the Group's business, financial condition, and results of operations.

Risks relating to the Rights Offering and the Shares

- Should the Company not remain substantially owned and effectively controlled by Scandinavian states, citizens, and/or corporations, the Group could be adversely affected and non-Scandinavian shareholders could be diluted or forced to sell their shares.
- The market price of the Shares and Subscription Rights may be adversely affected if the Company's largest shareholders, or other shareholders, sell substantial amounts of Shares or if the Company issues additional Shares, or by the perception that such sales or issuances could occur.
- The Company cannot guarantee that trading in the Subscription Rights will develop or that sufficient liquidity will exist.
- Shareholders who do not respond to the Rights Offering on or before the expiration date of the Subscription Period will lose their Subscription Rights to subscribe for New Shares at the Subscription Price.
- Shareholders who do not exercise their Subscription Rights face dilution.
- The market price of the Shares or Subscription Rights may be volatile.
- The Company can give no assurance of a successful completion of the Rights Offering for a minimum amount of SEK 6 billion.
- Since its incorporation in 2001, the Company has not declared a dividend, and the Company's ability to declare a dividend in the future is dependent on a variety of factors.

For more information about these and other risks, see "Risk Factors."

Miscellaneous

The Company's Board of Directors, excluding employee representatives, consists of Fritz H. Schur (Chairman), Jacob Wallenberg (Vice Chairman), Jens Erik Christensen, Berit Kjøll, Dag Mejdell, Timo Peltola and Anitra Steen. The Group's executive management consists of Mats Jansson (President and CEO), John S. Dueholm (Deputy President and CEO), Mats Lönnqvist (Deputy President and CFO), Benny Zakrisson (Executive Vice President, SAS Individual Holdings) and Mats Lönnkvist (Senior Vice President and General Counsel). See "Board of Directors, Group Management and Auditor."

The Group's principal executive office is located at Frösundaviks Allé 1, Solna, SE-195 87 Stockholm, and its telephone number is +46 8 797 0000.

SUMMARY OF THE RIGHTS OFFERING AND THE NEW SHARES

The Rights Offering	Shareholders who on the Record Date are registered as shareholders of the Company are invited to subscribe for not more than 2,303,000,000 New Shares.
Record Date	18 March 2009.
Subscription Rights	Entitled shareholders will receive 14 Subscription Rights for each existing Share held on the Record Date. One Subscription Right entitles the holder to subscribe for one New Share.
Subscription Price	SEK 2.63 per New Share.
Subscription for and allotment of New Shares without Subscription Rights	New Shares that are not subscribed for on the basis of Subscription Rights will be offered to investors who have subscribed for New Shares by exercising Subscription Rights. Any remaining New Shares will primarily be allotted to shareholders and others who have indicated their interest to subscribe for New Shares without Subscription Rights and, secondarily, to the Underwriters.
Payment	Payment for the New Shares shall be effected pursuant to the terms of this Offering Memorandum and amount to SEK 2.63 per New Share (or, when applicable, the amount in DKK or NOK, as the case may be, which equals SEK 2.63 as per the day of translation stipulated in this Offering Memorandum, see "Terms and Conditions").
Underwriters	The Company has entered into an underwriting agreement with the Underwriters, pursuant to which the Underwriters have agreed, subject to certain conditions, to subscribe for, or to procure subscribers for, in aggregate up to 42.4% of the New Shares, to the extent these are not subscribed for by shareholders or others.
Subscription Period	23 March – 6 April 2009.
Trading in Subscription Rights	23 March – 1 April 2009.
Delivery of New Shares	After payment for the New Shares, BTAs (*betalda tecknade aktier*) will be registered in Sweden and Denmark on the subscriber's account. No BTAs will be registered in Norway. Once the New Shares have been registered with the Swedish Companies Registration Office, they will be delivered to the subscribers (in Sweden and Denmark, by conversion of BTAs into Shares). Registration with the Swedish Companies Registration Office of New Shares subscribed for by the exercise of Subscription Rights is expected to take place on or around 20 April 2009. New Shares subscribed for without Subscription Rights are expected to be registered with the Swedish Companies Registration Office on or around 4 May 2009.
Listing and admission to trade	Subscription Rights will be traded on NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen and Oslo Børs, respectively. BTAs will be traded on NASDAQ OMX Stockholm and NASDAQ OMX Copenhagen.

The Company will apply for listing of the New Shares on NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen and Oslo Børs, respectively, upon registration of the New Shares with the Swedish Companies Registration Office.

Trading symbols ....

	NASDAQ OMX Stockholm / Copenhagen	Oslo Børs
Shares:	SAS	SAS NOK
Subscription Rights:	SAS TR	SAS TR NOK
BTA 1:	SAS BTA 1	-
BTA 2:	SAS BTA 2	-

ISIN codes ....

Shares:	SE0000805574
Subscription Rights:	SE0002801191
BTA 1:	SE0002801209
BTA 2:	SE0002801217

SUMMARY OF CONSOLIDATED FINANCIAL DATA

*The summary consolidated financial data of the Group is derived from the Group's consolidated financial statements which are included elsewhere in this Offering Memorandum as of and for the twelve months ended 31 December 2006, 2007 and 2008. The Group's consolidated income statements have been restated on a comparable basis for the periods under review to reflect divestitures that were classified as discontinued operations. The assets and liabilities associated with these entities were classified as "assets held for sale" and "liabilities attributable to assets held for sale," respectively, on the date on which the criteria to classify these assets as "assets held for sale" were met. This summary financial data should be read in conjunction with the consolidated financial statements as well as the "Operating and Financial Review" section of this Offering Memorandum. The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, ("**IFRS**"). See "Glossary" for definitions and concepts of terms set out in the tables below.*

Financial Information

	Year ended 31 December		
	2006	**2007**	**2008**
	(SEK millions)		
Income Statement Data:			
Revenue	48,952	50,598	53,195
Payroll expenses	(15,916)	(16,897)	(18,153)
Other operating expenses	(28,143)	(28,682)	(31,791)
Leasing costs for aircraft	(2,350)	(2,342)	(2,282)
Depreciation, amortization and impairment	(1,740)	(1,457)	(1,591)
Share of income in affiliated companies	111	32	(147)
Income from the sale of aircraft and buildings	76	41	4
Operating income	990	1,293	(765)
Other gains and losses	(46)	5	—
Financial income	587	787	654
Financial expense	(1,362)	(1,041)	(933)
Income before tax	169	1,044	(1,044)
Tax	26	(273)	28
Net income for the year from continuing operations	195	771	(1,016)
Income from discontinued operations	4,545	(135)	(5,305)
Net income for the year	4,740	636	(6,321)
Minority interest	118	(1)	(57)
Per Share Data:			
Earnings per share (SEK)	28.10	3.87	(38.08)
Earnings per share from continuing operations (SEK)	1.19	4.69	(6.18)
Cash Flow Data:			
Cash flow from operating activities	2,102	2,866	(2,651)
Cash flow from investing activities	7,485	(213)	(2,913)
Cash flow from financing activities	(7,438)	(4,492)	2,480
Net (decrease) / increase in cash and cash equivalents	2,149	(1,839)	(3,084)
Balance Sheet Data at period end:			
Total non-current assets	31,189	26,663	26,840
Total current assets	19,975	22,107	16,524
Total assets	51,164	48,770	43,364
Total short-term receivables	8,176	6,168	6,000
Assets held for sale	—	6,198	3,921
Total long-term liabilities	17,847	11,274	17,790
Total current liabilities	16,929	20,347	16,892
Liabilities attributable to assets held for sale	—	5,323	2,465
Total shareholders' equity attributable to parent company owners	16,366	17,130	8,682
Minority interest	22	19	—
Total shareholders' equity	16,388	17,149	8,682

Key Financial Ratios and Data

	As of, and for the year ended, 31 December		
	2006	**2007**	**2008**
		(unaudited)	
Change in revenues year-on-year (%)	*n/a*	*3.4*	*5.1*
EBITDAR (before impairments) (SEK millions) (1)	4,893	5,019	3,251
Adjusted EBITDAR (SEK millions) (2)	6,065	6,819	4,442
Adjusted EBITDAR margin (%) (3)	*12.4*	*13.4*	*8.3*
EBT (SEK millions)	169	1,044	(1,044)
Adjusted EBT (SEK millions) (4)	1,388	2,798	155
Adjusted EBT margin (%) (5)	*2.8*	*5.4*	*0.3*
CFROI (%) (6)	15	14	5
Equity/assets ratio (%) (7)	*32*	*35*	*20*
Adjusted debt/equity ratio (8)	1.68	0.92	2.59
Financial preparedness (as a % of revenues) (9)	*32*	*29*	*17*
Investments relating to continuing operations (SEK millions) (10)	1,791	2,464	4,172

(1) **EBITDAR is generally defined as earnings before interest, taxes, depreciation, amortization and rental expense. The Group defines EBITDAR (before impairments) as net income for the year before net financial items, tax (expense)/benefit, depreciation and amortization, leasing costs for aircraft, share of income/(loss) in affiliated companies, sale of aircraft and buildings, and other gains/losses, adjusted for impairments of assets.**

Group Management considers EBITDAR (before impairments) to be a useful measure of the Group's operating performance, as it believes an airline with more operating leases is not readily comparable with an airline with more purchased aircraft and therefore higher depreciation and potentially higher financial costs. EBITDAR (before impairments) is not determined in accordance with IFRS or any other generally accepted accounting principles, and should not be considered in lieu of measures determined in accordance with IFRS. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures. See "Presentation of Financial Information and Certain Other Information." See note 2 below for the calculation of EBITDAR (before impairments) for the periods indicated.

(2) **Adjusted EBITDAR is defined as EBITDAR (before impairments) adjusted to add back items that management has determined to be non-recurring or unusual in nature.**

The Group believes that adjusted EBITDAR, which excludes certain items that Group Management believes are unusual or non-recurring, is a useful measure to analyze the Group's operating performance without the effects of these unusual or non-recurring items. Adjusted EBITDAR is not determined in accordance with IFRS or any other generally accepted accounting principles, and should not be considered in lieu of measures determined in accordance with IFRS. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures. See "Presentation of Financial Information and Certain Other Information."

EBITDAR (before impairments) and adjusted EBITDAR for the Group are calculated as follows for the periods indicated:

	Year ended 31 December		
	2006	**2007**	**2008**
	(SEK millions)		
Net income (loss) for the year from continuing operations	195	771	(1,016)
Net financial items (a)	775	254	279
Tax expense/(benefit)	(26)	273	(28)
Depreciation and amortization	1,689	1,457	1,579
Leasing cost	2,350	2,342	2,282
Share of (income) / loss in affiliated companies	(137)	(32)	147
Sale of aircraft and buildings	(76)	(41)	(4)
Other gains/losses	(3)	(5)	—
Impairments of assets (b)	126	—	12
EBITDAR (before impairments)	4,893	5,019	3,251
Adjustments:			
Effects of ECA and joint venture with Lufthansa (c)	310	652	100
Estimated effects of Q400 incidents (d)	—	700	450
Restructuring charges (e)	328	216	284
Estimated effects of strikes (f)	350	212	—
Litigation costs (g)	100	—	357
Other non-recurring items	84	20	—
Adjusted EBITDAR	6,065	6,819	4,442

(a) Represents financial income and expenses.

(b) Impairments of assets include impairment of intangible and tangible fixed assets, investments in affiliates, and other holdings of securities. These amounts are included in depreciation, amortization and impairment, share of income / (loss) in affiliated companies, and other gains and losses, respectively, in the Group's consolidated income statement.

(c) Reflects the Group's share of profits from the joint venture agreement with Lufthansa and the Group's share of bmi's losses on routes to and from the United Kingdom and Scandinavia and Germany during the periods indicated under the ECA. Pursuant to the ECA, the profits and losses on these routes were allocated to the Company, Lufthansa and bmi on a 45%, 45% and 10% basis, respectively. The ECA expired in 2007. These amounts are added back as the Group does not believe these agreements are consistent with the Group's other similar agreements and as such are not reflective of the Group's operating performance.

(d) This represents estimates of the effect on revenue and increased costs associated with the Q400 incidents. These were calculated by adding the estimated negative effect on revenue of SEK 370 million in 2007 and the estimated positive effect on revenue of SEK 50 million in 2008, and estimated incremental costs of SEK 330 million in 2007 and SEK 800 million in 2008, associated primarily with the entry into wet leases of aircraft to replace the grounded Q400 aircraft. Wet lease costs amounted to SEK 180 million in 2007 and SEK 710 million in 2008. The Group estimated the effects of the Q400 incidents based on loss of revenue due to cancelled flights and forecasted revenues based on revenues during comparable periods in prior years, taking into account, among other things, traffic estimates, macroeconomic factors and competition trends. Estimated losses in 2008 were partially offset by a payment of approximately SEK 350 million received as compensation from Bombardier, the manufacturer of the Q400 aircraft.

(e) Restructuring charges primarily represent expenses related to severance payments made to employees. In 2006, restructuring costs also included SEK 70 million relating to the closure of facilities no longer used in operations.

(f) During 2006 and 2007, the Group was impacted by various strikes by union employees in Denmark and Sweden. The figures in the above table represent the estimated negative impact on revenue associated with these strikes and the incremental costs incurred as a result of these strikes, offset in part by any compensation received in relation to the strikes. The Group estimated the effects of strike activity based on loss of revenue due to cancelled flights and forecasted revenues based on revenues during comparable periods in prior years, taking into account, among other things, traffic estimates, macroeconomic factors and competition trends. Incremental costs incurred as a result of the strikes were estimated based on increased costs due to passenger claims, alternative transportation arrangements for displaced passengers and overtime payments for personnel at ticket offices and customer service. In 2007, the Group received SEK 300 million in compensation in relation to the strikes.

(g) Reflects legal and settlement costs associated with the investigation of cargo activities by the U.S. Department of Justice in 2006 and 2007, and includes SEK 84 million of legal costs associated with labor law issues arising from the hiring of former Braathens ground services staff in 2002.

(3) **Adjusted EBITDAR margin is adjusted EBITDAR divided by revenue.**

(4) **Adjusted EBT is defined as income before tax adjusted for impairments of assets, sale of aircraft and building, other gains/losses and non-recurring items.**

Group Management believes this is a useful tool in assessing the underlying performance of the business. The Group makes adjustments to income before tax as Group Management does not believe these items reflect the true nature of the business on a continuing basis and/or these line items are either non-recurring or unusual in nature. The Group has chosen to make these adjustments to provide a clearer picture of the performance of the Group's underlying business operations and generate a metric that will provide greater comparability over time. Adjusted EBT is not a measure determined in accordance with IFRS and should not be considered as an alternative to income before tax. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures.

Adjusted EBT for the Group is calculated as follows for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
	(SEK millions)		
Income before tax	169	1,044	(1,044)
Adjustments: (a)			
Impairments of assets (b)	126	—	12
Sale of aircraft and buildings	(76)	(41)	(4)
Other gains/losses	(3)	(5)	—
Effects of ECA and joint venture with Lufthansa	310	652	100
Estimated effects of Q400 incidents	—	700	450
Restructuring charges	328	216	284
Estimated effects of strikes	350	212	—
Litigation costs	100	—	357
Other non-recurring items	84	20	—
Adjusted EBT	1,388	2,798	155

(a) See description of adjustments in the above reconciliation of adjusted EBITDAR.

(b) Impairments of assets include impairment of intangible and tangible fixed assets, investments in affiliates, and other holdings of securities. These amounts are included in depreciation, amortization and impairment, share of income / (loss) in affiliated companies, and other gains and losses, respectively, in the Group's consolidated income statement.

(5) **Adjusted EBT margin is adjusted EBT divided by revenue.**

(6) **CFROI (cash flow return on investment) is adjusted EBITDAR in relation to asset value (adjusted capital employed) calculated as the book value of shareholders' equity, plus minority interest, 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. This measure may 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 non-interest bearing liabilities and interest-bearing assets, excluding net pension funds.**

Group Management believes that CFROI is a useful measure of the Group's operating performance, as it believes an airline with more operating leases and off-balance sheet arrangements is not readily comparable with an airline with more purchased aircraft and fewer off-balance sheet arrangements. The Group therefore presents CFROI as a comparability measure to evaluate the results of the Group, which has a high number of operating leases and off-balance sheet arrangements, with the results of other airlines that have more purchased aircraft and fewer off-balance sheet arrangements. CFROI is not a measure determined in accordance with IFRS or any other generally accepted accounting principles, and this measure should not be considered in lieu of measures determined in accordance with IFRS. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures.

(7) **Shareholders' equity (including minority interests) divided by total assets.**

(8) **Calculated by dividing financial net debt (interest-bearing liabilities minus interesting bearing assets, excluding pension fund assets) plus 7 times the net annual cost of operating leases for aircraft, by shareholders' equity (including minority interests).**

Group Management believes that this ratio is a useful measure of the Group's operating performance, as it believes an airline with more operating leases and off-balance sheet arrangements is not readily comparable with an airline with more purchased aircraft and fewer off-balance sheet arrangements. The Group therefore presents the ratio of financial net debt adjusted for operating lease costs in relation to shareholders' equity as a comparability measure to evaluate the results of the Group, which has a high number of operating leases and off-balance sheet arrangements, with the results of other airlines that have more purchased aircraft and fewer off-balance sheet arrangements. Adjusted debt/equity ratio is not a measure determined in accordance with IFRS or any other generally accepted accounting principles, and this measure should not be considered in lieu of measures determined in accordance with IFRS. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures.

(9) **Financial preparedness is comprised of cash and short-term investments, plus the total amount of unutilized credit facilities.**

(10) **See Note 37 to the consolidated financial statements included in this Offering Memorandum.**

Operating Data

	Year ended 31 December		
	2006	**2007**	**2008**
		(unaudited)	
Number of destinations served (scheduled) (1)	164	158	176
Number of flights (scheduled) (1)	552,899	423,807	427,201
Number of passengers carried (total) (thousands) (2)	30,139	30,590	30,772
Number of passengers carried (scheduled) (thousands)	28,863	29,165	29,593
ASK (total) (millions) (2)	44,353	44,446	45,779
ASK (scheduled) (millions)	40,188	40,031	42,008
RPK (total) (millions) (1), (2)	46,770	33,082	33,097
RPK (scheduled) (millions)	29,545	29,365	29,907
Passenger load factor (total) (%) (2)	*74.3*	*73.4*	*71.2*
Average passenger distance (total) (km) (1)	1,084	1,054	1,070
Average jet fuel price paid (USD/tonne)	715	781	1,020
Passenger yield (SEK) (3)	1.20	1.25	1.27
RASK (SEK) (4)	0.80	0.92	0.91

(1) Figure for 2006 includes Spanair and airBaltic.

(2) Total includes scheduled traffic, charter and ad hoc flights.

(3) Passenger revenue (scheduled) divided by RPK (scheduled).

(4) Passenger revenue (scheduled) divided by ASK (scheduled).

RISK FACTORS

Any subscription for New Shares (by exercising Subscription Rights or otherwise) involves various risks. Before subscribing for New Shares, you should consider carefully all of the information set forth in this Offering Memorandum, and in particular, the specific factors set out below. The risks and uncertainties that are described below are not the only ones the Group faces. Additional risks that the Group currently believes are immaterial may also adversely affect the Group's business, financial condition or results of operations. If any of the possible events described below occur, the Group's business, financial condition or results of operations could be materially and adversely affected. The order in which the individual risks are presented does not provide an indication of the likelihood of their occurrence nor of their relative significance. These risks should also be considered in connection with the cautionary statement regarding forward-looking information set forth on page vii of this Offering Memorandum.

Risks related to the Airline Industry

The demand for air travel, the Group's profitability and its ability to finance its operations have been and may continue to be adversely affected by the economic downturn in both the global and local markets.

General economic and industry conditions significantly affect the Group's business, financial condition and results of operations. Strong demand for air travel depends on various factors including, but not limited to, favorable general economic conditions, low unemployment levels, strong consumer confidence, and the availability of consumer and business credit. The industry tends to experience significant adverse financial results during general economic downturns. Leisure travelers often choose to reduce, delay or eliminate the volume of their air travel during difficult economic times, and businesses also tend to reduce their spending on air travel due to cost savings initiatives or as a result of decreased business activity requiring travel.

Growth in the European Union is slowing, and several EU member states are in a recession. In 2008, several airlines filed for bankruptcy, including Sterling Airlines A/S ("**Sterling Airlines**"), one of the Group's main competitors in Scandinavia, due to the considerable turmoil in the financial markets, the weak economy and overcapacity in the aviation market. The credit crisis and the related turmoil in the global financial industry has had, and will continue to have, a negative impact on the Group, the airline industry as a whole, and many economies throughout the world. Given the concentration of the Group's business in Scandinavia, a slowdown in Denmark, Norway and Sweden would affect a significant portion of its revenues. Although the economies of Denmark, Norway and Sweden do not typically develop in a synchronized manner, the slowdown in the economies of these countries has brought about, and will continue to bring about, a decrease in demand for the Group's services, which has had and could continue to have a material adverse effect on the Group's business, financial condition and results of operations. See "—Risks related to the Group—The Group depends on the Scandinavian markets for a significant portion of its revenue. The economic slowdown in these markets has had, and will continue to have, a material adverse effect on the Group's business, financial condition and results of operations."

As a result of the declines in the European and Scandinavian economies and the global economy, the overall demand for air transportation in Europe and Scandinavia has reduced. This reduction in demand and passenger volumes could result in diminishing passenger yields (i.e., passenger revenue (scheduled), divided by RPK (scheduled)), should capacity not be reduced in line with lower demand. Airlines that have firm orders for aircraft will be contractually obligated to take delivery of the aircraft even though there might be no operational need for such aircraft because of overcapacity in the market. In addition, the ability of airlines, including the Group, to finance their operations has been severely reduced over the past twelve months, diminishing their ability to react to changing economic and business conditions.

Demand for airline travel and the Group's business is subject to strong seasonal variations.

The airline industry tends to be seasonal in nature and the Group, like other airlines, has historically experienced substantial seasonal fluctuations. Generally, demand is relatively lower in the period from December to February (often meaning that the Group's first quarter earnings have been negative), and higher in the period from April to June and from September to November. Further, there is a reduced volume of business and short-haul travel in the Nordic region (the Group's key geographic market) throughout March and/or April each year associated with the Easter holidays. See "Operating and Financial Review—Factors Affecting the Group's Financial Condition and Results of Operations—Seasonal Fluctuations." Should fluctuations be greater than expected, this could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group operates in a highly competitive industry.

The airline industry is highly competitive as a result of airlines continually entering the market, the expansion of existing airlines, and the consolidation or formation of alliances between airlines. Competitive intensity varies across different routes depending on the number and nature of competitors operating on the route, the applicable regulatory environment and associated barriers to entry. Significant competitive factors include, *inter alia*, the ability of new entrants—including low cost carriers—to enter the market, prices or fare levels, the level of costs, frequency and dependability of flights, route network breadth, flight scheduling, slot availability, reputation and brand, safety record, range and quality of services provided, type and age of aircraft, and availability of aircraft.

In the Nordic region, the Group's key geographic market, the Group faces competition from, among others, Norwegian Air Shuttle, Malmö Aviation and Finnair. The number of new aircraft ordered in Northern Europe by these and other air carriers coupled with weakening demand will likely increase overcapacity, particularly should low cost carriers seek to increase capacity and market share in response to capacity reductions by other airlines, and lead to downward pressure on prices and decreasing passenger yields in the Nordic market.

On routes to and from Scandinavia and the rest of Europe, as well as on intercontinental routes, the Group's competitors include other so-called "flag" or "legacy" carriers, established commercial and charter airlines, and low-cost operators. Several of the Group's low cost carrier competitors have lower cost structures than the Group and are frequently able to offer flights at lower prices. Many of the Group's competitors on European and intercontinental routes, such as Air France-KLM and British Airways, have larger home markets, greater financial resources, and better-known brands in their home markets and globally in comparison to the Group. The Group has a lower level of intercontinental passengers, which generally produce higher margins, in comparison to its competitors. Such competitive challenges could have a material adverse effect on the Group's business, financial condition and results of operations. In addition, competition has stiffened on intercontinental routes as a result of the "open skies" agreement between the EU and the United States. See "Regulatory Framework—International Regulatory Framework—The EU-US Open Skies Agreement."

Airlines also face competition from non-airline transport providers, such as train and car. Given the Group's reliance on business travelers, it could also face competition in the future from alternatives to business travel such as video conferencing and other methods of electronic communication as these technologies continue to develop and become even more widely used. The Group cannot give any assurance that this competition will not inhibit the Group's business strategy or future growth plans.

Overcapacity in the airline industry may continue or increase in the future.

Airline capacity is a decisive factor affecting profitability. According to Ascend Worldwide, the total number of aircraft delivered throughout the airline industry in 2008 amounted to 1,049 aircraft, corresponding to a net increase of 5.5% from 2007. According to Ascend Worldwide, Boeing Commercial Airplanes, and the Group's own estimates, net deliveries are expected to amount to between 1,200 and 1,400 aircraft in 2009 and, from 2010 to 2012, to between 1,100 and 1,400 aircraft per year. Overcapacity will likely increase in the Nordic market as a result of competitors taking delivery of new aircraft and expansion by low cost carriers, and in the intercontinental market as a result of the "open skies" agreement. See "—The Group operates in a highly competitive industry." Overcapacity in the airline industry is likely to persist or increase if demand continues to fall or other airlines fail to adjust capacity sufficiently.

Capacity alterations are based on various assumptions and estimates made by the industry and individual airlines with respect to the future development of demand for air travel and market growth. If these prove to be incorrect, it could have an adverse impact on the industry and the Group's business, financial condition and results of operations. For instance, overcapacity resulting from slower than expected market growth may lead competitors to lower fares or transfer excess capacity to markets and routes served by the Group, increasing competition and putting additional pressure on prices on those routes.

The Group is exposed to risks associated with the price and availability of jet fuel.

Fuel comprises a significant portion of airlines' costs. In 2008, the Group's jet fuel expenses amounted to SEK 9,637 million, 19.3% of its operating expenses, compared to SEK 7,554 million in 2007, 16.6% of its operating expenses. Adjusted for positive currency effects owing to a weaker USD for most of 2008, fuel costs rose by SEK 2,323 million due to higher prices and increased volume of fuel consumed. The Group is sensitive to changes in the price of jet fuel. Illustrating the sensitivity of the Group to changes in the price of jet fuel associated with its jet fuel derivatives, a 10% increase in the price of jet fuel as of 31 December 2008, all other factors being equal, would have had a positive effect on equity of SEK 166 million, compared to SEK 260 million as of 31 December 2007, while a 10% decrease in the price of jet fuel would have had a negative effect on the Group's equity of SEK 161 million as of 31 December 2008, compared to SEK 305 million as of 31 December 2007. See "Operating and Financial Review—Risk Management Policy—Jet Fuel Pricing Risk."

Jet fuel prices are subject to numerous factors including, but not limited to, the level of economic activity, the rate of economic growth, political events, trading activity, weather (such as hurricanes making landfall along the U.S. Gulf Coast), refinery outages or maintenance, and the coordinated pricing decisions of producer cartels such as the Organization of Petroleum Exporting Countries. In accordance with ICAO policy since the 1950s, jet fuel for international commercial aviation is untaxed. Introduction of new taxes on jet fuel would lead to a substantial increase in the industry's jet fuel costs. The European Commission has been advocating within the ICAO to introduce a global carbon tax on jet fuel, though no such tax has yet been introduced.

The Group cannot predict the development of either short or long-term jet fuel prices. Jet fuel prices have historically fluctuated widely, and are likely to continue to do so in the future. The following table summarizes average, maximum and minimum jet fuel prices (USD per tonne) for the years indicated (Jet Fuel CIF NWE):

	Average	Maximum	Minimum
2006	651.06	766.25	564.25
2007	712.12	957.25	542.00
2008	1,006.45	1,466.75	442.25

Any jet fuel supply shortage could result in higher jet fuel prices or the curtailment of scheduled services. Jet fuel costs are also subject to certain exchange rate risks as international prices for jet fuel are denominated in USD.

Airlines, including the Group, use jet fuel derivatives, such as options and swaps, to hedge the price risk relating to jet fuel. See "Operating and Financial Review—Factors Affecting the Group's Financial Condition and Results of Operations—Volatility in Jet Fuel Costs." However, hedging does not fully protect the Group against the effects of jet fuel price increases as there can be no assurance that, at any given time, the Group will have derivatives in place to provide any particular level of protection against increased jet fuel costs or that the assumptions and estimates the Group has made with respect to the future development of jet fuel prices will prove to be correct. Moreover, to the extent the Group has hedged its exposure to jet fuel price increases in the future, the Group will be unable to participate fully in the economic benefits should jet fuel prices subsequently decrease. If hedging is not in place, or otherwise is unsuccessful in protecting the Group against price fluctuations, this could have a material adverse impact on the Group's business, financial condition and results of operations. As a result of the significant decrease in jet fuel prices during late 2008, the Group's hedging reserve in shareholders' equity as of 31 December 2008 included accumulated fair value losses (excluding discontinued operations) relating to cash flow hedges for fuel derivatives of SEK 1,759 million, which will affect the Group's income statement in 2009.

Airlines, including the Group, also seek to reduce the impact of jet fuel price increases on their results by passing such costs on to passengers in the form of fuel surcharges. However, due to the one to two month time lag between any increase in the price of jet fuel and the corresponding increase in fares, surcharges do not fully protect against sudden changes in fuel prices. Further, such surcharges may also have a negative effect on passenger revenues if higher surcharges cause demand for air travel to decline.

Airlines have high levels of fixed costs, including a significant amount of fixed obligations.

Airlines tend to have a high proportion of fixed costs that do not vary proportionately according to the amount of cargo carried or the number of passengers carried, flights flown or aircraft used. The Group's principal costs are categorized as fixed, semi-fixed and variable costs. Fixed costs primarily include costs for the personnel involved in flight operations, service and maintenance, and operating lease costs, as well as the overhead costs for the Group's operations, such as the costs for administrative personnel, systems and infrastructure. Fixed costs relating to aircraft maintenance are cyclical based on the age of the aircraft. Heavy maintenance is required for aircraft at certain intervals during their useful lives and a significant number of the Group's aircraft in 2007 reached a point in their useful lives at which heavy maintenance was required. Semi-fixed costs include the portion of those fixed costs that may vary after six months to a year, as capacity changes in the fleet are implemented, and after three months to a year for personnel expenses. Variable costs include jet fuel costs, catering costs and airport charges and user fees. In 2008, fixed, semi-fixed and variable costs represented approximately 40%, 30% and 30% of the Group's total costs, respectively. Since a significant percentage of the Group's costs are fixed, minor variations affecting revenues can have a significant impact on the Group's results of operations. See "Operating and Financial Review—Factors Affecting the Group's Financial Condition and Results of Operations—High Level of Fixed Costs."

The airline industry has experienced, and may continue to experience, consolidation.

The airline sector has been marked in recent years by significant merger and acquisition activity, in which a number of airlines have been acquired or consolidated. In this context, the industry has recently experienced a number of mergers, consolidations and strategic investments and industrial partnerships, including those among or between Delta Air Lines and Northwest Airlines; Lufthansa and Swiss; US Airways and America West Airlines; Lufthansa and Austrian Airlines; Lufthansa and Brussels Airlines; and Air France-KLM and Alitalia. Industrial partnerships are likely to become more prevalent as a result of the "open skies" agreement between the EU and the United States. See "Regulatory Framework—International Regulatory Framework—The EU-US Open Skies Agreement."

Through consolidation, strategic investments and industrial partnerships carriers have the opportunity to significantly expand the reach of their networks, which is of primary importance to business travelers, enhance capacity management and achieve cost reductions by eliminating redundancy in their networks and their management structures, and achieve greater efficiencies and economies of scale. The Group may face stronger competition from airlines that participate in industry consolidation and, as a result, such consolidation could have a material adverse affect on the Group's business, results of operations and financial condition.

The Group has in the past evaluated the possibility of participating, and may in the future participate, in mergers or industrial partnerships. The Group can give no assurance that any such consolidation or partnership will be successful. To the extent that the Group consolidates, merges or otherwise enters into an industrial partnership with other airlines and expected revenue gains or cost savings are not realized or additional unexpected costs are incurred, this could have a material adverse effect on the Group's business, results of operations and financial condition. In addition, should the Group, or any Star Alliance member, consolidate or enter into an industrial partnership requiring the Group or alliance member, respectively, to leave the Star Alliance, this could adversely impact the Group's business, results of operations and financial condition. See "—Risks related to the Group—The Group faces risks relating to adverse developments affecting the Group's strategic alliances and cooperation agreements with partner airlines."

Airlines are dependent on access to suitable airports, and on such airports meeting the operational needs of the industry.

Air traffic is limited by airport infrastructure, crowded skies, inadequate air traffic coordination and, in particular, the limited number of slots available at many primary airports. While there are still various secondary airports available, they are generally in poorer locations as compared to primary airports. Airports can also impose other operating restrictions such as curfews, limits on aircraft noise levels, mandatory flight paths, runway restrictions, and limits on the number of average daily departures, as well as increase user fees. To the extent that an airline manages its traffic program according to a system of "hub" airports, such airline is particularly dependent on operations and conditions at these airports.

In 2008, approximately 88% of SAS Scandinavian Airlines' flights either originated from or terminated at one of Copenhagen Airport, Stockholm-Arlanda Airport or Oslo Airport. This percentage is expected to increase slightly as a result of Core SAS, as the Group increasingly focuses its operating activities around its hub airports. The success of the Group's strategy depends on, among other things, the operation and development of these three airports. The Group's business would be harmed by any circumstances causing a reduction in demand for air transportation at any of these three airports, such as adverse changes in transportation links to these airports, deterioration in local economic conditions, the occurrence of a terrorist attack, or price increases associated with airport access costs or fees imposed on passengers.

In addition, although such problems have not to date been prevalent in Scandinavia, there can be no assurance that the Group will be able to secure additional attractive slots on a temporary or long-term basis at primary airports in the future. Any loss of the Group's existing key slots (or failure to obtain new slots) or inability to meet the requirements laid down by airports could have a material adverse effect on the Group's business, financial condition and results of operations.

Airlines are exposed to the risk of losses from air crashes and similar disasters, design defects and operational malfunctions.

Airlines can suffer significant losses if an aircraft is lost or subject to an accident. Accidents can be caused by many factors such as design defects, operational malfunctions, meteorological and other conditions and inadequate maintenance. Should such problems affect any of the Group's fleet, or any aircraft that the Group subsequently acquires, resulting in an accident or the grounding of such aircraft, this could have a material adverse effect on the Group's business, financial condition and results of operations. There can be no assurance that the Group will not be involved in any such event in the future. Losses can take the form of passenger claims and repair and replacement costs, as well as losses connected to any public perception that the Group's fleet is unsafe or unreliable, causing air travelers to be reluctant to fly on the Group's aircraft.

In 2008, an MD-82 aircraft operated by the Group's then wholly owned subsidiary Spanair (an agreement on the divestiture of which was signed on 30 January 2009) crashed shortly after takeoff, resulting in 154 fatalities. This had an estimated negative impact on the Group's 2008 earnings of approximately SEK 400-500 million based on a significant reduction in Spanair bookings on a year-on-year comparison, although booking levels for Spanair returned to pre-accident levels by September 2008. As a result of this accident, Spanair has been exposed to direct claims for compensation, as well as to the risk of future litigation, by passengers and their families.

In 2007, the Group had three incidents all involving Q400 turboprop aircraft due to the malfunction of the aircraft landing gear upon landing of the aircraft. As a consequence of these crashes and several years of quality problems with the older design Q400 aircraft, the Group permanently grounded all 27 Q400 aircraft in its fleet. The negative earnings effect of the Q400 grounding amounted to SEK 800 million (SEK 450 million after accounting for certain compensation the Group received from insurance companies and Bombardier, the manufacturer of the Q400 aircraft) in 2008 and SEK 700 million in 2007, primarily reflecting increased costs associated with wet leases of replacement aircraft for the grounded Q400 fleet.

The Group has insurance to reduce the financial impact of air crashes and similar disasters. For details on the Group's insurance provisions, see "Business Overview—Insurance." However, the Group cannot guarantee that its insurance will be adequate to cover the resulting losses in the event of an air crash or similar disaster. See "—Airline insurance may become too difficult or expensive to obtain, which could expose the Group to substantial loss and may have a material adverse effect on the Group's business, financial condition and results of operations." In particular, the Group's insurance does not cover losses from decreasing revenues caused by negative public perception resulting from air crashes or similar incidents.

Epidemics and pandemics can adversely affect the demand for air travel.

Epidemics and pandemics, such as avian influenza, natural disasters or other similar events, and any associated inability to access facilities or quarantine of personnel, could have a material adverse impact on the airline industry. For instance, during the Severe Acute Respiratory Syndrome (SARS) epidemic in 2003, the Group's earnings fell significantly in the financial year ended 31 December 2003 due to cancelled flights to Asia. Any future public health threats could adversely affect the Group's business, financial condition and results of operations.

Airline insurance may become too difficult or expensive to obtain, which could expose the Group to substantial loss and may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group insures assets and employees to reduce the risk of major economic damage. The Group's insurance covers public liability, passenger liability, property damage and all risk coverage for damage to the Group's aircraft fleet, spare parts and other technical equipment as well as liability exposure associated with airline operations. For further details on the Group's insurance provisions, see "Business Overview—Insurance."

In the aftermath of the 11 September 2001 terrorist attacks, insurance coverage has reduced, and premiums have increased. While governments temporarily provided guarantees to cover part of the insurance companies' exposure to risks following terrorist attacks, it cannot be predicted or guaranteed that governments would do so in the future in the event of another crisis. If insurers and re-insurers exclude coverage for certain risks or if coverage is unavailable on commercially reasonable terms, the Group may be unable to insure itself fully against certain risks that may have a material adverse effect on the Group's business, financial condition and results of operations.

The adoption of new regional, national and international regulations, or the revision of existing regulations, could have a material adverse effect on the Group's business, financial condition and results of operations.

Laws and regulations, as well as international bilateral and multilateral treaties, regulate airlines. These regulations relate to, among other things, security, safety, licensing, and competition. See "Regulatory Framework." While the impact of such regulations decreased with de-regulation of the airline industry in the European market, the Group cannot predict what laws, regulations and treaties will be adopted or amended, if any, and how this will impact the Group.

There are currently numerous regulatory initiatives including in relation to ticket taxes, airport and airspace infrastructure, safety measures and passenger rights. Regulations can impose costs on the Group either directly if fees are levied or indirectly due to compliance costs, which the Group may not be able to pass on to passengers and, as a result, could have an adverse effect on the Group's business, financial condition and results of operation.

Environmental laws and regulations including, but not limited to, restrictions regarding noise pollution and greenhouse gas emissions, could adversely affect the Group.

Regulation concerning the environment and climate has increased and is expected to continue to do so. The airline industry is primarily regulated by international agreements reached within the framework set by the ICAO. These pertain, for example, to standards for noise and emissions of hydrocarbons (HCs), carbon monoxide (CO) and nitrogen oxides (NOx). There are also national and local rules. For instance, of the 547 airports covered by Boeing's database of airports in the European Union and the United States, 195 airports have operating restrictions between the hours of 11:00 p.m. and 6:00 a.m.

Civil aviation's share of global carbon dioxide ("**CO_2**") emissions is relatively small, accounting for around 2-3% of total emissions. There is much regulatory focus on airlines owing to their predicted growth and because their emissions are thought to contribute to climate change. As part of the effort to achieve a reduction in CO_2 emissions by 20% by 2020, on 19 November 2008 the Council of the European Union endorsed proposed legislation bringing the airline industry into the Emission Trading Scheme as of 2012. As a result, all airline carriers flying into and out of the European Union will have to ensure compliance with the legal requirements set forth in Directive 2003/87/EC relating to greenhouse gas emissions. See "Regulatory Framework—Environmental Regulations."

Environmental regulations can impose costs on the Group either directly if fees are levied or indirectly due to compliance costs and, as a result, could have an adverse effect on the Group's business, financial condition and results of operation. Further, certain aircraft in the Group's fleet are of an older design and therefore the Group may incur significant costs in bringing these aircraft into compliance with newer environmental standards. See "Business Overview—Environmental."

Terrorist attacks and military conflicts or the threat of such attacks or conflicts, as well as their aftermath, have had a materially adverse effect on the Group's business and may do so again.

The terrorist attacks of 11 September 2001, and subsequent terrorist attacks in the Middle East, Southeast Asia and Europe, together with military conflict in Afghanistan, Iraq and elsewhere have had a significant adverse impact on the airline industry. The adverse consequences of such events, and the threat of such events, include reduced demand for air travel, limitations on the availability of insurance coverage, increased costs associated with security precautions, and flight restrictions over war zones. It can be very expensive or impossible to insure against many of these risks directly, although aircraft hull and third-party insurance may cover some of the associated losses should such risks be realized. These risks have materially adversely affected the Group's business, financial condition and results of operations and may do so in the future.

These concerns could continue and will increase significantly if new wars commence or are perceived as likely to commence, or if acts of terrorism, bioterrorism or sabotage occur or are perceived as likely to occur, which could have a material adverse impact on the Group's business, financial condition and results of operations. No assurance can be given that such events will not occur in the future.

The airline industry is subject to extensive taxes, aviation and license fees, charges and surcharges, which can affect demand.

The airline industry is subject to extensive fees and costs such as taxes, aviation and license fees, charges and surcharges such as take-off charges, emission charges, noise charges, terminal navigation charges, ticket tax and value added tax, which are, as of the date of this Offering Memorandum, typically levied on the basis of national legislation and thus vary among countries. New charges may be introduced. For instance, in accordance with ICAO policy since the 1950s, jet fuel for international commercial aviation is untaxed. Introduction of new taxes on jet fuel would lead to a substantial increase in the industry's jet fuel costs. The European Commission has been advocating within the ICAO to introduce a global carbon tax on jet fuel, though no such tax has yet been introduced.

Airlines seek to reduce the impact of such costs on their results by passing these costs on to passengers through fees and surcharges included in ticket prices. However, doing so increases ticket prices, which may have a negative effect on passenger revenues if higher ticket prices cause demand for air travel to decline. To the extent the Group is unable to pass such costs on to passengers, these costs may have a material adverse affect on the Group's business, financial condition and results of operations.

Airlines are subject to operational disruptions and interruptions.

Operational disruptions and interruptions range from delays to canceled flights and impose extra costs on airlines and adversely impact passengers. Reasons for such disruptions and interruptions, many of which are beyond the Group's control, include computer glitches, difficult ground and weather conditions, accidents, industrial action, air traffic congestion, delays or non-performance by third party service providers and unscheduled maintenance. Disruptions to the Group's services typically harm the Group's brand and reputation, and result in refund demands and requests for passenger assistance, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks related to the Group

The Group may not be able to meet the targets and projections set out in Core SAS. If the Group fails in meeting these objectives or Core SAS is otherwise unsuccessful, the Group's business, financial condition and results of operations could be materially adversely affected.

Core SAS is critical to the Group's future performance and success. See "Business Overview—Overview" and "Business Overview—Core SAS." Core SAS has five key strategies:

- The Group intends to focus on the Nordic home market by divesting its ownership stakes in airlines outside the Nordic region that are not directly included in core operations, and by either divesting or discontinuing certain of the Group's aviation services that the Group believes are not strategically critical (including certain ground handling, maintenance and cargo services). As a result, the Group expects to reduce full time employees by approximately 5,200 (approximately 25% of the Group's average number of full time employees in 2008) and decrease the Group's adjusted net debt by approximately SEK 7 billion. If these divestitures and discontinued operations had been fully implemented at the beginning of 2008, the Group estimates that these changes would have reduced the Group's 2008 revenue by approximately SEK 12 billion and increased the Group's 2008 EBT, excluding restructuring costs and non-recurring items, by approximately SEK 2.5 billion, which the Group has estimated based on a preliminary evaluation of EBIT in 2008 for the Group's subsidiaries that have been, or are expected to be, divested or discontinued under Core SAS, excluding any expected gains or losses from such divestitures or discontinued operations.
- The Group aims to focus on business travelers and a strengthened commercial offering by closing unprofitable routes and focusing the Group's network on business traveler routes, by correspondingly reducing the Group's capacity and by implementing the Group's new "Service And Simplicity" commercial model designed primarily to target the needs of business travelers and strengthen the Group's position as a provider of high quality air travel services. The Group estimates that by reducing capacity on short-haul routes by 18%, the Group could reduce its SAS Scandinavian Airlines short-haul fleet to approximately 130 aircraft while maintaining approximately 96% of its 2008 business routes. In addition, the Group estimates that if these reductions had been fully implemented at the beginning of 2008, the Group could have maintained approximately 92% of SAS Scandinavian Airlines' short-haul flight revenue in 2008. The Group also expects to reduce its intercontinental ASK by 19% and its long-haul fleet by two aircraft. The Group estimates that if these measures had been fully implemented at the beginning of 2008, the Group could have maintained approximately 83% of the Group's intercontinental passenger-segments in 2008 and approximately 86% of its intercontinental passenger-segments flown by EuroBonus Gold members in 2008. As a result of these reductions, the Group expects a decrease of approximately 1,500 full time employees (approximately 7% of the Group's

average number of full time employees in 2008) as well as a decrease in the Group's adjusted net debt of approximately SEK 2 billion. If these route reductions had been fully implemented at the beginning of 2008, the Group estimates that these changes would have reduced the Group's 2008 revenue by approximately SEK 3 billion and increased the Group's 2008 EBT by approximately SEK 800 million.

- The Group aims to improve its cost base by implementing a comprehensive cost reduction program that is expected to reduce the Group's annual cost base in 2008 by approximately SEK 3.6 billion (including approximately SEK 1 billion of cost reductions from Strategy 2011, of which approximately SEK 700 million were implemented during the second half of 2008), before taking into account one-time restructuring costs of approximately SEK 400 million. In addition to the cost savings from Strategy 2011, SEK 1.3 billion of cost savings result from the Group's amended collective bargaining agreements with the unions, and the remaining SEK 1.3 billion of cost savings are expected to arise from new cost saving measures, which consist of more than 200 operational initiatives in all areas of the Group's business. As a result of these cost base reductions, the Group expects to reduce its full time employees by 1,700 (approximately 8% of the Group's average number of full time employees in 2008).
- The Group intends to streamline its organization by restructuring its overall business organization to be more centralized, efficient and customer-oriented, which is expected to reduce the Group's annual cost base in 2008 by approximately SEK 400 million, before taking into account one-time restructuring costs of approximately SEK 500 million. The new organizational structure is expected to be simplified and more efficient, and the reorganization contemplates a reduction of approximately 400 full time employees (approximately 2% of the Group's average number of full time employees in 2008).
- The Group intends to strengthen its capital structure by extending the terms of approximately SEK 6.5 billion of the Group's credit facilities and by conducting the Rights Offering.

As outlined above and in "Business Overview—Goals and Targets," Core SAS is based on certain targets and projections which rely on current expectations and assumptions regarding the future, including reductions in personnel and costs, as well as analysis and adjustments of historical financial information. Such targets and projections could differ materially from actual results due to a number of factors, including changes in the markets in which the Group operates, the Group's ability to expand and develop its business as projected, and the prevailing macroeconomic climate.

In addition, there are particular risks associated with each implementation strategy that could undermine successful execution of Core SAS. For instance, Strategy 2011 was subject to various delays in its implementation, and the Group has yet to achieve a 7% EBT margin as intended under Strategy 2011. Moreover, the first strategy of Core SAS—to focus on core business through outsourcing and divestitures—depends on the Group being able to find interested purchasers and industrial partners to purchase or invest in these non-core businesses, which has proved, and may continue to prove, difficult. See "—The profitability and value of the Group's subsidiaries and holdings in affiliates may be adversely affected by a protracted market decline, making it harder or impossible to carry out divestitures and, in connection with such divestitures, the Group may undertake continuing obligations following such divestitures which could have a material adverse effect on the Group's business, financial condition, and results of operations, and prospects if they materialize." The second strategy—achieving a focused network and commercial model by closing unprofitable routes—requires effective rescheduling of flights and redistribution of employees in order to optimize the Group's network. The third strategy—improving the Group's cost base—could be undermined because of delays or pressure to increase wages by unions. Failure by the Group to implement all or any element of Core SAS and, in particular, to meet its targeted cost savings could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

The profitability and value of the Group's subsidiaries and holdings in affiliates may be adversely affected by a protracted market decline, making it harder or impossible to carry out divestitures and, in connection with such divestitures, the Group may undertake continuing obligations following such divestitures, which could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects if they materialize.

As part of Core SAS, the Group is in the process of divesting its stakes and holdings in Spanair (an agreement for which was signed on 30 January 2009), Air Greenland, bmi, Estonian Air, Skyways and Spirit, and is in the process of terminating its cargo operations on dedicated cargo aircraft. The Group may attempt to sell other affiliate holdings and subsidiaries in the future. The value of the Group's investments in these affiliates, and its subsidiaries, may be materially adversely affected by changes in market conditions and the Group can give no assurance that it will be able to sell any such stakes or subsidiaries on commercially acceptable terms or at all. In addition, the Group cannot give any assurance that divestitures already announced will be completed within the anticipated time schedule or at all. See "Operating and Financial Review—Overview—Summary of Divestitures—Year Ended 31 December 2008." Any delay or failure to complete the Group's proposed or decided divestitures in accordance with Core SAS, in particular the divestiture of Spanair, would have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

In addition, in connection with the Group's divestitures, the Group has undertaken, and may continue to undertake, continuing obligations before the completion of and following such divestitures. For instance, as part of the Spanair divestiture, the Group has already provided EUR 99 million of financing and EUR 20 million of equity capital and, under certain circumstances, may be obligated prior to and following the completion of the sale to provide a EUR 30 million bridge loan to the purchasers of Spanair and a EUR 50 million loan facility directly to Spanair, as well as a supplier guarantee line to Spanair of up to a maximum of EUR 36 million. Moreover, the Group has made a limited number of customary representations and warranties as part of the divestment and provided certain indemnities to the purchasers. See "Legal Considerations and Supplementary Information—Material Contracts—Acquisitions and Divestitures." Should such financing be required, or liabilities under the warranties or indemnities materialize, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group has a history of reported losses, and the Group's future profitability and financial condition depend on the successful implementation of Core SAS.

The Group experienced significant losses from continuing operations from 2001 to 2005 inclusive, which materially weakened the Group's financial condition. The Group, which during this period included certain operations that have since been discontinued, had reported losses before taxes in each of these years, which in aggregate amounted to SEK 5,461 million. Factors contributing to these losses include, but are not limited to, the terrorist attacks of 11 September 2001, which precipitated the biggest crisis in the airline industry since the Gulf War in the beginning of the 1990s, Severe Acute Respiratory Syndrome (SARS), stiffening competition, overcapacity, and a general reduction in fares over the period. While the Group's income from continuing operations before tax was SEK 1,044 million and SEK 169 million in 2007 and 2006, respectively, which included certain non-recurring items such as the Q400 incidents, strike effects and the ECA, the Group had a loss from continuing operations before tax of SEK 1,044 million in 2008, principally attributable to weakening market conditions and high jet fuel prices, primarily in the first half of 2008. See "Operating and Financial Review—Results of Operations—Years Ended 31 December 2007 and 31 December 2008." The Group cannot make assurances that it will be able to achieve or maintain profitability in the future. In addition, due to the Group's weakened financial condition, it does not have many reserves or flexibility to meet unexpected events such as sudden jet fuel price increases or significant increased competition.

The Group depends on the Scandinavian markets for a significant portion of its revenue. The economic slowdown in these markets has had, and will continue to have, a material adverse effect on the Group's business, financial condition and results of operations.

The Group's operations are divided into four principal geographic segments: domestic traffic within Denmark, Norway and Sweden; intra-Scandinavian traffic; traffic on routes to and from Scandinavia and the rest of Europe; and intercontinental traffic to and from Scandinavia and destinations outside Europe. In 2008, 35% of the Group's RPK was derived from intercontinental flights, 40% from European flights, 6% from intra-Scandinavian flights and 19% from domestic flights. The Group's operations and revenues are predominantly focused in Denmark, Norway and Sweden. According to the statistical passenger information system (SPI), Denmark, Norway and Sweden accounted for 13%, 37% and 22%, respectively, in 2008, and 13%, 37% and 23%, respectively, in 2007, of total passenger revenues from SAS Scandinavian airlines, Blue1 and Widerøe. These markets are mature and, according to industry sources, the Group had domestic market shares of 46%, 59% and 35% in Denmark, Norway and Sweden, respectively, based on passenger-segments in 2008. Although the economies of Denmark, Norway and Sweden do not typically develop in a synchronized manner, the slowdown in the economies of these countries has brought about, and will continue to bring about, a decrease in demand for the Group's services, which has had and could continue to have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's debt levels could have significant effects on the Group's operations and liquidity, and may make the Group more vulnerable to adverse economic and competitive conditions.

The Group had interest-bearing net debt of SEK 8,912 million and SEK 1,231 million as of 31 December 2008 and 2007, respectively, as well as a significant amount of off-balance sheet fixed obligations under loan agreements, aircraft operating leases, leases of airport property and pension obligations. As of 31 December 2008, the Group had SEK 13,986 million of interest-bearing long-term debt, and the Group's lease-adjusted financial net debt (calculated by multiplying annual leasing costs by seven (in order to obtain an approximation of the present value of such leasing cost) and adding net debt) relative to shareholders' equity was 259%. The Group will continue to have significant financing needs because, for instance, the Group had firm orders for 21 aircraft totaling approximately USD 440 million as of 31 December 2008, and the Group may order additional aircraft that could substantially increase its financing needs. The Group also had, as of 31 December 2008, credit facilities for a total principal amount of SEK 9,737 million, of which SEK 6,695 million had been utilized, with maturities ranging from 2009 to 2013. In February 2009, the Group renegotiated the terms of certain credit facilities, representing SEK 6,461 million of the Group's facilities as of 31 December 2008, to extend the maturities of those arrangements to between 2012 and 2013. The extension of these credit facilities is conditional upon, among other things, the successful completion of the Rights Offering for a minimum amount of SEK 6,000 million. See "Business Overview—Core SAS—Strengthen the Group's Capital Structure." The Group may have difficulties obtaining sufficient financing, or refinancing existing indebtedness as intended under Core SAS, in light of, among other factors, its relative credit rating, which reflects its recent performance compared to its competitors, its low equity-to-assets ratio, or the significant level of off-balance obligations.

The Group's ability to make scheduled payments under its indebtedness depends on, among other things, its future operating performance and its ability to refinance its debt. Each of these factors is, to a large extent, subject to economic, financial, competitive, regulatory, operational and other influences, many of which are beyond the control of the Group. The Group cannot make assurances that it will generate sufficient cash flow from its operations to pay its debt and lease obligations as they fall due in the future, which could result in a default under the Group's loan agreements.

Any default of the obligations under, or breach of the financial covenants in, the Group's loan agreements would have a material adverse effect on the Group's business, financial condition and results of operations.

If a default were to occur under a loan agreement, the consequences of any such default may adversely affect the Group's financial condition. Defaulting on a loan agreement could result in, among other things, expenses associated with curing the default, obligations to provide creditors with additional security interests, acceleration of repayments of principal and interest on the loan, a cross-default in other loan agreements, reduced access to financing in the future, liability for damages, and a credit downgrade, each of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's indebtedness comprises primarily a subordinated loan, bond issues under the Group's Euro medium-term notes program (the "**EMTN Program**"), other loans and short-term loans. See "Operating and Financial Review—Liquidity and Capital Resources—Borrowings." The Group's financing arrangements contain various restrictive covenants. For instance, the terms of the EMTN program include an undertaking by Scandinavian Airlines System Denmark-Norway-Sweden (the "**SAS Consortium**") not to create or have outstanding any mortgage, charge, pledge, lien or other security interest on any of its present or future assets, revenues or uncalled capital to secure present or future debt securities issued by the SAS Consortium, unless such security interest is extended equally and rateably to all amounts payable by the SAS Consortium under the notes issued under the EMTN Program or such security interest is approved by the holders of the notes. The terms of the bonds also include certain events of default, including a cross-default provision in the event of a default by the SAS Consortium under the terms, or in the performance of, other indebtedness in excess of EUR 50 million. In addition, as of 31 December 2008, the Group had revolving credit facilities and bilateral bank facilities totaling SEK 9,737 million, and had a total of SEK 6,695 million drawn under these facilities. The agreements governing these facilities include customary representations and warranties, covenants, notice provisions and events of default, including change of control and cross-defaults to other debt. The facility agreements also contain certain financial covenants that require the Group to maintain a certain level of liquid assets and maintain certain financial ratios (such as the ratio of the Group's equity to its total assets and the ratio of the Group's adjusted financial net debt to its adjusted EBITDAR) at levels specified in the agreements. These financial covenants are tested on a quarterly basis. To address the difficulties posed by current market circumstances, the Group recently negotiated with its lenders to amend the terms of certain of its credit facilities to extend the maturity dates of these facilities and the terms of financial covenants included in the facility agreements, including the definition of liquid assets and required levels for certain financial ratios. These amendments are conditional upon, among other things, the successful completion of the Rights Offering for a minimum amount of SEK 6,000 million.

Given the dramatic fall in demand as a result of worsening market and economic conditions, there can be no assurance that the Group will be able to continue to comply with the facilities' covenants. Failure to comply with the facilities' covenants would result in defaults. If the Group were unable to obtain a waiver of, or otherwise mitigate, such defaults, it could result in cross-defaults of many other debt and lease agreements, any drawn amounts under the facilities might become immediately due and payable and the facilities could terminate, and the lenders could require the Group to repay its outstanding debts and satisfy its obligations under the lease agreements, which would have a material adverse effect on the Group's financial condition and liquidity. Future borrowings may also be subject to similar or more onerous restrictive covenants, which limit the Group's operating and financial flexibility.

Credit rating downgrades could have a material adverse effect on the Group's liquidity and the Group's cost of funds.

On 7 November 2008, Moody's downgraded the Group's Corporate Family Rating and Probability of Default Rating to B2, lowered its Baseline Credit Assessment (BCA) to 16 (equivalent to B3) from 14, and downgraded the subordinated rating from B3 to Caa1. The Group's outlook is negative according to Moody's. Moody's reaffirmed this assessment on 9 February 2009. Also on 7 November 2008, Standard & Poor's lowered the Group's long-term foreign and local currency corporate credit ratings from BB- to B. On 3 February 2009, following the Group's announcement of Core SAS and the Rights Offering, Standard & Poor's placed the Group's long-term corporate credit rating on CreditWatch with positive implications.

A further downgrade in the Group's credit ratings could increase borrowing costs, reduce the availability of finance and liquidity, limit access to capital markets by adversely affecting sales and the perception of the Group, affect the Group's ability to attract passengers and counterparties, and impair the ability of the Group to successfully implement Core SAS. Such effects could have a material adverse impact on the Group's business, financial condition and results of operations. While the Group does not currently have any material debt obligations that would be accelerated as a result of a credit rating downgrade, in the future such covenants might be included.

The Principal Shareholders, the Company's largest shareholders, have the ability to exert significant influence over the Company's actions.

Currently, the governments of Denmark, Norway and Sweden collectively own 50% of the Company's outstanding Shares and are expected to maintain the same level of ownership following the Rights Offering. These shareholders have the ability to exert significant influence over the Company and, if they were to vote in the same manner, would be able to exert significant control over matters to be voted on by the Company's shareholders, including, among other things, approval of annual financial statements, the election and removal of directors, dividends, capital increases and amendments to the Company's Articles of Association (although such amendments require the support of shareholders holding at least two-thirds of the votes cast and the shares represented at a general meeting). Consequently, the ability of other shareholders to influence the Company by way of their voting rights may be limited. The Company cannot make any assurance that its largest shareholders will exercise their voting rights in a manner consistent with the best interests of the minority shareholders.

Labor disruptions could adversely affect the Group's operations.

Thirty-nine unions represent the Group's employees, with some unions representing more than one category of employee. See "Business Overview—Employees." Substantially all of the Group's pilots, and a large percentage of the cabin crew and ground crew, belong to unions. The Group has collective bargaining agreements with the unions, which have been recently renegotiated; however, these agreements are subject to renegotiation in the coming years. In particular, the pilot agreements expire in 2009, and the central trade union agreements expire in 2010. Like other employers, the Group cannot give any assurance that labor disputes with the trade unions will not arise in the course of these renegotiations.

The Group has a history of strikes and work stoppages, most recently with the strikes by Scandinavian Airlines Danmark cabin crew in March 2007, which resulted in 98 cancelled flights, further cabin crew strikes in April 2007, which resulted in 702 cancelled flights and strikes in May 2007 by Scandinavian Airlines Sverige cabin crew, which resulted in a standstill in traffic for five days at Arlanda airport outside Stockholm. These cancelled flights, and the disruption to air travel caused by the strikes, resulted in an estimated negative effect on the Group's results of operations of approximately SEK 212 million in 2007. Strikes in 2006 resulted in an estimated negative effect on the Group's results of operations of approximately SEK 350 million in 2006. See "Operating and Financial Review—Factors Affecting the Group's Financial Condition and Results of Operations—Relations with Employees." The effect of such strikes can be substantial as approximately 100,000 passengers fly daily on the Group's flights. Any prolonged strikes or labor action by employees may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent on attracting and retaining qualified personnel at reasonable cost.

The Group's business is highly labor intensive, and is dependent on attracting and retaining highly qualified pilots, cabin personnel and employees with qualifications in, for example, aircraft maintenance, ground handling and sales. During 2008, the Group had an average of 24,635 full-time employees (of which 20,496 were employed by continuing operations), compared with 26,538 during 2007 (of which 20,784 were employed by continuing operations). While recruitment and retention of qualified personnel is affected by economic developments such that the risk of such personnel leaving is reduced during economic downturns, the Group cannot provide any assurance that it will be able to retain employees in key positions or recruit sufficient numbers of new employees with appropriate theoretical, technical and/or other qualifications at reasonable cost.

The Group is exposed to currency exchange rate risk.

The Group has currency exposure to both transaction risk and translation risk. See "Operating and Financial Review—Factors Affecting the Group's Financial Condition and Results of Operations—Foreign Currency Translation and Exchange Rate Effects."

Transaction risk arises on net cash flows denominated in currencies other than SEK. As a significant portion of the Group's revenues and expenses is denominated in currencies other than SEK, the Group's results for each period are impacted by changes in exchange rates. The principal foreign currencies to which the Group is exposed to currency rate fluctuations are USD, NOK and DKK. The Group's largest deficit currency is USD, as major expenses such as jet fuel costs and leasing charges are paid in USD. Consequently, appreciation of the USD against the SEK could have a material adverse effect on the Group's consolidated operating expenses. For instance, a 1% decrease in the value of SEK compared to USD would have had a negative effect of SEK 120 million on the Group's net income in 2008, excluding the effect of any hedging arrangements (determined on the basis of the Group's net cash flows in USD in 2008).

The aggregate effect of exchange rate fluctuations on the Group's operating income before tax from continuing operations was SEK 1,329 million in 2008, SEK 619 million in 2007 and SEK 39 million in 2006 (representing the change in income before tax from the prior year assuming constant exchange rates from the prior year and taking into account the effects of currency exchange rate hedges). Based on the Group's risk management policy, the Group hedges between 60% and 90% of its projected foreign currency requirements for the following twelve months and hedges the currency risk associated with the cash flows in connection with future aircraft sales by entering into derivatives with a nominal value of between 20% and 80% of the book value of its current aircraft fleet. In addition, the Group may hedge up to 80% of the purchase price of new aircraft under purchase agreements that are denominated in USD.

Translation risk arises due to the conversion of balance sheet items denominated in foreign currencies to SEK, the Group's reporting currency. Given the international nature of the Group's business, a significant portion of its assets, liabilities, revenues and expenses are denominated in currencies other than SEK, particularly in USD, NOK and DKK. During 2008, approximately only 24% of the Group's revenue from continuing operations and 16% of operating expenses associated with continuing operations were denominated in SEK.

In addition, the financial statements of the Company's subsidiaries that use a currency other than SEK for financial reporting purposes must be translated into SEK for the preparation of the Group's consolidated financial statements. The assets and liabilities are converted based on the exchange rate on the balance sheet date, and income statement items are converted based on the average exchange rate during the period. Any translation difference is recorded against the Group's shareholders' equity as a translation reserve. The change in the translation reserve in 2008 due to fluctuations in currency exchange rates during the period amounted to negative SEK 251 million, which primarily reflected the Group's exposure to EUR in relation to its investment in Spanair.

Different types of currency derivatives, such as forward currency contracts, currency swap contracts and currency options, are used to manage currency exposure. Currency derivatives are used to manage the transaction risk relating to projected cash flows. As of 31 December 2008, the outstanding nominal amount of currency derivatives used by the Group totaled SEK 29,747 million, compared to SEK 25,836 million as of 31 December 2007. See "Operating and Financial Review—Risk Management Policy—Currency Risk." The Group cannot make any assurance that current or future hedging will sufficiently protect the Group from the adverse effects of currency movements. Moreover, the success of the Group's hedging is highly dependent on the accuracy of its assumptions and forecasts. If these assumptions and forecasts prove to be incorrect, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to interest rate risk.

The Group is exposed to interest rate movements through its variable rate financing arrangements, for instance, movements in the yield curve (market interest rates at different maturities) impact the market value of the Group's financial net debt (interest-bearing assets and liabilities). As of 31 December 2008, the Group's total variable rate borrowings amounted to SEK 13,986 million. As a result, the Group is sensitive to changes in interest rates. For instance, a one percentage point increase in market interest rates would have had a negative effect of SEK 19 million on the Group's net income in 2008 (calculated on the basis of the Group's net debt at the end of 2008). Conversely, a one percentage point decline in market interest rates would have had a positive effect of SEK 20 million on the Group's income in 2008 (calculated on the basis of the Group's net debt at the end of 2008). See "Operating and Financial Review—Risk Management Policy—Interest Rate Risk."

Interest rates are sensitive to numerous factors not in the Group's control including, but not limited to, government and central bank monetary policy in the jurisdictions in which the Group operates. An increase in interest rates would cause the Group's interest obligations to increase and could have an adverse effect on the Group's business, financial condition and results of operations.

The Group uses different types of interest rate derivative instruments to manage interest rate exposure, such as forward rate agreements, futures, interest rate swap contracts and currency interest swap contracts. As of 31 December 2008, the Group had an outstanding nominal amount of interest rate derivatives of SEK 12,875 million, compared to SEK 10,309 million as of 31 December 2007. See "Operating and Financial Review—Risk Management Policy—Interest Rate Risk." The Group cannot make any assurance, however, that current or future hedging will sufficiently protect the Group from the adverse affects of interest rate movement. Moreover, the success of the Group's hedging is highly dependent on the accuracy of its assumptions and forecasts. Any errors affecting such assumptions and forecasts could have a material adverse affect on the Group's business, financial condition and results of operations.

The Group faces risks relating to adverse developments affecting the Group's strategic alliances and cooperation agreements with partner airlines.

The Star Alliance, formed in 1997, is comprised of 24 airlines and currently flies to 912 destinations in 159 countries. The Group derives significant benefits from its membership in the Star Alliance, as it enables the Group to better serve international passengers through efficient and effective coordination of services, airport infrastructure and IT infrastructure. Any adverse developments affecting the Star Alliance, such as one or more principal members (such as United Airlines or Lufthansa) leaving the alliance, whether voluntarily or as a result of bankruptcy proceedings or a consolidation with a member of a competing alliance, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's network and revenues are significantly dependent on the Group's membership in the Star Alliance. Should the Group leave the Star Alliance, the Group would be subject to significant transition and integration costs, including termination of existing agreements with Star Alliance members; possible decreases in passenger revenue as the Group winds down its participation and transitions to a new alliance; the inability to join, or a delay in joining, a new alliance due to Star Alliance prohibitions preventing the Group from joining a competing alliance for a period of two years, lack of applicable approvals or difficulty in satisfying entrance requirements; difficulties integrating the Group's technology processes with members of any such new alliance; and other withdrawal and start-up costs, including a withdrawal fee.

The Group also operates some of its European and intercontinental flights through cooperation agreements, predominantly with Star Alliance member airlines and, in particular, Lufthansa. The Lufthansa joint venture is an important source of revenue and transfer passenger traffic for the Group and involves cooperation on routes between Scandinavia and Germany, as well as joint sales and marketing activities. See "Business Overview—Alliances and Strategic Cooperation Arrangements—Cooperation with Lufthansa and other Airlines." Failure of such industrial partnerships, for instance because of commercial disagreement or insolvency of the partner, could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is involved in litigation and arbitration proceedings.

The Group is, and may continue to be, involved in litigation and arbitration both as plaintiff and defendant. Many of these disputes relate to claims arising in the ordinary course of business including, but not limited to, litigation relating to service interruption, flight delays, lost or damaged luggage, flight accidents and personal injury claims.

On 14 February 2006, the European Commission and the U.S. Department of Justice announced the initiation of their investigations into possible price fixing in the air cargo industry. SAS Cargo was one of several air cargo carriers involved in the investigations. On 21 July 2008, SAS Cargo entered a plea of guilty to violation of U.S. antitrust laws, and agreed to pay a fine of USD 52 million in installments over four years in settlement of the investigation by the U.S. Department of Justice. This concluded, and resolved all liability in connection with, the investigation by the U.S. authorities. SAS Cargo continues to cooperate with U.S. authorities in relation to its investigation in relation to other carriers.

A separate investigation by the European Commission is underway. A decision is expected during 2009 (and could be published as early as the second quarter of 2009), though the Group is unable to predict the precise timing of the release of the decision. Group Management believes it is likely that the European Commission will impose a fine on the Group. The ultimate size of the fine may be influenced by several different factors, including, among other things, defenses raised by the Group. Taking the nature of the allegations into account, an adverse outcome is likely to have a substantial negative financial impact on the Group. Since this potential liability is impossible to quantify, the Group has not made a reserve for any potential liabilities arising from this investigation.

The Group is cooperating with authorities in other jurisdictions, such as Switzerland and Korea, in relation to investigations by these authorities into alleged price-fixing activities in the cargo market. Authorities in these jurisdictions have requested certain information from the Group, but have not initiated any formal investigation or raised any claim against the Group. The Group cannot provide any assurance that authorities in these jurisdictions or other jurisdictions will not initiate formal investigations or raise claims against the Group in the future.

In addition, a number of class-action civil lawsuits brought against SAS Cargo and other air cargo carriers in the United States are pending in a consolidated civil case in New York, alleging civil damages and seeking monetary compensation. The Group is continuing its settlement negotiations in relation to this litigation. A related claim is also pending in Canada, and the risk of additional claims in other jurisdictions and with respect to other markets cannot be excluded. Since the potential liability arising out of the lawsuits in New York and Canada, and potential additional claims in other jurisdictions, is impossible to quantify, the Group has not made reserves for any liabilities arising from these lawsuits. Any adverse outcome in these lawsuits or other potential additional claims may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is involved in other disputes, see "Legal Considerations and Supplementary Information." The Group can give no assurances as to the results of any pending or future investigation, proceeding, litigation or arbitration brought by private parties, regulatory authorities or governments. In addition, if an unfavorable decision were to be given against the Group, significant fines and/or negative publicity could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is exposed to tax related risks.

The Norwegian Tax Authority has, in a decision dated 13 February 2009 (regarding the financial years 2004 and 2005) claimed that assets transferred by the Group as part of the reorganization in Norway in 2004 amounting to approximately NOK 500 million shall be allocated to non-depreciable airport take-off and landing slots owned by SAS Scandinavian Airlines Norge. Depreciation charges during the relevant financial years amounted to NOK 180 million. These depreciation charges are required to be reversed, resulting in an increase in taxable income in these years. In addition, the Group recognized corresponding depreciation charges during later financial years, resulting in the possible reversal of a total of NOK 336 million in depreciation charges. The Group intends to appeal the Norwegian Tax Authority's decision. Should the Group not be successful in its appeal, this would result in an increase in the taxable income for these years of up to NOK 336 million, to the extent the Group's tax losses carried forward in Norway cannot be used. The Group cannot provide any assurances as to the outcome of its appeal of the Norwegian Tax Authority's assessment, or that any tax losses carried forward in Norway can be used to offset any increase in taxable income.

There is an ongoing tax audit of SAS Technical Services where the Swedish Tax Agency (*Skatteverket*) has recently submitted new questions to the Group regarding SAS Technical Services' Norwegian branch office. The outcome of this audit is uncertain, and the Group can give no assurances that the Swedish Tax Agency will not question some part of SAS Technical Services' taxation.

The Group conducts its business, including transactions between Group companies, in Scandinavia and a number of other countries in accordance with its interpretation and understanding of applicable tax laws and treaties, and the requirements of tax authorities in such countries. It cannot, however, be ruled out that the tax authorities in Sweden and other relevant countries can make other assessments. The Group's prior or present tax position may change as a result of the decisions of tax authorities. The Group has a significant amount of losses carried forward that, in certain circumstances, can be used to offset future profits and possible raised tax assessments. However, such losses cannot be used to reduce certain tax liabilities or payments, such as an increased VAT liability or administrative tax penalties. The Group can provide no assurances that its interpretation and application of laws, regulations, case law and the tax authorities' administrative practices have been, or will continue to be, correct, or that such laws, regulations, case law or practices will not be amended, possibly with retroactive effect.

The Group's pension obligations may exceed the reserves that have been created for these obligations, and changes in accounting standards could have a material impact on the Group's pension obligations.

Pension funds, net were reported in the amount of SEK 9.7 billion as an asset as of 31 December 2008. This item comprises pension fund assets totaling SEK 30.5 billion, liabilities amounting to SEK 32.6 billion (of which SEK 3 billion is unfunded) and actuarial losses including plan changes totaling SEK 11.8 billion.

The Group's defined benefit pension plans are reported in accordance with IAS 19, which requires pension commitments to be determined until the age of retirement of an employee, estimated on the basis of a present value calculation. A number of assumptions regarding, for example, the discount rate, expected return on assets, inflation, future salary increases and life expectancy are made in the pension calculations. See "Operating and Financial Review—Critical Accounting Policies and Estimates—Pensions." Actual results may differ significantly from the assumptions, and accordingly, deviations from estimates may result. According to IAS 19, changes in pension fund commitment levels necessitated by deviations in assumptions must be amortized over the average remaining period of employment, which management estimates is 15 years. IAS 19 only allows the amortization of any such variance if such variance is greater than the higher of 10% of pension commitment and the funded amount.

If actual developments deviate from those assumed, this could result in a substantial increase in pension obligations on the Group's balance sheet, which could have a material adverse effect on the Group's business, financial condition and results of operations. For instance, based on conditions as of 31 December 2008, a one percentage point change in the discount rate would have affected the Group's commitments by approximately SEK 4.5 billion, a one percentage point change in inflation assumptions would have affected commitments by approximately SEK 3 billion, and a one percentage point change in the salary adjustment parameter would have affected commitments by approximately SEK 4 billion.

At the beginning of 2008, the accumulated unrecognized deviations between pension commitment estimates and actual results amounted to approximately a loss of SEK 8 billion. Due to a lower actual return on assets by an average of 5% attributable to a weakening stock market trend in 2008, a deviation of a loss of approximately SEK 1.5 billion was realized in 2008. In addition, the Group adjusted its assumption related to the discount rate and salary increases in 2008, which resulted in an additional variance of approximately negative SEK 2.3 billion. These variances will be amortized in future years at a rate of approximately SEK 600-700 million per year.

IAS 19 is being revised and a discussion paper containing certain proposals has been released by the International Accounting Standards Board ("**IASB**"). The proposed changes, which would mean that variances may no longer be amortized over the remaining average period of service, but continuously recognized directly against equity or recognized in the income statement, will likely come into effect after 1 January 2012 at the earliest. As a result of this change, accumulated unrecognized variances existing on the effective date of the revised accounting standards would be required to be recognized in their entirety against shareholders' equity, which will likely have a material negative impact on the Group's shareholders' equity.

The Group faces risks associated with losses from counterparties in certain financial and other transactions.

The Group's financial transactions, for instance hedging contracts entered into with financial institutions, give rise to exposure to credit risk vis-à-vis financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations, including should a counterparty be forced to file for bankruptcy. The risk of such default has increased in light of the recent economic downturn. See "—Risks related to the Airline Industry—The demand for air travel, the Group's profitability and its ability to finance its operations have been and may continue to be adversely affected by the economic downturn in both the global and local markets." The Group's 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. The Group imposes limitations on the maximum amount it may deposit with individual institutions of particular credit ratings and the maximum permissible economic exposure to such institutions and, in addition, on the maximum aggregate amount that may be deposited with institutions of a particular credit rating band and the maximum permissible economic exposure to such institutions. However, the Group cannot guarantee that such limitations will prevent significant losses arising from counterparty default. Exposure to counterparty risk exists in respect of other contracts to which the Group is a party, for example in relation to its insurance providers.

In addition, the Group has made, and may continue to make, loans to third parties, including to the Group's subsidiaries that have been, or are expected to be, divested under Core SAS. Such loans expose the Group to counterparty risk, including the risk of such loans not being repaid within the anticipated repayment schedule or at all. For example, on 29 January 2009, the Group consolidated the existing loans it had made to airBaltic prior to its sale under the terms of a single agreement. Pursuant to the terms of such agreement, the Group had made two loans to airBaltic for a total principal amount of approximately USD 60 million (approximately SEK 525 million), which are expected to mature on 31 March 2009. However, airBaltic may, upon written notice no later than 15 March 2009, extend the maturity of these loans to 30 April 2009, if it is unable to repay such loans upon their expected maturity. The Group can give no assurance that such loans will be repaid within the anticipated time schedule or at all.

The Group is dependent on travel agents, air traffic control, IT service providers, maintenance support, ground services and various other third party service providers.

The Group is dependent upon the services of various third parties, such as aircraft manufacturers, airport operators, IT service providers, maintenance support providers, ground services, aircraft leasing companies, and distributors such as travel agencies. While the Group currently sources most of its ground and technical maintenance services internally, it is otherwise dependent on these third party service providers, which are beyond the Group's control, for its operations and performance. This dependence will increase as the Group implements Core SAS, which includes divesting and outsourcing parts of ground handling and maintenance. See "Business Overview—Core SAS—Focus on the Nordic Home Market." An interruption, whether temporary or permanent, in the provision of any goods or services, whether by a member of the Group or a third party service provider (for instance, should a provider experience financial difficulties, go out of business or default on its obligations to the Group), or any inability to renew or renegotiate contracts with such service providers on commercially reasonable terms, could have a material adverse impact on the Group's business, financial condition and results of operations.

A significant failure of, or disruption relating to, the Group's computer systems could adversely affect the Group's business, financial condition and results of operations.

The Group's ability to efficiently and securely process online ticket sales and reservations, as well as perform other business critical operations, relies on the seamless and uninterrupted operation of the Group's information technology systems and procedures. In 2008, 35% of all ticket sales were made online. Such systems can be disrupted by, among other things, sabotage, computer viruses, software error and physical damage. While the Group endeavors to minimize these risks by, for instance, using firewalls and encryption and having parallel backup computer centers that can be put into service within 30 minutes of a computer breakdown, the Group can give no assurance that any such disruption, due to its length or severity, will not have a material adverse affect on the Group's business, financial condition and results of operations.

Risks relating to the Rights Offering and the Shares

Should the Company not remain substantially owned and effectively controlled by Scandinavian states, citizens, and/or corporations, the Group could be adversely affected and non-Scandinavian shareholders could be diluted or forced to sell their shares.

Most bilateral air transport agreements between the Scandinavian states and non-EU member states require that the Company remain majority owned or controlled by Scandinavian or EU (as the case may be) states, citizens and/or corporations at all times. If the Company were to cease to satisfy these restrictions, the contracting states under such bilateral agreements could deny the Company landing rights or the right to fly on certain routes under the terms of the agreements, which could have a material adverse effect on the Group's business, financial condition and results of operations. See "Regulatory Framework—International Regulatory Framework—Bilateral Air Transport Agreements."

To counteract this risk, the Articles of Association enable the Board of Directors to resolve to reduce the Company's share capital by redemption of Shares held by non-Scandinavians without refund to the relevant shareholders. If such redemption is not possible or deemed insufficient in the judgment of the Board of Directors, the Board of Directors can have Scandinavian entities subscribe for subordinated shares diluting the shareholdings of non-Scandinavian shareholders. See "Share Capital and Ownership Structure—Protection of the Group's Air Traffic Rights in the Company's Articles of Association," "Regulatory Framework—International Regulatory Framework—Bilateral Air Transport Agreements" and "Regulatory Framework—EU Regulatory Framework—Operating License and Air Operator Certificate; Business and Ownership Requirements." Should the Board of Directors exercise the rights in the Company's Articles of Association to remedy or prevent a breach of the aforementioned restrictions, this could force the Company's non-Scandinavian shareholders to dispose of their shares or dilute their shareholdings.

The market price of the Shares and Subscription Rights may be adversely affected if the Company's largest shareholders, or other shareholders, sell substantial amounts of Shares or if the Company issues additional Shares, or by the perception that such sales or issuances could occur.

The market price of the Shares could be adversely affected by sales of substantial amounts of Shares by shareholders, or the perception that such sales will or might occur. The Principal Shareholders and KAW, who collectively own 57.6% of the Shares, may choose to sell some or all of their Shares, as may other shareholders. The Company has agreed that it will not, prior to 180 days after 15 April 2009, and subject to certain exceptions, announce any intention to submit to its shareholders any proposal (other than a proposal made by a shareholder) to effect any capital increase, issue or dispose of any Shares or securities similar to the New Shares, or enter into any derivative or synthetic transaction the effect of which is to transfer to any other entity, in whole or in part, any interests in, or any of the economic consequences of, ownership of Shares. See "Plan of Distribution, Selling and Transfer Restrictions—Lock-Up." The Joint Lead Managers may, in their discretion, waive or terminate these restrictions. The market price of the Company's Shares could also be adversely affected by the level of take-up by existing shareholders in the Rights Offering, as well as sales of any Shares not so taken-up into the market.

The Company cannot guarantee that trading in Subscription Rights will develop or that sufficient liquidity will exist.

The Company expects the Subscription Rights to be traded on the NASDAQ OMX Stockholm, Oslo Børs, and NASDAQ OMX Copenhagen during the period of 23 March 2009 through and including 1 April 2009. The Company will not make an application for trading in Subscription Rights on any other securities exchanges. No guarantee can be given that active trading in Subscription Rights will develop during this period or that sufficient liquidity will exist. The trading price of the Subscription Rights will also depend, among other things, on the development of the price of currently outstanding Shares and may be subject to greater price volatility than the trading price of such Shares.

Shareholders who do not respond to the Rights Offering on or before the expiration date of the Subscription Period will lose their Subscription Rights to subscribe for New Shares at the Subscription Price.

Holders of Shares who do not respond to the Rights Offering on or before the expiration date of the Subscription Period will lose their rights to subscribe for New Shares at the Subscription Price, and no compensation will be paid to holders whose rights lapse as a result of a failure to exercise or sell their Subscription Rights.

Shareholders who do not exercise their Subscription Rights face dilution.

Holders of Shares who do not exercise their Subscription Rights or only partially exercise their Subscription Rights, or who cannot exercise their Subscription Rights because of applicable legal restrictions, will experience a decrease in the percentage interest they hold in the Company's share capital and in the percentage of voting rights they are entitled to exercise.

The market price of the Shares or Subscription Rights may be volatile.

During the period 2006 to 2008, the Company's Share price fluctuated from a high of SEK 169.00 to a low of SEK 24.70. The price of the Company's Shares or Subscription Rights could fluctuate substantially as a result of, among other things, changes in the results of operations of the Group and its competitors, and fluctuations in general conditions in the airline industry, the overall economy and the financial markets. In addition, securities markets have experienced significant price and volume fluctuations in recent years, especially over the past 12 months. Such fluctuations in the future could adversely affect the market price of the Company's Shares, without regard to the Company's results of operations or financial condition.

The Company can give no assurance of a successful completion of the Rights Offering for a minimum amount of SEK 6 billion.

Subscription for New Shares is irrevocable, and subscribers may not withdraw, cancel or modify their subscriptions for New Shares, unless the Company issues a supplement to the Offering Memorandum. Under Swedish law, the Company is obligated to proceed with the Rights Offering, irrespective of the number of New Shares subscribed for in the Rights Offering. As a result, the Company may raise less than, and possibly substantially less than, SEK 6 billion in gross proceeds from the Rights Offering. If this occurs, any subscription for New Shares is potentially an investment in a company that may require substantial additional financing.

In February 2009, the Company renegotiated the terms of certain of its credit facilities, extending the maturities of those arrangements to between 2012 and 2013. The extension of these credit facilities is conditional upon, among other things, the successful completion of the Rights Offering for a minimum amount of SEK 6 billion. If the Company is unable to raise SEK 6 billion from the Rights Offering, these extended credit facilities may, among other things, become due earlier than their extended maturity dates.

The Principal Shareholders and KAW own in total 57.6% of the Company's outstanding Shares and are expected to maintain the same level of ownership following the Rights Offering. Their expectation to subscribe for their pro rata share of the Rights Offering is subject to the Underwriters not terminating their obligations to subscribe for the Remaining Underwritten Shares. The Company has entered into an underwriting agreement with the Underwriters, pursuant to which the Underwriters have severally agreed, subject to certain conditions, to subscribe for, or to procure subscribers for, in aggregate up to the remaining 42.4% of the New Shares, to the extent such New Shares are not subscribed for by shareholders or others. The Underwriters' obligations set out in the underwriting agreement are not secured. However, if one or more of the Principal Shareholders or KAW does not subscribe for their pro-rata portion of the New Shares in the Rights Offering, or certain other material adverse events occur on or before 8 April 2009, the Underwriters will have the right to terminate the underwriting agreement and their obligations to underwrite up to 42.4% of the New Shares. See "Plan of Distribution, Selling and Transfer Restrictions." There can be no assurances that the Company will raise the entire SEK 6 billion in financing.

Since its incorporation in 2001, the Company has not declared a dividend, and the Company's ability to declare a dividend in the future is dependent on a variety of factors.

Since its incorporation in 2001, the Company has not declared a dividend. The declaration and payment of future dividends will be at the discretion of the Company's shareholders. The Company's ability to pay dividends in the future depends on numerous factors including, but not limited to, the Company's business, financial condition, results of operations, distributable reserves, cash flows, prospects, capital requirements, and general economic and statutory restrictions. The Company cannot make any assurance that dividends will be payable or paid in the future and, as a rule, does not declare dividends in the event of a loss. See "Dividends and Dividend Policy."

INVITATION TO SUBSCRIBE FOR NEW SHARES

The Rights Offering

On 2 February 2009, the Board of Directors resolved, subject to the approval by the General Meeting, to increase the Company's share capital through a new share issue with preferential right for the Company's shareholders. As provided for in the Board of Directors' resolution, the Board of Directors determined on 12 March 2009 that the Company's share capital is to be increased by not more than SEK 5,757,500,000 through the issuance of not more than 2,303,000,000 New Shares at a Subscription Price of SEK 2.63 per New Share. If fully subscribed, the Rights Offering will raise not more than SEK 6,056,890,000 (before deduction of issue costs of approximately SEK 230 million). See "Background and Reasons."

The Board of Directors' resolution was approved by the Extraordinary General Meeting on 13 March 2009. In accordance with a proposal by the Board of Directors in order to enable and facilitate the Rights Offering, the Extraordinary General Meeting on 13 March 2009 also resolved to reduce the Company's share capital by SEK 1,233,750,000, without redemption of Shares, implying that the quota value of the Shares is being changed from SEK 10.00 per Share to SEK 2.50 per Share.

The shareholders of the Company have preferential right to subscribe for the New Shares in relation to the number of existing Shares held by them. The Record Date for the determination of which shareholders will receive Subscription Rights and thus be entitled to subscribe for the New Shares with preferential right is 18 March 2009. Shareholders will receive fourteen (14) Subscription Rights for each existing Share held on the Record Date. One (1) Subscription Right entitles the holder to subscribe for one (1) New Share at the Subscription Price of SEK 2.63. Subscription for New Shares will take place during the period beginning on 23 March 2009 up to and including 6 April 2009, or such later date as the Board of Directors may decide. See "Terms and Conditions."

Statements by Principal Shareholders

The governments of Sweden, Denmark and Norway have each separately expressed their support for the Rights Offering to the Board of Directors. In Denmark, parliamentary approval was passed on 26 February 2009, authorizing the Danish Minister of Finance to subscribe for the Danish government's pro rata portion of the Rights Offering, subject to the Company's other three largest shareholders subscribing for their respective pro rata portions, the remaining part of the Rights Offering being underwritten and the Offering Memorandum being deemed a satisfactory basis for the subscription. In Norway, parliamentary approval was passed on 12 March 2009, authorizing the Ministry of Trade and Industry to subscribe for the Norwegian government's pro rata portion of the Rights Offering and thereby preserving its current ownership stake in the Company. In Sweden, parliamentary approval was passed on 12 March 2009, authorizing the Swedish government to participate in the Rights Offering by subscribing for shares up to a maximum amount of SEK 1.3 billion. KAW has expressed its support for the Rights Offering and has confirmed its intention to subscribe for its pro rata portion of the Rights Offering, subject to each of the Swedish, Danish and Norwegian governments passing final resolutions to subscribe for their pro rata portions. Together, the Principal Shareholders and KAW represent 57.6% of all outstanding Shares and votes in the Company.

Underwriting Agreement

The Company has entered into an underwriting agreement with the Underwriters as of 12 March 2009 (the "**Underwriting Agreement**"), pursuant to which the Underwriters have severally agreed, subject to certain conditions, to subscribe for, or to procure subscribers for, up to 42.4% of the New Shares, to the extent any New Shares remain available after the Secondary Allocations. The Company will pay the Underwriters a fee of 3.5% of the total amount underwritten, corresponding to approximately SEK 90 million. The Company has also agreed to pay certain costs of the Underwriters in connection with the Rights Offering. The Underwriting Agreement provides that the Joint Lead Managers will have the right to terminate the Underwriting Agreement and the obligation to subscribe for New Shares set forth therein under certain circumstances. See "Plan of Distribution, Selling and Transfer Restrictions."

The shareholders of the Company are hereby invited to subscribe, with preferential right, for New Shares in accordance with the terms and conditions set forth in this Offering Memorandum.

The Board of Directors is responsible for the content of this Offering Memorandum. The Board of Directors hereby declares that, having taken all reasonable care to ensure that such is the case, the information in this Offering Memorandum is, to the best of the Board of Directors' knowledge, in accordance with the facts and contains no omission likely to affect its import.

Stockholm, 16 March 2009

SAS AB (publ)
The Board of Directors

BACKGROUND AND REASONS; USE OF PROCEEDS

Background

Between 2005 and 2007, the European airline industry benefited from a strong overall economic environment. During that period, demand for air travel within Europe and between Europe and intercontinental destinations demonstrated strong growth, and a number of existing network carriers and low cost carriers increased their capacity significantly on such routes. This capacity expansion was demonstrated by a significant increase in new route openings throughout Europe, as well as between Europe and intercontinental destinations. Despite this capacity expansion, increasing demand outpaced the capacity growth of the airline industry.

In 2008 however, market conditions for airlines deteriorated markedly, and the year was probably one of the most challenging and turbulent years in the history of the airline industry. Oil prices reached historic peak levels and as a result of the current financial crisis, the world economy faced a significant economic slowdown, particularly in the second half of 2008, which reduced the overall consumer demand for goods and services, including air travel services. As a result, airlines faced record high fuel prices, particularly during the first half of 2008, and declining passenger demand in the second half of 2008, impacting yields and load factors, which have led to a significant decrease in profitability throughout the airline industry.

The Group's home market, the Nordic region, has been, and will continue to be, affected by the global economic slowdown. In addition to these macroeconomic trends, the Group has faced a number of internal challenges, such as a significantly higher cost base compared to its local low cost competitors, losses in non-core operations and adverse non-recurring events. Since 2002, the Group has introduced a number of initiatives to reduce its cost base which has resulted in the Group being one of few network carriers that has profitable short-haul operations. Despite these programs, however, the Group still has a higher cost base than its local low cost competitors. Over the past years, the Group has suffered significant losses in operations that are defined as non-core, such as Spanair, airBaltic and bmi, that have recently been divested or are identified as businesses to be divested. The Group has also suffered from strikes and Q400 groundings which have resulted in significant costs for the Group in recent years. In combination, the above items have hampered the profitability of the Group.

Reasons

In response to the current global operating environment and internal challenges, and with the aim of strengthening the Group's long-term position as a competitive and profitable airline, Group Management and Board of Directors have decided on a renewed strategic approach for the Group which was announced on 3 February 2009. The renewed strategic approach, Core SAS, is intended to provide the key elements necessary to develop a competitive SAS, and sets out the following five strategies:

- Focus on the Nordic home market by divesting and outsourcing non-core assets;
- Focus on business travelers and a strengthened commercial offering;
- Improve the Group's cost base through a cost reduction program and renegotiation of collective bargaining agreements;
- Streamline the Group's organization; and
- Strengthen the Group's capital structure.

Core SAS aims to create a Group that generates long-term value for shareholders and pro-actively addresses the current industry dynamics, internal challenges and the global recessionary environment. In connection with Core SAS, the Board of Directors has resolved to raise approximately SEK 6 billion through the Rights Offering.

Use of Proceeds

The gross proceeds of the Rights Offering are expected to be not more than SEK 6,056,890,000, and approximately SEK 5,826,890,000 after deducting expenses related to the Rights Offering of approximately SEK 230 million. The Group intends to use the net proceeds of the Rights Offering to strengthen its capital structure and to facilitate the implementation of Core SAS, including the payment of restructuring costs incurred in carrying out the reorganization and cost reduction measures in accordance with Core SAS.

TERMS AND CONDITIONS

*The Shares are, and the New Shares will be, listed on NASDAQ OMX Stockholm and secondarily listed on NASDAQ OMX Copenhagen and Oslo Børs. See "Share Capital and Ownership Structure—Trading in the Shares." Shares traded on NASDAQ OMX Stockholm are registered with the Swedish central securities depository, Euroclear Sweden AB, formerly VPC AB ("**Euroclear Sweden**"). Shares traded on NASDAQ OMX Copenhagen are registered with the central securities depository in Denmark, VP Securities A/S ("**VP Securities**"), and Shares traded on Oslo Børs are registered with the central securities depository in Norway, Verdipapirsentralen ASA ("**VPS**"). See "The Scandinavian Securities Market—The Swedish Securities Market/The Danish Securities Market/The Norwegian Securities Market—Securities Registration." As a consequence, separate instructions on how to participate in the Rights Offering will apply depending on where each shareholder's Shares are registered and traded.*

Subscription

Preferential Right to Subscription

Those who on the Record Date, 18 March 2009, are registered as shareholders of the Company will receive Subscription Rights and have preferential right to subscribe for the New Shares in relation to the number of existing Shares held. One (1) existing Share entitles the holder of such Share to subscribe for fourteen (14) New Shares.

The completion of the Rights Offering, if fully subscribed, will increase the total number of Shares of the Company from 164,500,000 to 2,467,500,000, representing an increase of 1,400%. Shareholders who choose not to participate in the Rights Offering will have their ownership stake substantially diluted, but such shareholders may obtain financial compensation for the dilutive effect of the Rights Offering by selling their Subscription Rights on NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen or Oslo Børs, as the case may be. The dilution of existing shareholders of the Company who do not participate in the Rights Offering will not exceed 93.33% (calculated as the number of New Shares divided by the total number of Shares outstanding following the Rights Offering, if fully subscribed).

Subscription without Subscription Rights

New Shares that are not subscribed for on the basis of Subscription Rights will be offered to investors who have exercised Subscription Rights and have subscribed for additional New Shares, regardless of whether such subscribers were shareholders on the Record Date or not. In case of oversubscription, such New Shares will be allotted among such subscribers in proportion to the number of Subscription Rights exercised by each such subscriber, and, to the extent necessary, by drawing of lots. Shareholders who exercise Subscription Rights and subscribe for additional New Shares should make both subscriptions in the same securities system in order to receive full priority, in the case of allotment, based on their exercise of Subscription Rights.

The Board of Directors will allot any remaining New Shares primarily to shareholders and others who have indicated their interest to subscribe for New Shares without Subscription Rights and, secondarily, to the Underwriters.

Subscription Price

The New Shares will be issued at a Subscription Price of SEK 2.63 per New Share.

Record Date

The Record Date at Euroclear Sweden, VP Securities and VPS for the determination of who will receive Subscription Rights and thus be entitled to subscribe for New Shares with preferential right is 18 March 2009. The Shares will be traded exclusive of the right to participate in the Rights Offering from and including 16 March 2009. Hence, the final day of trading inclusive of the right to participate in the Rights Offering is 13 March 2009.

Subscription Rights

Shareholders will receive fourteen (14) Subscription Rights per Share held on the Record Date. One (1) Subscription Right entitles the holder to subscription for one (1) New Share. The Subscription Rights will be delivered to the eligible shareholders free of charge.

Subscription Rights will not be transferable between Euroclear Sweden, VP Securities and VPS.

Trading in Subscription Rights

Trading in Subscription Rights will take place on NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen and Oslo Børs during the period from and including 23 March 2009, to and including 1 April 2009. Nordea, Skandinaviska Enskilda Banken AB ("**SEB**") and other securities institutions will provide brokerage services for the sale and purchase of Subscription Rights. The ISIN code for the Subscription Rights is SE0002801191.

Subscription Rights acquired during the aforementioned trading period carry the same rights to subscription for New Shares during the Subscription Period, as Subscription Rights received and held by shareholders by virtue of their shareholdings in the Company on the Record Date.

Interim Shares (BTAs)

After payment of the New Shares, interim shares (so-called paid subscription shares or *betalda tecknade aktier,* "**BTAs**") will be registered in Sweden and Denmark on the subscriber's account. Once the New Shares have been registered with the Swedish Companies Registration Office (*Bolagsverket*), the interim shares will be converted into Shares. A first series of BTAs ("**BTA 1s**"), will be registered based on subscription for New Shares by the exercise of Subscription Rights. A second series of interim shares ("**BTA 2s**"), will be registered based on subscription for New Shares without Subscription Rights. In Norway, no interim shares will be registered.

BTA 1 and BTA 2 will not be transferable between Euroclear Sweden, VP Securities and VPS.

Subscription Period

Subscription for New Shares may be made during the period from and including 23 March 2009 to and including 6 April 2009. The Board of Directors has the right to extend the Subscription Period.

Listing of the New Shares

The Company will apply for listing of the New Shares on NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen and Oslo Børs, as the case may be, in connection with the completion of the Rights Offering. Registration with the Swedish Companies Registration Office of New Shares subscribed for by the exercise of Subscription Rights is expected to occur on or around 20 April 2009. Such New Shares are expected to be traded on the Exchanges from 20 April 2009. New Shares subscribed for without Subscription Rights are expected to be registered with the Swedish Companies Registration Office, as well as start trading, on or around 4 May 2009.

In order to ensure that the Subscription Rights received do not become void and without value, the holder must either exercise the Subscription Rights and subscribe for New Shares no later than 6 April 2009, or sell the Subscription Rights no later than 1 April 2009.

Instructions for Holders of Shares Registered with Euroclear Sweden and Traded on NASDAQ OMX Stockholm

Issue Statement to Directly Registered Shareholders

An information brochure or this Offering Memorandum together with a pre-printed issue statement ("**Issue Statement**") with an attached payment form to subscribe for New Shares will be distributed to directly registered shareholders or representatives of shareholders who, on the Record Date, are recorded in the share register maintained by Euroclear Sweden on behalf of the Company. The Issue Statement includes, among other things, the number of Subscription Rights received and the number of New Shares that may be subscribed for by exercising the Subscription Rights.

Those recorded in Euroclear Sweden's separate list of pledge holders and other rights holders, maintained in connection with the share register, will be informed separately. No separate securities account statement ("**VP Statement**") indicating the registration of Subscription Rights in each shareholder's securities account ("**VP Account**") will be distributed.

Nominee-Registered Shareholdings

Shareholders whose holdings are nominee-registered with a bank or other nominee will not receive an Issue Statement from Euroclear Sweden. Instead, subscription and payment for New Shares must be effected in accordance with instructions from the relevant nominee.

Please note that applications for both subscription with and without Subscription Rights must be made through the relevant nominee.

Unexercised Subscription Rights

After 6 April 2009, unexercised Subscription Rights will expire and will be removed from all VP Accounts and no separate VP Statement will be distributed by Euroclear Sweden.

Subscription and Payment

A. Subscription for New Shares by Exercising Subscription Rights

Subscription for New Shares by exercising Subscription Rights is effected through simultaneous cash payment of SEK 2.63 per New Share, at SEB or any other bank in Sweden.

Subscription through payment is effected by using either the pre-printed payment form distributed by Euroclear Sweden or a separate subscription form in accordance with the following alternatives:

1. Payment Form

In the event that all Subscription Rights received on the Record Date are exercised for subscription, only the pre-printed payment form should be used for subscription through payment. Reference must always be made to the so-called OCR number stated on the payment form. No amendments or other changes may be made to the payment form.

2. Subscription Form

If Subscription Rights have been purchased or sold, or, if for any other reason, a number of Subscription Rights that differs from the one appearing on the pre-printed Issue Statement is to be exercised for subscription, a separate subscription form must be used for subscription through payment. The total Subscription Price is to be paid when the subscription form is submitted to any branch of Nordea, SEB or any other bank branch in Sweden pursuant to the instructions on the subscription form. The subscription form and payment must be received by Nordea no later than 5:00 p.m. CET on 6 April 2009.

Subscription forms can be obtained from Nordea (telephone +46 8 678 04 50). The pre-printed payment form should then not be used.

3. Shareholders not Resident in Sweden

Directly registered holders of Shares and/or Subscription Rights registered with Euroclear Sweden that are resident in countries other than Sweden and not subject to restrictions as set forth in "Plan of Distribution, Selling and Transfer Restrictions—Selling Restrictions" should, where they are not able to use the pre-printed payment form, subscribe for New Shares by:

- submitting a subscription form to Nordea at the address below; and
- paying the total Subscription Price in SEK via SWIFT in accordance with the payment instructions below, stating the subscriber's name, address, VP Account number, reference number from the issue statement and the reference "Issue SAS."

Nordea Bank AB, Stockholm

SWIFT: NDEASESS

Bank account number: 34 7317 01228

IBAN: SE03 3000 0000 0347 3170 1228

The subscription form and payment must be received by Nordea Bank AB, Issuer Services A 203, SE-105 71 Stockholm, Sweden, no later than 5:00 p.m. CET on 6 April 2009.

Interim Shares

Subscription through payment will be registered at Euroclear Sweden as soon as possible, which normally means a few banking days after payment. After that, the subscriber will receive a VP Statement confirming registration of the first series of interim shares, BTA 1, on the subscriber's VP Account. Once the New Shares subscribed for by the exercise of Subscription Rights have been registered with the Swedish Companies Registration Office (*Bolagsverket*), BTA 1s will be converted into Shares without notification from Euroclear Sweden. Such registration with the Swedish Companies Registration Office is expected to occur on or around 20 April 2009 and conversion of BTA 1s into Shares on or around 23 April 2009.

B. Subscription for New Shares without Subscription Rights

Subscription for New Shares may also be made without Subscription Rights. See "Terms and Conditions—Subscription—Subscription without Subscription Rights."

In order to subscribe for New Shares without Subscription Rights, a separate application form must be completed, signed and delivered to Nordea or each shareholder's nominee, who will, in turn, forward such form to Nordea. The application form can be obtained from Nordea (telephone +46 8 678 04 50), on Nordea's website (www.nordea.se/placera) and on the Company's website (www.sasgroup.net). The application form must be received by Nordea Bank AB, Issuer Services A 203, SE-105 71 Stockholm, Sweden, no later than 5:00 p.m. CET on 6 April 2009. Only one application form per subscriber will be considered.

Notice regarding any allotment of New Shares subscribed for without Subscription Rights will be made by way of an allotment statement in the form of a contract note, which is expected to be distributed on or around 20 April 2009. Payment for such allotted New Shares is to be made in cash not later than the third banking day after the date of the allotment statement pursuant to the instructions on such statement. No statement will be sent to those not being allotted any New Shares. If payment is not made in due time, allotted New Shares may be transferred to others, see "—Other Information."

Subscription for New Shares without Subscription Rights will be registered at Euroclear Sweden as soon as possible, which normally means a few banking days after payment. After that, the subscriber will receive a VP Statement confirming registration of the second series of interim shares, BTA 2, on the subscriber's VP Account. Once the New Shares subscribed for without Subscription Rights have been registered with the Swedish Companies Registration Office, BTA 2s will be converted into Shares without notification from Euroclear Sweden. Such registration with the Swedish Companies Registration Office is expected to occur on or around 4 May 2009 and conversion of BTA 2s into Shares on or around 7 May 2009.

Please note that shareholders whose shareholdings are nominee registered with a bank or other nominee may only apply for subscription for New Shares without Subscription Rights, as well as effect payment for any allotted New Shares, through the relevant nominee.

Trading in Interim Shares

The BTA 1s are scheduled to be traded on NASDAQ OMX Stockholm from and including 23 March 2009, with the final day of trading on or around 17 April 2009. Trading in BTA 1s that occurs on 17 April 2009 will settle on 21 April 2009, i.e., with a two day settlement scheme as opposed to the regular three day settlement scheme. The ISIN code for the BTA 1 is SE0002801209.

The BTA 2s are scheduled to be traded on NASDAQ OMX Stockholm from and including 21 April 2009, with the final day of trading on or around 30 April 2009. The ISIN code for the BTA 2 is SE0002801217.

Nordea, SEB and other securities institutions will provide brokerage services for the sale and purchase of BTAs.

Shareholders Resident in Certain Jurisdictions

The allotment of Subscription Rights and the issuance of New Shares to certain persons resident in, or citizens of, countries other than Sweden, Denmark, Norway and the United Kingdom may be subject to securities legislation in such countries. See "Plan of Distribution, Selling and Transfer Restrictions—Selling Restrictions."

Consequently, subject to certain exceptions, shareholders whose existing Shares are registered directly on a VP Account and whose registered address is in, for example, Australia, Canada, Japan or the United States will not receive an information brochure or this Offering Memorandum, nor any Subscription Rights on their respective VP Accounts. The Subscription Rights that otherwise would have been reflected in such shareholders' VP Accounts will be sold by Nordea on their behalf and the sales proceeds, less any withholding tax, will be paid on a pro rata basis to the relevant shareholders.

Questions

Please contact Nordea, telephone +46 8 678 04 50, for questions regarding the Rights Offering.

Instructions for Holders of Shares Registered with VP Securities and Traded on NASDAQ OMX Copenhagen

Subscription Price

The Subscription Price in the Offering will be SEK 2.63 per New Share (payment, however, will be made in DKK according to the currency conversion described below).

Preliminary Currency Conversion

A preliminary amount in DKK, corresponding to the Subscription Price SEK 2.63 per share, amounting to approximately DKK 1.76 has been calculated based on ECB's fixing exchange rate at 2:15 p.m. CET on 12 March 2009, according to the following formula: EUR/DKK divided by (EUR/SEK - 0.05). This preliminary amount in DKK is not the final amount that subscribers will pay for the New Shares. Please see below.

Final Currency Conversion—Subscription by Exercising Subscription Rights

The final amount in DKK to be paid by subscribers exercising Subscription Rights will correspond to the Subscription Price SEK 2.63 per share exchanged into DKK based on ECB's fixing exchange rate at 2:15 p.m. CET on 2 April 2009 (or, in case the Subscription Period is prolonged, at 2:15 p.m. CET two bank days prior to the last day of the extended Subscription Period), according to the following formula: EUR/DKK divided by (EUR/SEK - 0.05). This final amount in DKK will be announced by the Company no later than 12:00 p.m. on the following day.

Final Currency Conversion—Subscription without Subscription Rights

The final amount in DKK to be paid by subscribers subscribing for New Shares without Subscription Rights will correspond to the Subscription Price SEK 2.63 per share exchanged into DKK based on ECB's fixing exchange rate determined at 2:15 p.m. CET on 16 April 2009 (or, in case the Subscription Period is prolonged, at 2:15 p.m. CET three banking days before payment is debited from the bank account of the subscriber), according to the following formula: EUR/DKK divided by (EUR/SEK - 0.05). This final amount in DKK will be announced by the Company no later than 12:00 p.m. on the following day.

Subscription Period

Subscription for New Shares may be made during the period from and including 23 March 2009 to 5:00 p.m. CET on 6 April 2009. The Board of Directors may extend the Subscription Period.

Due to the determination of the final exchange rate on 2 April 2009, subscription for New Shares will not be made in VP Securities before 6 April 2009 (or, in case the Subscription Period is extended, on the last day of the extended Subscription Period)

Subscription and Payment

A. Subscription for New Shares by Exercising Subscription Rights

An information brochure or this Offering Memorandum will be distributed to shareholders or representatives of shareholders who, on the Record Date, are recorded in the share register maintained by VP Securities. The shareholders and representatives of shareholders who are registered in the share register at 12:30 p.m. CET on the Record Date will be allotted Subscription Rights. Holders of Subscription Rights wishing to subscribe for New Shares must subscribe and pay for the New Shares through their own custodian, in accordance with the rules of such institution, no later than at 5:00 p.m. CET on 6 April 2009. Payment will be deducted from the subscribers' bank accounts on or around 6 April 2009. For holders of Subscription Rights, the time by which notification of exercise must be given will depend upon the agreement with, and the rules and procedures of, the relevant custodian or other financial intermediary and may be earlier than the end of the Subscription Period.

Upon payment of the final amount in DKK for exercised Subscription Rights, the first series of interim shares (BTA 1) will be issued and allocated through VP Securities. The subscriber will receive a statement confirming registration of BTA 1s on the subscriber's custody account. Once the New Shares subscribed for by the exercise of Subscription Rights have been registered with the Swedish Companies Registration Office, the BTA 1s will be converted into Shares. Such registration with the Swedish Companies Registration Office is expected to occur on or around 20 April 2009 and conversion of the BTA 1s into Shares on or around 23 April 2009.

B. Subscription for New Shares without Subscription Rights

Subscription for New Shares may also be made without subscription rights. See "—Terms and Conditions—Subscription—Subscription without Subscription Rights."

In order to subscribe for New Shares without Subscription Rights, a separate application form must be completed, signed and delivered to the subscriber's own custodian, who will forward all application forms to Nordea Bank Danmark A/S ("**Nordea Bank Danmark**").

The application form can be obtained from Nordea Bank Danmark, telephone +45 33 33 50 92 or the Company's website (www.sasgroup.net). The application form must be received by Nordea Bank Danmark no later than 5:00 p.m. CET on 6 April 2009 and must therefore be delivered to the subscriber's own custodian in due time before such date. Only one application form per subscriber will be considered.

Notice regarding any allotment of New Shares subscribed for without Subscription Rights will be made by way of an allotment statement in the form of a contract note, which is expected to be distributed on or around 21 April 2009. Payment will be deducted from the subscribers' bank accounts on or around 21 April 2009. Following payment of the final amount in DKK for subscription for New Shares without Subscription Rights, interim shares (BTA 2s) will be issued and allocated through VP Securities. The subscriber will receive a statement confirming registration of BTA 2s on the subscriber's custody account. Once the New Shares subscribed for without Subscription Rights have been registered with the Swedish Companies Registration Office, the BTA 2s will be converted into Shares. Such registration with the Swedish Companies Registration Office is expected to occur on or around 4 May 2009 and conversion of BTA 2s into Shares on or around 7 May 2009.

Once allotted New Shares have been paid and registered with the Swedish Companies Registration Office, the custodian bank will distribute statements confirming registration of the New Shares on the subscribers' securities accounts.

Trading in Interim Shares

Trading in the first series of interim shares, BTA 1, on the NASDAQ OMX Copenhagen is expected to commence on or around 23 March 2009 and is expected to end on or around 17 April 2009. The temporary ISIN code for the BTA 1 is SE0002801209.

Trading in the second series of interim shares, BTA 2, on NASDAQ OMX Copenhagen is expected to begin on or around 21 April 2009, and is expected to end on or about 1 May 2009. The temporary ISIN code for BTA 2 is SE0002801217.

Nordea, SEB and other securities institutions will provide brokerage services for the sale and purchase of interim shares.

Shareholders Resident in Certain Jurisdictions

The allotment of Subscription Rights and the issuance of New Shares to certain persons resident in, or citizens of, countries other than Sweden, Denmark, Norway and the United Kingdom may be subject to securities legislation in such countries. See "Plan of Distribution, Selling and Transfer Restrictions—Selling Restrictions."

Questions

Contact the relevant nominee for questions regarding the Rights Offering.

Instructions for Holders of Shares Registered with VPS and Traded on Oslo Børs

Subscription Price

The Subscription Price in the Offering will be SEK 2.63 per New Share (payment, however, will be made in NOK after the currency conversion described below).

Currency conversion—Subscription by Exercising Subscription Rights

The amount in NOK to be paid by subscribers of New Shares by exercising Subscription Rights will correspond to the Subscription Price SEK 2.63 per share exchanged into NOK based on ECB's fixing exchange rate at 2:15 p.m. CET on 3 April 2009 (or, in case the Subscription Period is prolonged, at 2:15 p.m. on the banking day before the last day of the prolonged subscription period), according to the following formula: EUR/NOK divided by (EUR/SEK - 0.05). This amount in NOK will be announced by the Company no later than the following day. Nordea Bank Norge ASA ("**Nordea Bank Norge**") will distribute a statement on or around 14 April 2009 to those who have subscribed for New Shares, indicating the exchange rate used and the amount that Nordea Bank Norge has deducted from their accounts on or around 8 April 2009.

Currency conversion—Subscription without Subscription Rights

The amount in NOK to be paid by subscribers subscribing for New Shares without Subscription Rights will correspond to the Subscription Price SEK 2.63 per share exchanged into NOK based on ECB's fixing exchange rate determined at 2:15 p.m. CET on 16 April 2009 (or, in case the Subscription Period is prolonged, at 2:15 p.m. CET two bank days before payment is debited the bank account of the subscriber), according to the following formula: EUR/NOK divided by (EUR/SEK - 0.05). This amount in NOK will be announced by the Company no later than the following day. Nordea Bank Norge will distribute a statement on or around 21 April 2009 to those who have subscribed for New Shares, indicating the exchange rate used and the amount that Nordea Bank Norge has deducted from their accounts on or around 20 April 2009.

Subscription and Payment

An information brochure or this Offering Memorandum, including a subscription form, will be distributed to eligible shareholders. The information brochure and subscription form are also available at Nordea Bank Norge, telephone +47 22 48 62 62. Correctly completed subscription forms must be delivered in person, mailed or faxed to Nordea Bank Norge:

Nordea Bank Norge ASA
Securities Services—Issuer Services
Essendropsgate 7
P.O. Box 1166
Sentrum, 0107 Oslo
Norway
Telephone: +47 22 48 62 62
Telefax: +47 22 48 87 24

A. Subscription by Exercising Subscription Rights

Subscription for New Shares by exercising Subscription Rights may be carried out by submitting a correctly completed subscription form to Nordea Bank Norge during the subscription period. The subscription form must be received by Nordea Bank Norge no later than 5:00 p.m. CET on 6 April 2009. Norwegian residents can also subscribe for New Shares at Nordea Bank Norge's website www.nordea.no/SAS no later than 5:00 p.m CET on 6 April 2009.

B. Subscription without Subscription Rights

Oversubscription and subscription for New Shares without Subscription Rights may also be made. See "—Terms and Conditions—Subscription—Subscription without Subscription Rights." Oversubscription and subscription without Subscription Rights must be made using the same subscription form as the form for exercising Subscription Rights. The subscription form must be received by Nordea Bank Norge no later than 5:00 p.m. CET on 6 April 2009. Norwegian residents can also subscribe for New Shares at Nordea Bank Norge's website www.nordea.no/SAS no later than 5:00 p.m CET on 6 April 2009.

Payment and Delivery of the New Shares

Each subscriber of New Shares in the Rights Offering will by signing the subscription form grant Nordea Bank Norge an authorization to debit a specified bank account twice; firstly, for the payment of the total Subscription Price for the New Shares subscribed for by the exercise of Subscription Rights, and secondly, for the payment of the total Subscription Price for any New Shares allocated to the subscriber based on oversubscription and/or subscription without Subscription Rights. The specified bank account will be debited in NOK on or around 8 April 2009 for the New Shares subscribed for with the exercise of Subscription Rights and on or around 20 April 2009 for any New Shares allocated based on oversubscription and/or subscription without Subscription Rights.

Subscribers not having a Norwegian bank account must contact Nordea Bank Norge prior to the payment date in order to secure payment by other means according to instructions from Nordea Bank Norge.

The New Shares that are subscribed for by the exercise of Subscription Rights are expected to be registered with the Swedish Companies Registration Office on or around 20 April 2009 and to be delivered to the subscribers' VPS accounts on or around 23 April 2009. The allocated New Shares that are subscribed for by oversubscription and/or subscription without Subscription Rights are expected to be registered with the Swedish Companies Registration Office on or around 4 May 2009 and to be delivered to the subscribers' VPS accounts on or around 7 May 2009. The New Shares will only be transferred to the subscribers' VPS accounts once allocated New Shares have been fully paid for.

The subscriber is responsible for complying with any applicable identification verification requirements pursuant to the Norwegian Money Laundering Act No. 41 of 20 June 2003, and is encouraged to complete any such required procedures during the beginning of the Subscription Period. Insufficient compliance with these requirements may lead to the subscriber not being allotted any New Shares.

Trading in Interim shares

No interim shares of any series (neither BTA 1 nor BTA 2) will be registered in Norway and consequently no interim shares will be traded on Oslo Børs.

Shareholders Resident in Certain Jurisdictions

The allotment of Subscription Rights and the issuance of New Shares to persons resident in, or citizens of, countries other than Sweden, Denmark, Norway and the United Kingdom may be subject to securities legislation in such countries. See "Plan of Distribution, Selling and Transfer Restrictions—Selling Restrictions." Consequently, subject to certain exceptions, shareholders whose existing Shares are registered directly on a VPS account and whose registered address is in, for example, Australia, Canada, Japan or the United States, will not receive an information brochure or this Offering Memorandum, nor any Subscription Rights on their respective VPS Accounts. The Subscription Rights which otherwise would have been reflected in such shareholders' VP Accounts will be sold by Nordea Bank Norge on their behalf and the sales proceeds, less any withholding tax, will be paid on a pro rata basis to the relevant shareholders.

Questions

Contact Nordea Bank Norge, telephone +47 22 48 62 62, for questions regarding the Rights Offering.

Right to Dividend

The New Shares will entitle holders to dividends as from the first record date for dividends to occur after the registration of the Rights Offering with the Swedish Companies Registration Office (which is expected to occur on or around 20 April 2009 and on or around 4 May 2009). See "Dividends and Dividend Policy."

Publication of the Outcome of the Rights Offering

The preliminary outcome of the Rights Offering will be announced through a press release from the Company on or around 8 April 2009. The final outcome is expected to be announced through a press release on or around 16 April 2009.

Other Information

The Company is not entitled to discontinue the Rights Offering.

The subscription for New Shares, whether by exercising Subscription Rights or not, is irrevocable and the subscriber may not cancel or alter a subscription for New Shares.

If payment for New Shares is made too late or incorrectly, or is insufficient, the Company and Nordea reserve the right to leave the subscription without consideration and cancel or reduce the subscription in respect of the New Shares for which payment has not been made; to charge the overdue payment with interest; to have Nordea advance the payment; to sell, re-allot or otherwise dispose all or part of the New Shares, on such terms and in such manner as the Company and Nordea may decide in accordance with applicable rules. The subscriber will be liable for any losses, costs and expenses suffered or incurred by the Company or Nordea as a result of or in connection with such disposals. The subscriber remains liable for payment of the entire amount due, interest, costs, charges and expenses accrued, and the Company and Nordea may enforce payment for any such amount outstanding.

Nordea will not be responsible for delays in the email or facsimile system which result in subscriptions not being received in time. The Company and/or Nordea may in their sole discretion disregard any incomplete or incorrectly completed subscription and application forms, as well as any subscriptions and applications not in compliance with applicable laws and regulations, without prior notice to the subscriber. The Company and/or Nordea may also in their sole discretion treat delayed, incomplete or incorrect subscription and application forms as valid.

PRESIDENT'S COMMENTS

Dear Shareholder:

Through the launch of SAS's renewed strategic approach—"Core SAS"—we have begun SAS's journey to a more focused and profitable company, with good prospects for creating value for you as a shareholder. In addition to implementing a new, streamlined organization in combination with extensive structural changes, the Group plans to make considerable reductions to its fleet and route network. Cost-cutting measures totaling SEK 4 billion are expected to have an impact on earnings in the next few years. To enable effective implementation of Core SAS, the Board of Directors has resolved on a rights issue of approximately SEK 6 billion. At the same time, the Group has had credit arrangements amounting to SEK 6.5 billion extended, which is good news in a credit market under historic strain.

One of the top priorities I had when I joined SAS in 2007 was to change and improve relations with our labor unions. Accordingly, it is highly gratifying that I can state that a breakthrough in our cultural turnaround has been achieved. An agreement was reached with SAS's labor unions in January 2009 regarding necessary changes to our collective bargaining agreements. All parties have contributed, and savings of about SEK 1.3 billion are now expected. These savings are an important first step toward competitive collective bargaining agreements.

SAS's market position remains strong. Our brand stands for quality, reliability and stability. We plan to build on these strengths further under Core SAS, where there will be a clearer focus on profitable destinations and product offerings that are relevant to our business travelers. In addition, our position improved during 2008, and SAS is among the three leading airlines in Europe for regularity and punctuality. We are also at the leading edge in terms of innovation and product development. This is clear from our customer surveys, which show improvements and more satisfied customers.

Our new, more customer-focused organization is expected to make harmonization possible within the Group. Decision paths and time-to-market will become shorter, and the customer experience more uniform and coherent. This will take place in combination with our new brand promise "Service And Simplicity," where we pledge to make it even easier to travel, while maximizing value for the individual customer. In this way, we plan to create an excellent platform for a more customer-oriented SAS.

Core SAS is based on SAS having a healthy and attractive core. Unlike many other network carriers, our short-haul business has historically been profitable, excluding non-recurring items. The Nordic region is an attractive home market, where we enjoy a strong position with market shares of between 15 and 60 percent. With an even more focused route network, our profitability is expected to be improved further.

Core SAS, with new, more competitive collective agreements, a more efficient and simplified organization to ensure resoluteness and follow-through, a competitive cost level, divestment of non-core operations and fleet reductions, is expected to create a stable platform for the future. 2009 and likely 2010 will be difficult years. However, as a result of cost reducing measures totaling approximately SEK 4 billion, capacity reductions of 20% and our other activities under Core SAS, the Group expects to be in a strengthened position when demand recovers in the future. The rights issue will support the implementation of Core SAS, making us well-equipped for future challenges.

Let me extend an invitation to participate in the SAS rights issue. An exciting and interesting journey awaits!

Stockholm, March 2009
Mats Jansson
President and CEO

INDUSTRY OVERVIEW

Overview

The Group's home market is the airline market in the Nordic region, a market with approximately 25 million inhabitants.

The Group operates as an integrated network airline with a Nordic, European and intercontinental network. The Group operates predominantly in the scheduled services market of the European airline industry with its brands SAS Scandinavian Airlines (within Scandinavia and between Scandinavia and the rest of Europe as well as intercontinental destinations), Blue1 (within Finland and between Finland and the rest of Europe) and Widerøe (primarily domestic destinations in Norway). The Group operates short-haul flights to Europe mainly out of its three operational hubs near Copenhagen, Oslo and Stockholm, and intercontinental flights to North America and Asia out of Copenhagen and Stockholm.

General Macroeconomic Trends

The global airline industry is cyclical and shows a significant correlation of traffic growth with growth in gross domestic product ("**GDP**"). Over the long-term, passenger traffic growth has outpaced GDP growth (Source: Global Insight).

The global economy experienced strong growth in terms of GDP between 2005 and 2007, despite increasing oil prices and uncertainty factors, such as acts of terrorism. Growth over this period was driven mainly by Asian countries, such as China and India, growing on average between approximately 9 and 13% per annum (Source: Global Insight). The EU economy also recorded positive growth over the same period, driven by a low interest rate environment, increases in domestic demand and exports, and strong growth in EU accession countries.

In 2008, however, the world economy faced a significant economic slowdown driven by the current financial crisis. According to the most recent expectations, major economies such as the European Union, the United States, China, Japan and India are expected to report 2008 growth rates significantly below the 2007 level (Source: Global Insight). The slowdown intensified during the fourth quarter of 2008 and led to an economic recession in several economies, including in the European Union, which recession is generally expected to worsen during 2009.

Denmark, Norway and Sweden all reported solid GDP growth between 2005 and 2007, but have reported weaker growth for 2008. Sweden's economy, which had the strongest development of the three countries with an average growth of 3.5% during the period from 2005-2007, was driven by increased exports, which make up more than 50% of Sweden's GDP. In 2008, Sweden's GDP was impacted negatively by the global economic turmoil, reducing demand for Swedish exports. Together with a decrease in domestic demand, GDP growth in Sweden was negative 0.2% for the whole year and negative 4.8% for the fourth quarter of 2008, based on preliminary figures. Denmark generated the second highest average growth rate of 2.5% between 2005 and 2007, mainly driven by strong domestic demand. Denmark was, however, the first EU country to enter into a recession at the beginning of 2008 in the wake of the financial crisis. As a result, domestic demand has been hampered, and Denmark had GDP growth of negative 1.3% for the whole year and negative 3.9% for the fourth quarter of 2008, based on preliminary figures. Norway had an average GDP growth of 2.2% between 2005 and 2007. Although Norwegian GDP growth decreased slightly in 2008, as a result of lower construction activity and durable goods spending, Norway generated relatively strong GDP growth of 2.0% for the whole year and 0.8% for the fourth quarter of 2008, based on preliminary figures.

The following table sets forth real GDP growth from 2005 through 2008:

Real GDP Growth 2005-2008 (% change from the corresponding period of the previous year)

	Year ended 31 December				Three months ended 31 December
Country	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Preliminary (1)**	**2008 Preliminary (1)**
Denmark	2.3%	3.3%	2.0%	(1.3)%	(3.9)%
Norway	1.8%	1.5%	3.2%	2.0%	0.8%
Sweden	3.3%	4.6%	2.7%	(0.2)%	(4.8)%
Finland	2.8%	4.9%	4.5%	0.9%	(2.4)%
European Union	2.1%	3.2%	2.9%	0.9%	(0.9)%
United States	2.9%	2.8%	2.0%	1.1%	(0.8)%
China	10.4%	11.6%	13.0%	9.0%	6.8%
India	9.2%	9.7%	9.0%	6.0%	4.0%
Japan	1.9%	2.0%	2.4%	(0.7)%	(4.6)%

Source: Global Insight and official figures reported by the respective countries.

(1) All data presented for 2008 are based on preliminary figures reported by the respective countries, except data relating to the European Union and India, which are based on Global Insight estimates as of 14 February 2009. Actual results may differ from these preliminary figures when the final figures are reported by the respective countries.

General European Airline Industry Historic Trends

Between 2005 and 2007, the European airline industry benefited from a strong overall economic environment, resulting in a 4.4% compound annual growth rate ("**CAGR**") (Source: AEA, based on scheduled domestic, intra-European and intercontinental flights from/to Europe for participating AEA carriers) in passengers for the period. Network and low-cost carriers added substantial capacity throughout Europe and on intercontinental routes, with Eastern Europe and Asia (China and India) being the key growth drivers for the European airline industry.

This capacity expansion saw a significant increase in new route openings throughout Europe. On short/medium-haul flights, airlines started operating non-stop services between large cities and so-called secondary/tertiary cities as well as between secondary cities, which previously were only connected indirectly via large airports. The short/medium-haul expansion was mainly driven by low-cost carriers. The same trend in types of new connections could be observed in the intercontinental segment, in particular between Europe and North America, where several smaller catchment areas received non-stop services to carriers' hubs. In the mid-term, this trend will probably be further supported by the introduction of smaller and more fuel efficient long-haul aircraft types, such as the Airbus A350 and Boeing 787, with expanded ranges.

Overall capacity expansion was outpaced by passenger demand growth, which led to an increase in yield and load factors for the European airline industry, peaking in 2007.

The year 2008, however, stood in sharp contrast to the previous years, being probably one of the most challenging and turbulent years in the history of the aviation industry. Airlines faced record high oil prices during the first half of 2008 while the economic slowdown in the second half of 2008 reduced the overall demand for goods and services, and hence also passenger demand, significantly.

As a result, the European airline industry experienced a significant decrease in profitability: overcapacity and slowdown in passenger demand resulted in lower load factors coupled with a sharp increase in fuel costs. The worsening macroeconomic conditions and intensified competition led to a significant increase in market concentration of the European airline industry through several bankruptcies and a wave of consolidation. Examples of consolidation include the announced acquisitions by Lufthansa of Brussels Airlines (a 45% stake, with an option to acquire the remaining 55% stake), Austrian Airlines and bmi (a 50% stake, bringing the total stake to 80%) and by Air France-KLM of Alitalia (a 25% stake) and the announced merger discussions between British Airways and Iberia.

The Nordic Airline Market

Despite the smaller population base compared with other European countries, air travel in the Nordic region, the Group's home market, is considerable. The Group's home market covers a large geographic area that requires frequent air travel as its topography and geography restrict the possibility of ground travel on many routes. In addition, the economies of Denmark, Norway, Sweden and Finland are highly dependent on global trade and have a significant number of large export-oriented companies that require regular business travel to and from the Group's home market. As a result, per capita air travel in the Group's home market averaged 4.8 trips per year in 2007, which was considerably more than the European Union with 2.5 trips per capita (Source: Global Insight).

In 2008, the Swedish market was the largest market in the Nordic region in terms of ASK with 32,596 million, followed by the Norwegian (31,451 million), Danish (24,951 million) and Finnish (20,905 million) airline markets. (Source: AGP)

The Swedish Airline Market

Capacity in the Swedish airline market as measured by ASK grew at a CAGR of 6.9%, from 26,671 million in 2005 to 32,596 million in 2008, and the number of passengers grew at a CAGR of 3.6%, from 24.9 million in 2005 to 27.7 million in 2008.

This growth in capacity and passengers was primarily driven by the growth of low-cost carriers, especially Ryanair (European routes) and Norwegian Air Shuttle (Scandinavian and European routes).

The following table sets forth the capacity and the number of passengers from 2005 through 2008:

ASK and Passengers 2005 – 2008 (1)

	2005	2006	2007	2008
Available seat kilometres (million)	26,671	26,857	28,185	32,596
Passengers (million)	24.9	25.8	26.8	27.7

Source: APGdat, Official airport statistics

(1) ASK on scheduled domestic flights and flights to/from the European Union. For reasons of comparability, the number of domestic passengers has been adjusted to avoid double counting.

Network carriers have not shown any major interest in growing their presence in the Swedish market in recent years. In the leisure market, the two most sustainable low-cost competitors so far have been Ryanair, based in Skavsta airport around 100 kilometers south of Stockholm, and Norwegian Air Shuttle.

In 2008, the Group had a market share of approximately 35% (37% in 2007) in the Swedish market based on passenger-segments. See "Business Overview—Key Competitive Strengths—Strong Market Position." The largest other airlines include Norwegian Air Shuttle, Ryanair, Lufthansa and Air France-KLM (Source: Luftfartsverket, based on domestic and international (including intercontinental) passenger-segments).

The Norwegian Airline Market

Capacity in the Norwegian airline market as measured by ASK grew at a CAGR of 9.4%, from 24,040 million in 2005 to 31,451 million in 2008, and the number of passengers grew at a CAGR of 7.3% from 22.9 million in 2005 to 28.3 million in 2008.

This growth in capacity and passengers was to a large extent driven by the introduction of Norwegian Air Shuttle, which grew with a CAGR of 108% per annum during the period from 2003 to 2007 in terms of ASK.

The following table sets forth the capacity and the number of passengers from 2005 through 2008:

ASK and Passengers 2005 – 2008 (1)

	2005	2006	2007	2008
Available seat kilometres (million)	24,040	26,990	28,706	31,451
Passengers (million)	22.9	25.5	27.5	28.3

Source: APGdat, Official airport statistics

(1) ASK on scheduled domestic flights and flights to/from the European Union. For reasons of comparability, the number of domestic passengers has been adjusted to avoid double counting.

Norwegian Air Shuttle has expanded rapidly in recent years and appears to have planned for continued expansion in capacity based on the number of aircraft it has on order. Both in the leisure and business markets, Air France-KLM has traditionally had a strong position, especially in southern Norway, feeding traffic from six Norwegian cities to its Amsterdam hub.

In 2008, the Group had a market share of approximately 59% (61% in 2007) in the Norwegian market based on passenger-segments. See "Business Overview—Key Competitive Strengths—Strong Market Position." The largest other airlines include Norwegian Air Shuttle, Ryanair and Air France-KLM (Source: Avinor, based on domestic and international (including intercontinental) passenger-segments).

The Danish Airline Market

Capacity in the Danish airline market as measured by ASK grew at a CAGR of 2.4%, from 23,206 million in 2005 to 24,951 million in 2008, and the number of passengers grew at a CAGR of 2.9% from 22.1 million in 2005 to 24.1 million in 2008.

This growth in capacity and passengers was primarily driven by Ryanair and Sterling Airlines (that filed for bankruptcy in 2008). A few other airlines, such as Air Berlin and Cimber Air, grew significantly during the period, albeit from a low starting point.

The following table sets forth the capacity and the number of passengers from 2005 through 2008:

ASK and Passengers 2005 – 2008 (1)

	2005	2006	2007	2008
Available seat kilometres (million)	23,206	22,185	22,972	24,951
Passengers (million)	22.1	22.9	23.9	24.1

Source: APGdat, Official airport statistics

(1) ASK on scheduled domestic flights and flights to/from the European Union. For reasons of comparability, the number of passengers has been adjusted to include arriving international passengers.

Network carriers such as Air France-KLM, Iberia and Lufthansa have had a stronger relative growth since 2003. Unlike in the Swedish market, Ryanair has not based its growth in the leisure market on the country's capital area, but on secondary airports in Denmark. Other low-cost carriers, including easyJet, have been operating to and from Copenhagen airport but still with a somewhat limited presence after Sterling Airlines' bankruptcy in October 2008.

In 2008, the Group had a market share of approximately 46% (46% in 2007) in the Danish market based on passenger-segments. See "Business Overview—Key Competitive Strengths—Strong Market Position." The largest other airlines include Cimber Air, Ryanair and British Airways (Source: Airport statistics Denmark, based on domestic and international (including intercontinental) passenger-segments).

The Finnish Airline Market

Capacity in the Finnish airline market as measured by ASK grew at a CAGR of 7.3%, from 16,903 million in 2005 to 20,905 million in 2008, and the number of passengers grew at a CAGR of 6.3% from 10.9 million in 2005 to 13.1 million in 2008.

This growth in capacity and passengers was primarily driven by Ryanair and Blue1, a subsidiary of the Group.

The following table sets forth the capacity and the number of passengers from 2005 through 2008:

ASK and Passengers 2005 – 2008 (1)

	2005	2006	2007	2008
Available seat kilometres (million)	16,903	17,452	19,607	20,905
Passengers (million)	10.9	12.0	13.0	13.1

Source: APGdat, Official airport statistics

(1) ASK on scheduled domestic flights and flights to/from the European Union. For reasons of comparability, the number of domestic passengers has been adjusted to avoid double counting.

Due to its limited size and remote location, the Finnish market is heavily dominated by Finnair, having around 60% of the short-haul market (ASK, 2007). The Group's subsidiary Blue1 has positioned itself as a niche player between low cost carriers and network carriers, providing premium services to customers at low fares.

In 2008, the Group had a market share of approximately 16% (17% in 2007) in the Finnish market based on passenger-segments. See "Business Overview—Key Competitive Strengths—Strong Market Position." The other largest airlines include Finnair, Lufthansa, Ryanair and Air France-KLM (Source: Airport statistics Finland, based on domestic and international (including intercontinental) passenger-segments).

The Intercontinental Airline Market in Scandinavia

Capacity in the intercontinental airline market in Scandinavia as measured by ASK grew at a CAGR of 7.5%, from 22,888 million in 2005 to 28,429 million in 2008.

The following table sets forth the capacity from 2005 through 2008:

ASK 2005 – 2008 (1)

	2005	2006	2007	2008
Available seat kilometres (million)	22,888	24,903	25,797	28,429

Source: APGdat, Official airport statistics

(1) ASK on scheduled domestic flights and flights to/from the European Union.

In recent years, U.S. network carriers have increasingly launched operations to Scandinavia (primarily Copenhagen, Stockholm and Oslo) from their respective hubs in the United States. However, some of the routes have been discontinued in downturns, and the Group has still managed to maintain a strong position due to its other operations, such as its extensive Nordic route network, corporate customers and its EuroBonus program. Given Finland's beneficial geographic location for east-bound intercontinental flights, Finnair has expanded its Asian route network in recent years, which competes with the Group's intercontinental flights. However, Finnair's business model depends on a high number of transfer passengers, and has been challenged recently.

In 2008, the Group had a market share of approximately 45% in the intercontinental market to and from Scandinavia based on scheduled ASK on flights between Scandinavia and regions outside Europe. See "Business Overview—Key Competitive Strengths—Strong Market Position." The main competitors include Thai Airways, Continental Airlines, TUIfly Nordic and Delta Air Lines (Source: APG, intercontinental scheduled flights to/from Scandinavia based on ASK).

BUSINESS OVERVIEW

Overview

SAS is the largest airline group in the Nordic region based on revenue and ASK in 2008. The Group's core business is operating passenger flights on an extensive Nordic, European and intercontinental route network. During 2008, the Group employed an average of approximately 20,500 full time employees, operated an average of 1,167 daily departures and offered scheduled and chartered passenger flight services to 176 destinations in the Nordic region, the rest of Europe, North America and Asia. During 2008, the Group generated total revenues of SEK 53 billion and carried approximately 29 million passengers.

The Group's three main operational hubs near Copenhagen, Stockholm and Oslo form the backbone of its route network. The Group's network is designed so that it connects the Group's destinations in the Nordic region to the rest of Europe, as well as to selected destinations in North America and Asia. These connections provide several daily flights between selected European cities and the Group's hubs, limiting the waiting time for transfer passengers and providing European business travelers the possibility of intra-day return trips. Copenhagen, Stockholm and Oslo are well-positioned geographically in Northern Europe, providing short travel time to and from several major European airports as well as to and from destinations in North America and Asia. Moreover, the Group has an extensive regional network, providing customers access to a significant number of Nordic destinations.

In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network. The Group currently provides cargo services to destinations in the Nordic region, the rest of Europe, North America and Asia. The majority of its cargo revenues are derived from utilizing the cargo holds of aircraft on the Group's passenger flights ("**Cargo Belly**") to transport merchandise, spare parts and other goods for a wide customer base that includes Scandinavian corporations and other third parties. The Group's other aviation services are primarily used by the Group's airlines and include ground handling, maintenance, repair and other airport-related services.

The Group's operations are organized into three business segments: SAS Scandinavian Airlines, SAS Individually Branded Airlines and SAS Aviation Services, of which SAS Scandinavian Airlines is the Group's largest segment in terms of revenue. The SAS Scandinavian Airlines segment markets and operates flights to, from and within Scandinavia under the brand SAS Scandinavian Airlines. In the SAS Individually Branded Airlines segment, the Group operates regional flights primarily in Norway and Finland under the Widerøe and Blue1 brands. The SAS Aviation Services segment provides a variety of airline support services to the airline industry, including ground handling, maintenance and cargo operations.

The Group's brands are strong in their respective home markets. Based on surveys of EuroBonus customers, the Group believes that SAS Scandinavian Airlines is known as the leading Scandinavian airline in terms of the number of destinations served and the frequency of its flights to, from and within Scandinavia, as well as for offering a comprehensive package of air travel services. The Group also believes that SAS Scandinavian Airlines is particularly well positioned in the business travel segment due to its extensive route network within Scandinavia and between Scandinavia and the rest of Europe, the frequency of its flights and its history of providing innovative products, such as electronic check-in options and wireless internet access in its airport lounges. Further, Widerøe is positioned in Norway as a regional airline with an extensive route network between rural airports along the coast of Norway, and the Group believes that Widerøe is regarded as punctual despite the harsh weather conditions that often exist along the Norwegian coast. Blue1 is the second largest airline in Finland based on passenger-segments in 2008, and the Group believes that Blue1 is positioned as an airline that provides premium services at low fares.

The Group is a member of the Star Alliance, which is the cornerstone of the Group's global partner and network strategy, offering the Group's customers reliable travel products and services worldwide. The Star Alliance is the largest airline alliance in the world with 24 member airlines that operate more than 16,500 daily flights to 912 destinations in 159 countries.

Since 2002, the Group has announced a number of initiatives to decrease its cost base and improve its profitability. From 2003 to 2006, the Group implemented its "Turnaround 2005" cost saving program under which the Group successfully reduced its annual cost base in 2002, which included operations that have since been discontinued and/or divested, such as Spanair and the Rezidor Hotel Group, by approximately SEK 14.2 billion, before taking into account one-time restructuring costs of SEK 1.4 billion. In 2007, the Group announced its "Strategy 2011" cost saving program to decrease the Group's annual cost base in 2007 by an additional SEK 2.8 billion. As of 31 December 2008, the Group had implemented approximately SEK 2.5 billion of the cost savings under Strategy 2011, before taking into account one-time restructuring costs of SEK 500 million. Approximately SEK 700 million of these cost savings were implemented during the second half of 2008 and, as a result, most of the benefits of such cost savings were not realized in 2008. In 2008, the Group launched its short-term earnings-enhancement program "Profit 2008" which encompassed measures to increase revenues and decrease costs in the short-term. For more information on these cost saving and earnings-enhancement programs, see "—Key Competitive Strengths—History of Implementing Operational Changes." Despite these programs, the Group continues to have a higher cost base compared to its local low cost competitors, primarily due to collective bargaining agreements with the unions as well as certain inefficiencies in other parts of the Group's business.

To increase the Group's profitability, in response to the current economic downturn and internal challenges, the Board of Directors approved a renewed strategic approach in February 2009, which is expected to be implemented from 2009 through 2011. The renewed strategic approach, Core SAS, is aimed at focusing and reorganizing the Group's business operations as more fully described in "—Core SAS." Although the Group has begun to implement Core SAS, this Offering Memorandum is intended to describe the Group's business prior to the complete implementation of Core SAS. This Offering Memorandum also indicates, where applicable, the expected impact of Core SAS on the Group's current business, which is based on the Group's current expectations and projections about future events.

No assurances can be given that Core SAS will be fully implemented or that the objectives of Core SAS will be met. For additional information relating to certain risks associated with Core SAS, see "Risk Factors—Risks Related to the Group—The Group may not be able to meet the targets and projections set out in Core SAS. If the Group fails in meeting these objectives or Core SAS is otherwise unsuccessful, the Group's business, financial condition and results of operations could be materially adversely affected."

Core SAS sets out the following five strategies:

- **Focus on the Nordic home market** by divesting the Group's ownership stakes in airlines outside the Nordic region that are not directly included in core operations, and by either divesting or discontinuing certain of the Group's aviation services that the Group believes are not strategically critical (including certain ground handling, maintenance and cargo services) (see "—Core SAS—Focus on the Nordic Home Market");
- **Focus on business travelers and a strengthened commercial offering** by closing unprofitable routes and focusing the Group's network on routes that are important to business travelers, by correspondingly reducing the Group's capacity and by implementing the Group's new "Service And Simplicity" commercial model designed primarily to target the needs of business travelers and strengthen the Group's position as a provider of high quality air travel services (see "—Core SAS—Focus on Business Travelers and a Strengthened Commercial Offering");
- **Improve the Group's cost base** by implementing a comprehensive cost reduction program that is expected to reduce the Group's annual cost base in 2008 by approximately SEK 3.6 billion (including approximately SEK 1 billion of cost reductions from Strategy 2011, of which approximately SEK 700 million were implemented during the second half of 2008), before taking into account one-time restructuring costs of approximately SEK 400 million (see "—Core SAS—Improve the Group's Cost Base");
- **Streamline the Group's organization** by restructuring its overall business organization to be more centralized, efficient and customer-oriented, which is expected to reduce the Group's annual cost base in 2008 by approximately SEK 400 million, before taking into account one-time restructuring costs of approximately SEK 500 million (see "—Core SAS—Streamline the Group's Organization"); and
- **Strengthen the Group's capital structure** by extending the terms of approximately SEK 6.5 billion of the Group's credit facilities and by conducting the Rights Offering (see "—Core SAS—Strengthen the Group's Capital Structure").

A more comprehensive description of Core SAS is set forth below under "—Core SAS."

Goals and Targets

The Group's goals are to create value for customers while establishing the Group as a profitable airline group over the long-term. In connection with Core SAS, the Group has introduced its new commercial model, Service And Simplicity. The Group believes that this new model will create value for customers, and particularly will meet the needs of its most important customer segments, such as EuroBonus Gold members and business travelers. To establish the Group as a profitable airline over the long-term, the Group has established the following financial targets, which are expected to remain under Core SAS:

- Achieving EBT from continuing operations as a percentage of revenue greater than 7%;
- Achieving a CFROI of greater than 25%;
- Achieving an adjusted debt-to-equity ratio, defined as the Group's financial debt plus seven times the net annual leasing costs divided by shareholders' equity, of less than 100%; and
- Maintaining financial preparedness greater than 20% of operating revenue.

Key Competitive Strengths

Attractive Home Market

The Nordic region is an attractive market for airline operations, and the Group believes its home market is one of its most important competitive advantages. The Group's home market consists primarily of Denmark, Norway, Sweden and Finland, which collectively have a population of approximately 25 million, providing a substantial customer base for travel within these countries as well as to the rest of Europe, North America and Asia. The Group's home market covers a large geographic area that requires frequent air travel because its topography and geography restrict the possibility of ground travel between many destinations. In addition, the economies of Denmark, Norway, Sweden and Finland are highly dependent on global trade and have a significant number of large export-oriented companies that require regular business travel to and from the Group's home market. Partially as a result of these factors, residents in the Nordic region travel frequently by air, providing demand for the Group's flights from a recurring customer base. According to Airports Council International, the Nordic region had 4.8 air travel trips per capita in 2007, compared to 2.5 air travel trips per capita in the European Union.

Strong Market Position

The Group is the largest airline group in the Nordic region based on revenue and ASK in 2008. In 2008, the Group's market shares in Denmark, Norway, Sweden and Finland, were 46%, 59%, 35% and 16%, respectively, based on the total number of passenger-segments in each country, including intercontinental passengers. The Group also operated approximately 45% of the intercontinental flight traffic into and out of Scandinavia based on scheduled ASK in 2008. For a more detailed description of the sources and calculation of market share statistics in this Offering Memorandum, see page x of this Offering Memorandum under "Industry and Market Data." In particular, the Group has a strong market share within the business travel segment in Scandinavia, which generally provides higher passenger yields than the leisure or charter travel segments. The Group believes its strong market position is primarily due to positive characteristics that distinguish the Group from its competitors, such as its extensive route network, the frequency of its flights and the Group's comprehensive package of high-quality and innovative air travel services, all of which bolster the Group's brands.

Reliable Operational Platform and Profitable Core Operations

The Group believes that the reliability of its current operational platform provides a key strength to the Group. The Group's operations and flight schedules are designed to provide punctual and regular service to its customers, which reinforces the strength of the Group's brands. SAS Scandinavian Airlines's punctuality, defined as the percentage of flights that depart within 15 minutes of their scheduled departure, increased from 79% in 2007 to 85% in 2008. During the same period, SAS Scandinavian Airlines's regularity, defined as the percentage of flights that are not cancelled, increased from 98% in 2007 to 99% in 2008. From April to October 2008, the Group was ranked as the most punctual airline in Europe by the AEA, based on the percentage of flights that arrived within 15 minutes of scheduled arrival.

The Group's core operations, particularly the SAS Scandinavian Airlines' short-haul operations, have historically outperformed the Group's overall financial results, and the Group believes that focusing on these core operations will allow the Group to be more profitable over the long-term. The Group's adjusted EBITDAR from its core operations, which include Scandinavian Airlines, Blue1, Widerøe, SAS Ground Services, SAS Technical Services and SAS Cargo, was SEK 6,065 million in 2006 (representing an adjusted EBITDAR margin of 12.4%), SEK 6,819 million in 2007 (representing an adjusted EBITDAR margin of 13.4%) and SEK 4,442 million in 2008 (representing an adjusted EBITDAR margin of 8.3%). See "Financial Information and Operating Data in Summary—Other Financial Information" for a reconciliation of adjusted EBITDAR to the

Group's net income. SAS Scandinavian Airlines' short-haul operations, in particular, have historically been more profitable than the Group as a whole, with adjusted EBIT, which excludes non-recurring items as well as the estimated effects of strikes, the ECA agreement and the Q400 incidents, of SEK 3,657 million in 2007 and SEK 211 million in 2008.

Comprehensive Commercial Offering

The Group believes that its innovative service offering, combined with the Group's network and alliances with partner airlines, provides travelers a comprehensive commercial offering for high-quality air travel services to, from and within the Nordic region.

Innovative and High Quality Service Offering

The Group has been a pioneer in providing electronic and other services that simplify air travel for passengers. In October 2005, the Group was the first European network airline (which excludes low cost carriers) to offer one-way airfares on all European routes. One-way fares have simplified the pricing rules for leisure and business travelers and allow customers the flexibility to price each segment of their trip separately, so they can choose the most cost effective flight times and dates based on their individual travel needs. The Group also provides EuroBonus customers and employees of corporate customers departing Scandinavian airports and selected European destinations the option to check-in via their cell phone or SMS text message, eliminating the need for those using this service to check-in upon arrival at the airport. In 2007, the Group introduced a biometric check-in option on certain domestic flights in Scandinavia, which allows self-service passengers the option to use fingerprints instead of traditional identification cards to identify themselves at the gate.

Certain of the Group's customers also have access to a number of other services provided by the Group. Fast Track security is available at most major airports, which allows EuroBonus Gold members, Business Class and Economy Extra passengers quicker passage through airport security. In addition, the Group has introduced free IP telephony service and free wireless internet access to customers with access to the Group's airport lounges.

The Group has also introduced a number of initiatives to provide a high level of onboard services, particularly for business travelers. In 2004, the Group introduced Economy Extra on intercontinental flights as well as on most flights between Scandinavia and the rest of Europe. Economy Extra provides travelers more flexibility than Economy Class to refund or change their tickets, as well as higher quality services than Economy Class, such as a more comfortable seat on intercontinental flights, a higher quality meal and free newspapers, all at a lower price than Business Class. In 2006, the Group also introduced seats that lie flat in Business Class onboard certain of its intercontinental flights. In addition, the Group has improved its Business Class services on European flights by expanding its menu selections, offering "full tray" service for its meals and providing additional space with empty middle seats on certain aircraft.

Partner Airline Strategy

The Group is a member of the Star Alliance, which is the world's largest airline alliance in terms of passengers, number of destinations served and number of daily flights. As a Star Alliance member, the Group has access to a valuable platform for bilateral cooperation with individual carriers and a worldwide network of flight connections to supplement the Group's extensive network in the Nordic region. The Group has entered into multilateral and bilateral agreements with Star Alliance members in order to provide its customers with more destinations, more connection options, reliable service worldwide and the ability to earn and redeem EuroBonus points on any Star Alliance airline. In addition, the Group has operated a strategic alliance with Lufthansa (also a Star Alliance member) since 1996 to coordinate routes and marketing activities on flights between Scandinavia and Germany. By coordinating routes and flight schedules with Lufthansa, the Group and Lufthansa are able to offer a comprehensive and efficient network between Scandinavia and Germany, on the one hand, and the rest of the world, on the other.

Flexible Fleet Structure

The Group believes that its fleet has a flexible structure that provides a key competitive strength to the Group. The Group's route network requires a mixed fleet of regional jets and aircraft with one and two aisles, and the Group believes it has developed a mix of aircraft that is well-suited to the Group's particular needs, even though such a mix implies certain additional costs, such as the cost of maintaining several aircraft types and restrictions on the interchangeability pilots and cabin crew. The Group's aircraft mix, combined with the staggered maturities of its operating leases, are designed to provide the Group with a high degree of flexibility in managing its capacity over the medium-term. Approximately 64% of the Group's fleet are financed with operational leases, and almost 100 of those aircraft leases are expected to expire during 2009 through 2011. These maturities are expected to facilitate certain of the Group's planned aircraft reductions under Core SAS. In addition, as operating leases expire, the Group expects to be able to choose whether to phase out certain of its older aircraft or keep them in operation, depending on the Group's future capacity needs.

History of Implementing Operational Changes

The Group has a strong track record of implementing operational changes and cost reductions. From 2003 to 2006, the Group implemented its cost saving program Turnaround 2005, which affected more than 1,300 operational activities and was successful in reducing the Group's annual cost base in 2002 by approximately SEK 14.2 billion, before taking into account one-time restructuring costs of SEK 1.4 billion.

In 2007, the Group announced Strategy 2011 in an effort to decrease the Group's annual cost base in 2007 by an additional SEK 2.8 billion. The cost saving measures under Strategy 2011 include reducing the number of full time employees, centralizing the Group's purchasing operations and increasing productivity of certain of the Group's operations, such as by increasing manager accountability at the Group's call centers. As of 31 December 2008, the Group had implemented approximately SEK 2.5 billion of the cost savings under Strategy 2011, before taking into account one-time restructuring costs of SEK 500 million. Approximately SEK 700 million of these cost savings were implemented during the second half of 2008 and, as a result, most of the benefits of such cost savings were not realized in 2008. The Group expects the remaining measures, relating to approximately SEK 300 million in cost savings, to be fully implemented during 2009 under Core SAS.

In addition, to address the current crisis in the airline industry, the Group launched a short-term earnings-enhancement program, Profit 2008, which was intended to increase the Group's EBT by approximately SEK 1.5 billion. The Profit 2008 program encompassed measures to increase revenues, such as higher ticket prices, increased fuel surcharges and sales of higher yielding tickets, as well as measures to reduce costs in the short-term, such as reductions in the Group's route network and a reduction of 18 aircraft (approximately 10% of the Group's capacity). As of 31 December 2008, the Group had fully implemented the Profit 2008 program, which resulted in a positive impact of approximately SEK 1.5 billion on the Group's net income in 2008.

Core SAS

The following discussion includes forward-looking statements. These forward-looking statements are based on the Group's current expectations and projections about future events, as described in greater detail below. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group that could cause actual results to differ materially from those projected. In addition, the following discussion contains estimates, including estimates of the effects of certain events and cost reduction measures on the Group's 2008 results. These estimates involve uncertainties and assumptions, and there can be no assurance that such events will have the same or similar effects in the future. See "Risk Factors."

To increase the Group's profitability, in response to the current economic downturn and internal challenges, the Board of Directors approved a renewed strategic approach in February 2009, Core SAS, which is expected to be implemented from 2009 through 2011. Core SAS is aimed at focusing and reorganizing the Group's business operations, and the Group believes that, once Core SAS is fully implemented, its capital structure will be stronger and its annual cost base in 2008 will be reduced by approximately SEK 4 billion (including approximately SEK 1 billion of cost reductions under Strategy 2011, of which approximately SEK 700 million were implemented during the second half of 2008), before taking into account one-time restructuring costs of SEK 900 million. The Group expects to incur a large portion of these restructuring costs in 2009, a majority of the remaining restructuring costs in 2010, and the balance of the restructuring costs in 2011. The Group estimates that if Core SAS had been fully implemented at the beginning of 2008, its EBT excluding restructuring costs and non-recurring items would have been increased by approximately SEK 7.3 billion in 2008. As described in greater detail below, Core SAS contemplates a decrease in the number of flights operated and destinations served by the Group's airlines. While revenue is expected to be reduced significantly as a result of these changes, the Group believes that by implementing Core SAS, it will become a streamlined, more efficient and profitable airline over the long-term.

The table below sets forth the estimated effects that Core SAS would have had on the Group's 2008 financial results if it had been fully implemented at the beginning of 2008:

	Year ended 31 December 2008				
	Revenue	EBT	Adjusted Net Debt (1)	Full Time Employees (2)	Fleet (3)
		(SEK billions)			
Group, excluding restructuring costs and non-recurring items	53.0	(0.4)	22.5	20,400	237
Spanair (including restructuring costs) (4)	10.0	(2.2)	6.0	3,000	61
Total Group	**63.0**	**(2.6)**	**28.5**	**23,400**	**298**
Focus on the Nordic home market (5)	(12.0)	2.5	(7.0)	(5,200)	(61)
Focus on business travelers and a strengthened commercial offering (6)	(3.0)	0.8	(2.0)	(1,500)	(20)
Improve the Group's cost base		3.6		(1,700)	
Streamline the Group's organization		0.4		(400)	
Strengthen the Group's capital structure			(6.0)		
Total estimated effects of Core SAS	**(15.0)**	**7.3**	**(15.0)**	**(8,800)**	**(81)**
Approximate percentage change	24%	n.m.	54%	38%	27%

(1) Adjusted net debt is calculated by multiplying net annual leasing costs by seven (in order to approximate the present value of such leasing costs) and adding net debt.

(2) Full time employees is the average number of full time employees during the fourth quarter of 2008.

(3) Includes 12 Q400 aircraft that have been withdrawn from operation.

(4) Adjusted net debt for Spanair includes Spanair's lease-related debt and excludes any additional debt that Spanair is expected to incur as a result of the Group's divestiture.

(5) This decrease in revenue is primarily attributable to Spanair's revenue but also includes the external revenue from Spirit, Cubic Air Cargo, Trust Forwarding and SGS International. This estimated impact on the Group's EBT is based on a preliminary evaluation of EBIT in 2008 for the Group's subsidiaries, primarily related to Spanair, that have been, or are expected to be, divested or discontinued under Core SAS, excluding any expected gains or losses from such divestitures or discontinued operations. This reduction of adjusted net debt includes SEK 6 billion of lease-related debt of Spanair and the remaining SEK 1 billion includes the debt of other subsidiaries or business that have been, or are expected to be, divested or discontinued under Core SAS.

(6) This estimated impact on the Group's EBT is based on a preliminary evaluation of the total losses before interest and taxes in 2008 from the routes that have been, or are expected to be, discontinued under Core SAS. These 2008 losses have been adjusted for market effects and the estimated impact that the Group's cost reduction measures under Core SAS, including the amended collective bargaining agreements with the trade unions, would have had on such losses if such cost reduction measures had been fully implemented at the beginning of 2008.

Focus on the Nordic Home Market

The Group intends to divest its ownership stakes in airlines outside the Nordic region that are not directly included in core operations, and has already divested its ownership stakes in certain companies, including airBaltic. In December 2008, the Group signed a definitive agreement to sell its 47.2% interest in airBaltic to the management of airBaltic for a purchase price of LVL 14 million (approximately SEK 216 million), following the decision of the Latvian government in early 2008 not to continue the privatization of the airline. The sale of the Group's stake in airBaltic was completed in January 2009. The Group also entered into a definitive agreement on 30 January 2009 with a group of investors based in Catalonia, Spain, led by the Consorci de Turisme de Barcelona and Catalana d'Iniciatives, regarding the sale of approximately 80% of Spanair. The sale of Spanair is expected to close in the first quarter of 2009 and is subject to customary regulatory approvals. See "Operating and Financial Review—Overview—Summary of Divestitures." In addition to these divestitures, the Group expects to divest its ownership stakes in other non-core airlines businesses, including Air Greenland, bmi, Estonian Air and Skyways.

In addition to non-core airline operations, the Group intends to divest or discontinue certain of the Group's cargo services, and the Group has already sold its ownership stake in Cubic Air Cargo ("**Cubic**"), which was a business unit of SAS Cargo that provided cargo sales services to the Group and certain other airlines, to

NordicGSA ApS in February 2009. In addition, the Group currently expects to divest its ownership stakes in Spirit Air Cargo Handling ("**Spirit**"), a business unit of SAS Cargo that provides cargo handling services, as well as Trust Forwarding ("**Trust**"), a business unit of SAS Cargo that provides cargo forwarding services, such as door-to-door delivery, customized cargo solutions and management of documentation for imports and exports. The Group also plans to discontinue its cargo operations on dedicated cargo aircraft ("**All Cargo**"), a substantial portion of which has already been closed down. However, the Group intends to maintain its Cargo Belly operations because it generates a substantial amount of revenues on the Group's intercontinental flights, and the Group believes that Cargo Belly can be a profitable part of the Group's core business.

The Group also plans to discontinue a substantial portion of its support services and increase its outsourcing of those services to third parties. Within Scandinavia, the Group plans to outsource its ground handling services at selected secondary airports while maintaining its operations at selected base airports. In addition, the Group expects to divest most of its ground handling service operations outside Scandinavia, except for certain purchasing and administrative functions that are to remain internal.

Under Core SAS, the Group also expects to discontinue a substantial portion of its services that relate to more extensive aircraft maintenance. However, the Group plans to continue to provide routine maintenance operations, such as those services required by an aircraft for each flight. The Group currently plans to increase the use of outsourcing to meet the Group's ongoing needs for maintenance services.

As a result of divesting or discontinuing these non-core operations, the Group expects a reduction of approximately 5,200 full time employees (approximately 25% of the Group's average number of full time employees in 2008) as well as a decrease in the Group's adjusted net debt by approximately SEK 7 billion. If these divestitures and discontinued operations had been fully implemented at the beginning of 2008, the Group estimates that these changes would have reduced the Group's 2008 revenue by approximately SEK 12 billion and increased the Group's 2008 EBT, excluding restructuring costs and non-recurring items, by approximately SEK 2.5 billion, which is estimated based on a preliminary evaluation of EBIT in 2008 for the Group's subsidiaries that have been, or are expected to be, divested or discontinued under Core SAS, excluding any expected gains or losses from such divestitures or discontinued operations.

Focus on Business Travelers and a Strengthened Commercial Offering

Focus on Business Travelers

In 2008, SAS Scandinavian Airlines operated approximately 187 short-haul routes within Scandinavia and between Scandinavia and the rest of Europe ("**SAS Short-haul**"). As of 31 December 2008, the Group utilized 148 aircraft on SAS Short-haul routes. As part of Core SAS, the Group plans to close down unprofitable SAS Short-haul routes to reduce capacity and focus its SAS Short-haul network on profitable routes. The Group currently plans to decrease SAS Short-haul's ASK by approximately 18% and to reduce SAS Short-haul's fleet to approximately 130 aircraft. The Group estimates that if these measures had been fully implemented at the beginning of 2008, the Group could have maintained approximately 92% of SAS Short-haul's flight revenue in 2008. Moreover, these route reductions have been designed to minimize the negative impact on the Group's most important customer segments, including EuroBonus Gold members, business travelers and transfer passengers that have been fed into the Group's network by partner airlines ("feeder traffic"). Despite this reduction in the SAS Short-haul network, the Group expects to be able to maintain approximately 96% of its 2008 business routes, which are routes that had more than 6,000 EuroBonus Gold member passengers in 2008, and approximately 71% of its 2008 secondary business routes, which are routes that had between 1,000 and 6,000 EuroBonus Gold member passengers in 2008. As a result, the Group estimates that if these measures had been fully implemented at the beginning of 2008, the Group could have maintained 95% of SAS Short-haul's passenger-segments flown by EuroBonus Gold members as well as 96% of SAS Short-haul's passenger-segments flown by employees of corporate customers in 2008.

In 2008, the Group operated 13 intercontinental routes and utilized 11 aircraft on these routes. Although these intercontinental routes were generally less profitable than the SAS Short-haul flights in 2008, the Group believes that intercontinental routes are strategically important for the Group for several reasons. First, the Group's most important customer segments, including EuroBonus Gold members and business travelers, frequently utilize the Group's direct flights to major intercontinental destinations, which include a number of business destinations, such as New York, Tokyo and Dubai. In addition, according to the International Air Transportation Association ("**IATA**"), traffic on the Group's intercontinental routes are expected to grow more quickly than its SAS Short-haul routes between 2009 and 2011. As a result of these growth prospects and the important customer segments traveling on intercontinental routes, Core SAS contemplates a reduction of the

Group's least profitable intercontinental routes while maintaining its presence in the intercontinental market. The Group currently plans to decrease the Group's intercontinental ASK by approximately 19% and to reduce the Group's long-haul fleet by two aircraft. The Group estimates that if these measures had been fully implemented at the beginning of 2008, the Group could have maintained approximately 83% of its intercontinental passenger-segments and approximately 86% of its intercontinental passenger-segments flown by EuroBonus Gold members in 2008.

As a result of these reductions to the SAS Short-haul and intercontinental routes, the Group expects a decrease of approximately 1,500 full time employees (approximately 7% of the Group's average number of full time employees in 2008) as well as a decrease in the Group's adjusted net debt of approximately SEK 2 billion. If these route reductions had been fully implemented at the beginning of 2008, the Group estimates that these changes would have reduced the Group's 2008 revenue by approximately SEK 3 billion and increased the Group's 2008 EBT, excluding restructuring costs and non-recurring items, by approximately SEK 800 million. This estimated impact on the Group's 2008 EBT is based on a preliminary evaluation of the total losses before interest and taxes in 2008 from the routes that have been, or are expected to be, discontinued under Core SAS. These 2008 losses have been adjusted for market effects and the estimated impact that the Group's cost reduction measures under Core SAS, including the amended collective bargaining agreements with the trade unions, would have had on such losses if such cost reduction measures had been fully implemented at the beginning of 2008.

Service And Simplicity

Under Core SAS, the Group has launched a new commercial model known as "Service And Simplicity," that primarily targets the needs of business travelers and is designed to strengthen the Group's position as a provider of high quality air travel services that simplifies the administrative problems associated with air travel. Service And Simplicity is a new overall commercial strategy that incorporates both the Group's existing innovative services as well as several new services and features to be implemented under Core SAS. The Group's current plans for Service And Simplicity are outlined below. However, the final content of the commercial model may be changed and depart from such plans.

The backbone of Service And Simplicity is to remodel the management of the Group's revenue and route network in order to prioritize the demands of business travelers. In addition to the route reductions discussed above (see "—Core SAS—Focus on Business Travelers and a Strengthened Commercial Offering—Focus on Business Travelers"), the Group plans to implement standard pricing policies across its airlines. In addition, the Group plans to strengthen its relationships with certain members of the Star Alliance in order to provide its customers easier access to more business destinations worldwide.

Service And Simplicity also encompasses several new electronic and other services that are intended to simplify travel and to enhance the quality of the Group's services. These new services include sending boarding passes to passengers' cell phones and providing email and SMS text message notifications to all passengers. The Group also plans to supplement its biometric check-in option on certain domestic flights in Scandinavia with a fully automated baggage drop system that allows customers to drop their checked baggage directly on the luggage belt, eliminating the need to wait for airport personnel. In addition, the Group expects to offer lounge access, including the Group's free wireless and IP telephony services, to Economy Extra passengers in order to provide a higher level of service to these passengers.

The Group also intends to strengthen the loyalty of its business customers by redesigning its EuroBonus program. Under the new EuroBonus program, EuroBonus customers will have access to more award tickets and will be able to redeem their EuroBonus points on a value-based system, the first such system to be offered by a European airline. Instead of fixing the number of EuroBonus points required for a particular flight or route, EuroBonus members will be able to redeem their points for tickets or other products based on the underlying price of such ticket or other product. In addition, the Group plans to increase the number of external partners to its EuroBonus program, such as financial service companies, retailers and insurance providers, to increase the number of products and services available to EuroBonus customers upon redeeming their EuroBonus points. For example, the Group announced a new partnership with American Express in February 2009 through which the Group intends to offer its corporate and private customers a variety of new financial services and products.

Under Service And Simplicity, the Group plans to introduce a number of new services to increase the Group's revenue in addition to its core ticket sales. For example, the Group intends to increase the use of ticket add-ons, such as purchasing trip insurance, reserving rental cars and booking hotel rooms, when customers purchase tickets on the Group's websites. In addition, the Group expects to increase the number of products available for purchase onboard its flights.

Finally, the Group intends to prioritize the demands of corporate customers by implementing certain other initiatives, which can be customized according to a company's specific needs and size. For example, the Group intends to introduce corporate loyalty programs to provide corporate customers an incentive to fly on the Group's flights. The Group will also expand its use of electronic corporate booking tools, which allow corporations to book tickets via the Group's extranet. In addition, the Group expects to contract directly with a larger number of companies to provide discounted one-way fares to such corporate customers through "SAS Credits," a program under which companies earn bonus credits that are redeemable for travel on the Group's airlines.

Improve the Group's Cost Base

As part of Core SAS, the Group has begun to implement a cost reduction program that is expected to reduce its annual cost base in 2008 by approximately SEK 4 billion (including approximately SEK 1 billion of cost savings from Strategy 2011 and approximately SEK 400 million of cost savings related to the Group's reorganization under the "Streamline the Group's Organization" strategy), before taking into account one-time restructuring costs of approximately SEK 900 million. Of the cost savings included from Strategy 2011, approximately SEK 700 million were implemented during the second half of 2008 and, as a result, most of the benefits of such cost savings were not realized in 2008. The Group expects the remaining measures from Strategy 2011, relating to approximately SEK 300 million in cost savings, to be fully implemented during 2009 under Core SAS. Despite the expected cost savings under Core SAS, the Group believes that it will continue to have a higher cost base compared to its local low cost competitors, primarily due to collective bargaining agreements with the unions as well as certain inefficiencies in other parts of the Group's business.

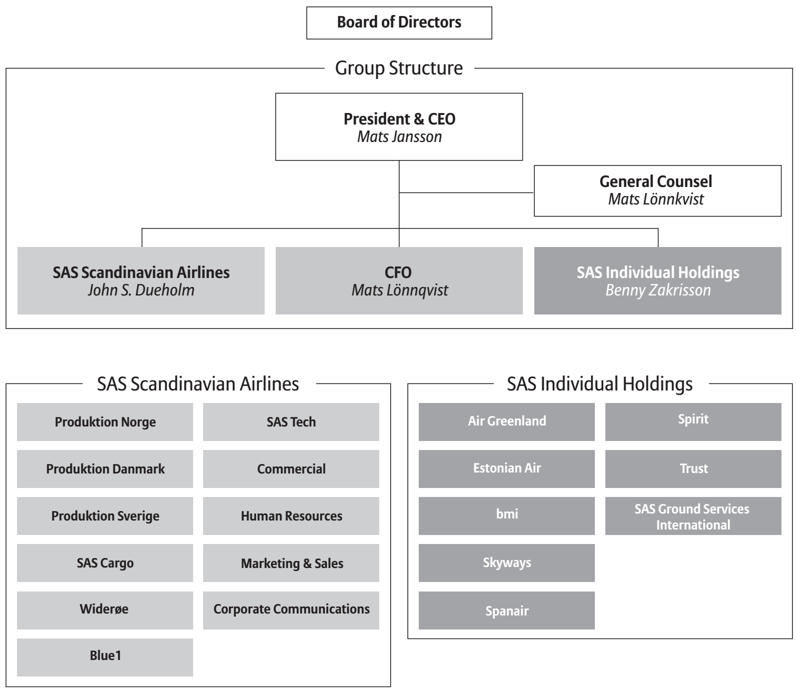
This strategy contemplates approximately SEK 1.7 billion of new cost savings (including approximately SEK 400 million of cost savings related to the Group's reorganization under the "Streamline the Group's Organization" strategy) and a reduction of 2,100 of the Group's full time employees, or approximately 10% of the Group's average number of full time employees in 2008 (including the expected impact of the Group's reorganization under Core SAS). The new cost saving measures are expected to include more than 200 operational initiatives in all areas of the Group's business, including flight operations, ground handling, maintenance, outsourcing, purchasing and sales and administrative functions. Within the Group's flight operations, for example, the Group plans to reduce its fuel costs through several initiatives, such as installing wing extensions that improve aircraft aerodynamics and reduce fuel consumption. The Group also plans to initiate cost saving measures in its ground handling and maintenance operations, which initiatives include automating its baggage handling systems at certain airports and outsourcing the handling of the Group's consumable spare parts for aircraft. In addition, the Group expects to renegotiate certain of its outsourcing and purchasing agreements, such as for call centers and catering services in Scandinavia. Moreover, the Group intends to reduce its sales and administrative costs, which includes a reduction in full time employees as well as decreased costs associated with third party providers of information technology services. Finally, the new cost savings include the expected impact of the Group's reorganization (see "—Streamline the Group's Organization"). The Group estimates that the one-time restructuring costs associated with these cost savings will be approximately SEK 900 million, which include primarily payments to terminated employees, costs associated with retraining pilots and re-delivery aircraft, as well as other implementation and reorganizational costs.

The Group believes that it has developed a strong implementation plan designed to give management clear mandates to implement cost reductions while monitoring the progress of the initiatives on an ongoing basis. For example, a program office will be organized with dedicated resources and responsibility to monitor the cost saving program.

The new cost savings described above exclude the effects of the Group's amended collective bargaining agreements that were announced in January 2009. The Group entered into these amended collective bargaining agreements with the unions representing the Group's flight crew, pilots and ground crew. Under the terms of these new agreements, the Group expects to reduce its annual cost base in 2008 by approximately SEK 1.3 billion, excluding a one-time cost saving of SEK 156 million resulting from the reversal of certain pension expenses for Scandinavian Airlines Norge attributable to a previous collective bargaining agreement in 2007 that was superseded by the new agreements with the unions. These cost savings include the cancellation of previously negotiated salary increases for cabin crew and ground staff (relating to approximately SEK 320 million of these expected cost savings), a 6% salary reduction for pilots and certain members of Group Management, a 6% reduction in compensation for members of the Company's Board of Directors beginning in January 2009, and a decrease in the pension and insurance benefits provided to employees. The amended collective bargaining agreements also contemplate a number of changes to employee benefits that will decrease costs and increase the Group's productivity, such as reducing the number of vacation and other non-working days, decreasing the number of scheduling restrictions, increasing the working hours per employee and decreasing the per diem amounts paid to cabin crew and pilots. These amended collective bargaining agreements are subject to customary renegotiation in the coming years, including the pilot agreements that expire in 2009, and the central trade union agreements that expire in 2010.

Streamline the Group's Organization

In connection with the implementation of Core SAS, the Group plans to restructure its overall business organization to centralize certain sales and administrative functions, organize the Group's ground handling services and SAS Scandinavian Airlines into production hubs in Copenhagen, Stockholm and Oslo, and move the Group's non-core businesses to a separate non-core holding company. The Group believes that this new organization will be more customer-oriented by offering the same products to all the Group's customers, regardless of their country of origin, and by centralizing the Group's sales and marketing functions. Once implemented, the new organizational structure is expected to be simplified and more efficient. The diagram below sets forth the Group's proposed organizational structure:



Strengthen the Group's Capital Structure

Under Core SAS, the Group expects to strengthen its capital structure by extending the terms of certain of its credit facilities and by conducting the Rights Offering. In addition, the Group believes that its planned divestitures and route reductions will simultaneously strengthen the Group's capital structure due to the proceeds received, or reductions in the Group's debt, from the sale of unprofitable businesses as well as the lower capital costs resulting from the decrease in the Group's fleet.

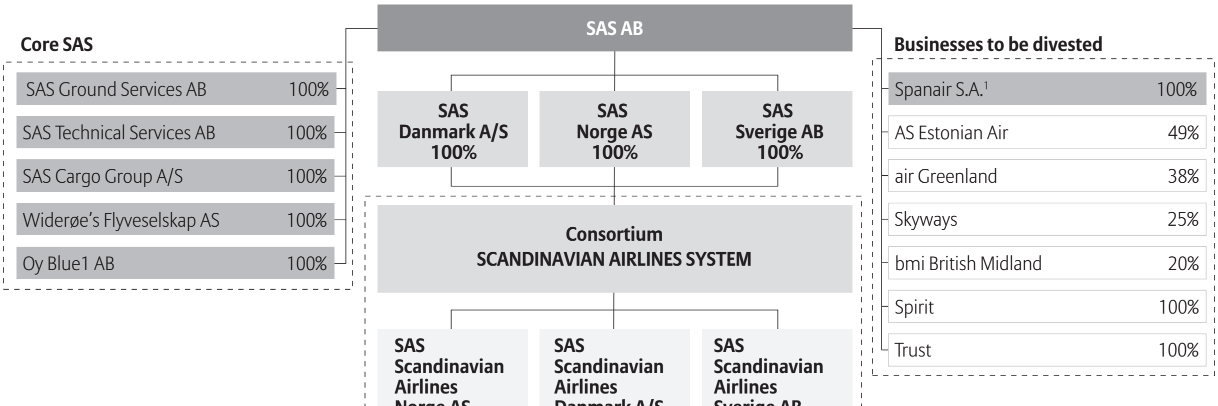
As of 31 December 2008, the Group had credit facilities for a total principal amount of SEK 9.7 billion, of which SEK 6.7 billion had been drawn down, with maturities ranging from 2009 to 2013. However, in February 2009, the Group renegotiated the terms of five credit facilities, representing approximately SEK 6.5 billion of the Group's credit facilities as of 31 December 2008. The new agreements with the banks are conditional upon, among other things, the successful completion of the Rights Offering for a minimum of SEK 6 billion, and are intended to extend the maturity of those arrangements to 2012 or 2013. These renegotiated agreements include the Group's EUR 366 million revolving credit facility (extended maturity to June 2012), three undrawn bilateral credit facilities for a total amount of SEK 1.25 billion (extended maturities to June 2012 or later) and an additional credit facility of USD 156 million (extended maturity to April 2013), which was subsequently reduced to approximately USD 148 million.

History and Development

The Group was founded as a Scandinavian airline in 1946 by companies controlled by the governments of Denmark, Norway and Sweden. In the same year, the Group operated its first intercontinental flight from Stockholm to New York. On 8 February 1951, the Group was reorganized into a single entity, the SAS

Consortium, owned by three limited liability companies that are now known as SAS Danmark A/S, SAS Norge AS and SAS Sverige AB (together, the "**Constituent Companies**"). By 1980, each of SAS Danmark A/S, SAS Norge AS and SAS Sverige AB were listed on the Copenhagen, Oslo and Stockholm stock exchanges, respectively, and each of the Constituent Companies were 50% owned by their respective governments and 50% owned by private interests.

In 2001, the SAS Consortium completed a restructuring by creating the Company as a holding company for the Group. On 8 May 2001, the Company made three parallel public offers to the shareholders of each of the Constituent Companies to exchange their shares for the same number of newly issued shares in the Company. As a result, the Company currently holds 100% of the shares in each of the Constituent Companies. On 6 July 2001, the Company was listed on the Stockholm Stock Exchange (now known as NASDAQ OMX Stockholm) with secondary listings on the stock exchanges in Copenhagen and Oslo. As of the date of this Offering Memorandum, the Company is 50% owned by the governments of Denmark (14.3%), Norway (14.3%) and Sweden (21.4%) and 50% owned by private interests. The following diagram sets forth the current legal structure of the Group:



[1] *The Group has reached an agreement on the sale of approximately 80% of Spanair.*

The majority of the Group's business operations is comprised of the SAS Consortium and the three airlines SAS Scandinavian Airlines Danmark A/S ("**Scandinavian Airlines Danmark**"), SAS Scandinavian Airlines Norge AS ("**Scandinavian Airlines Norge**") and SAS Scandinavian Airlines Sverige AB ("**Scandinavian Airlines Sverige**"). These airlines all operate under the brand SAS Scandinavian Airlines from their respective hub airports near Copenhagen, Oslo and Stockholm. The Group has operated SAS Scandinavian Airlines flights within Scandinavia as well as to the rest of Europe and selected intercontinental destinations for more than 60 years.

In addition to airline operations under the SAS Scandinavian Airlines brand, the Group has owned and operated certain other individually branded airlines. In 1998, the Group acquired a 63.2% interest in Widerøe, a regional Norwegian airline based in Oslo, and acquired the remaining 36.8% of Widerøe in 2002. In 1998, the Group also acquired 100% of Blue1, a regional Finnish airline based in Helsinki.

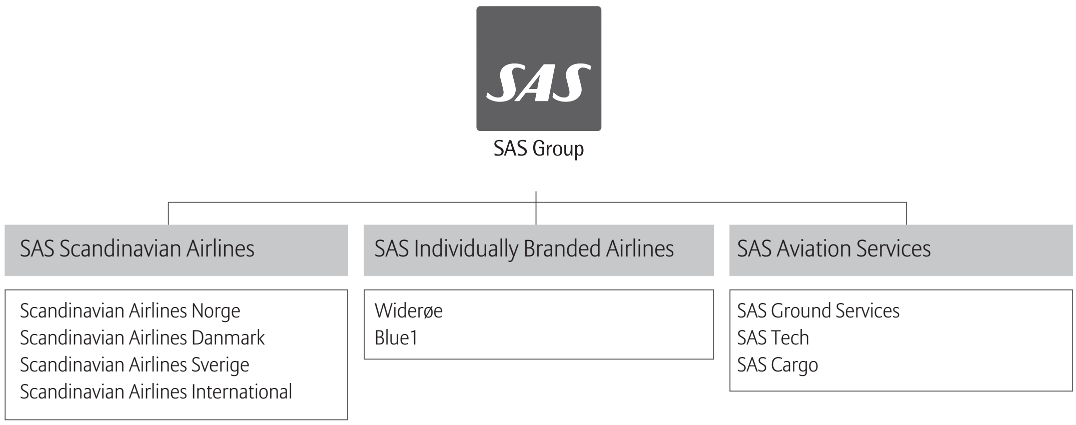
In 1986, the Group, along with Teinver SA, co-founded a Spanish airline company, Spanair, and in 2004 the Group increased its holding in Spanair to 95%. In 2007, the Group acquired the remaining 5% of Spanair. The Group entered into a definitive agreement on 30 January 2009 with a group of investors based in Catalonia, Spain, led by the Consorci de Turisme de Barcelona and Catalana d'Iniciatives, regarding the sale of approximately 80% of Spanair.

In 1995, the Group acquired a 16.5% interest in airBaltic and increased its ownership stake to 47.2% in 2001. In December 2008, the Group signed a definitive agreement to sell its 47.2% interest in airBaltic to the management of airBaltic for a price of LVL 14 million (approximately SEK 216 million), following the decision of the Latvian government in early 2008 not to continue the privatization of the airline. The sale of the Group's stake in airBaltic was completed in January 2009.

The Group has also acquired minority ownership interests in certain other airlines. In 2003, the Group acquired a 49% stake in Estonian Air, and the Group currently has ownership interests in Air Greenland (37.5%), Skyways (25%) and bmi (20%). The Group intends to divest its ownership interests in these airlines as part of Core SAS.

The Group's Business Organization

The Group comprises three business segments: SAS Scandinavian Airlines, SAS Individually Branded Airlines and SAS Aviation Services. SAS Scandinavian Airlines includes the Group's passenger transportation business that operates primarily to, from and within Norway, Denmark and Sweden under the Scandinavian Airlines brand. SAS Individually Branded Airlines includes the Group's other passenger transportation businesses that operate primarily in Norway and Finland under the Widerøe and Blue1 brand names. SAS Aviation Services comprises the Group's technical and ground services provided to the Group's airlines and external airlines, as well as the Group's cargo operations. The following diagram sets forth the Group's business organization as of 31 December 2008:



SAS Scandinavian Airlines

SAS Scandinavian Airlines accounted for approximately 77% of the Group's revenue in 2008. The business segment comprises Scandinavian Airlines Norge, Scandinavian Airlines Danmark, Scandinavian Airlines Sverige and Scandinavian Airlines International. These airlines operate scheduled and charter flights primarily from three major hubs in Oslo, Copenhagen and Stockholm. From these hubs and other airports, SAS Scandinavian Airlines currently serves 141 destinations in Scandinavia, the rest of Europe, North America and Asia. For the year ended 31 December 2008, the business segment's total external revenue was SEK 40,692 million.

The following table sets forth traffic performance data for SAS Scandinavian Airlines for the years ended 31 December 2008, 2007 and 2006:

	Year ended 31 December		
SAS Scandinavian Airlines	**2008**	**2007**	**2006**
Number of Passengers carried (in thousands) (1)	25,355	25,403	25,099
RPK (in millions)	27,890	27,304	27,506
ASK (in millions)	38,776	36,852	36,971
Passenger load factor	71.9%	74.1%	74.4%

(1) Passengers carried reflects passengers on scheduled flights only.

Scandinavian Airlines Norge

Scandinavian Airlines Norge operates primarily from the Oslo Airport and provides scheduled and charter flight services to 18 airports in Norway as well as 29 additional destinations in Europe. Scandinavian Airlines Norge is also responsible for approximately 50% of the Group's flights between Oslo and Copenhagen (beginning in 2008) and 50% of the Group's flights between Oslo and Stockholm. In 2007, new routes were opened between Oslo and London City Airport as well as between Ålesund and London Gatwick. In addition, to meet demand for leisure travelers, Scandinavian Airlines Norge launched 14 new routes in 2008 to certain leisure destinations, including Sevilla and Valencia, but due to the economic downturn, the Group subsequently closed 8 of these new routes. In 2008, Scandinavian Airlines Norge also discontinued its unprofitable route between Oslo and Berlin.

In the Norwegian market, Scandinavian Airlines Norge is the largest airline with a market share of approximately 50%, based on the total number of passenger-segments into or out of Norwegian airports in 2008, including intercontinental passengers. For a more detailed description of the sources and calculation of market share statistics in this Offering Memorandum, see page x of this Offering Memorandum under "Industry and Market Data." Its principal competitor in the domestic and intra-Scandinavian markets is Norwegian Air Shuttle. In the international market, Scandinavian Airlines Norge is a significant operator of flights from Norway to European business destinations, such as London, Frankfurt and Brussels, as well as to leisure destinations in Southern Europe, including Malaga and Nice. Scandinavian Airlines Norge's principal competitors on routes between Norway and continental Europe are Norwegian Air Shuttle, Air France-KLM, British Airways and Ryanair.

The number of flights operated by Scandinavian Airlines Norge increased from an average of 340 daily departures in 2007 to 354 in 2008. ASK also increased from 9,842 million in 2007 to 10,886 million in 2008. At the same time, the number of passengers carried by Scandinavian Airlines Norge increased from 10.2 million in 2007 (including 0.5 million charter passengers) to 10.4 million in 2008 (including 0.4 million charter passengers), and RPK increased from 6,846 million in 2007 to 7,190 million in 2008. These increases were due to the introduction of new routes to certain leisure destinations, as well as the assumption of flights between Oslo and Copenhagen from Scandinavian Airlines Danmark in 2008. See "Operating and Financial Review—Results of Operations—Years Ended 31 December 2007 and 31 December 2008—Operating income by business segment—SAS Scandinavian Airlines—Revenue."

Under Core SAS, the Group anticipates that Scandinavian Airlines Norge will close certain routes and reduce its fleet size. In addition, due to the reorganization of the Group that is contemplated by Core SAS, the Group's ground services at selected airports in Norway, together with Scandinavian Airlines Norge, are expected to be integrated into the Group's new production hub in Oslo, and the Scandinavian Airlines Norge entity will be dissolved. Moreover, the sales activities currently operated by Scandinavian Airlines Norge in Norway are expected to be consolidated within the Group's sales operations. The Group also expects Scandinavian Airlines Norge to increase outsourcing to meet its ongoing needs for ground handling and technical services, particularly outside Scandinavia.

Scandinavian Airlines Danmark

Scandinavian Airlines Danmark provides scheduled and charter flight services between Copenhagen and two other cities in Denmark as well as 51 additional destinations in Europe and Greenland. Scandinavian Airlines Danmark is also responsible for approximately 50% of the Group's flights between Copenhagen and Oslo and 50% of the Group's flights between Copenhagen and Stockholm. In 2007, the airline opened a new route between Copenhagen and Pristina as well as a seasonal route from Copenhagen to Greenland (operated between May and September). In 2008, Scandinavian Airlines Danmark launched new routes to Kiev and Bucharest but closed certain unprofitable routes, including routes to Vienna, Prague and Lyon.

In the Danish market, Scandinavian Airlines Danmark is the largest airline with a market share of approximately 44%, based on the total number of passenger-segments into or out of Danish airports in 2008, including intercontinental passengers. For a more detailed description of the sources and calculation of market share statistics in this Offering Memorandum, see page x of this Offering Memorandum under "Industry and Market Data." On routes from Denmark to the rest of Europe, Scandinavian Airlines Danmark competes with Air France-KLM, British Airways, AirBerlin and Cimber Air, which recently acquired a significant portion of the assets and routes of Sterling Airlines, another competitor, after Sterling Airlines filed for bankruptcy in the fourth quarter of 2008.

The number of flights operated by Scandinavian Airlines Danmark was relatively constant from 2007 to 2008, with an average of 271 daily departures in 2007 compared to 270 in 2008. However, ASK increased from 8,478 million in 2007 to 8,659 million in 2008. This increase was the result of the introduction of new routes to Kiev and Bucharest, as well as the larger size of certain wet leased aircraft that were used in the beginning of 2008 to replace grounded Q400 aircraft. However, this increase in capacity was partially offset by reductions in the number of Scandinavian Airlines Danmark's flights between Copenhagen and Oslo, as Scandinavian Airlines Norge began to operate 50% of those flights in 2008. At the same time, the number of passengers carried by Scandinavian Airlines Danmark decreased from 8.7 million in 2007 (including 0.6 million charter passengers) to 8.3 million in 2008 (including 0.6 million charter passengers), and RPK decreased from 5,931 million in 2007 to 5,842 million in 2008. These decreases were generally attributable to a weaker economic environment, particularly in the second half of 2008. See "Operating and Financial Review—Results of Operations—Years Ended 31 December 2007 and 31 December 2008—Operating income by business segment—SAS Scandinavian Airlines—Revenue."

Under Core SAS, the Group anticipates that Scandinavian Airlines Danmark will close certain routes and reduce its fleet size. In addition, due to the reorganization of the Group that is contemplated by Core SAS, the Group's ground services in Denmark, together with Scandinavian Airlines Danmark, are expected to be integrated into the Group's new production hub in Copenhagen, and the Scandinavian Airlines Danmark entity will be dissolved. Moreover, the sales activities currently operated by Scandinavian Airlines Danmark in Denmark are expected to be consolidated within the Group's sales operations. The Group also expects Scandinavian Airlines Danmark to increase outsourcing to meet its ongoing needs for ground handling and technical services, particularly outside Scandinavia.

Scandinavian Airlines Sverige

Scandinavian Airlines Sverige operates primarily from the Stockholm-Arlanda Airport and provides scheduled and charter flight services to 12 cities in Sweden as well as 50 additional destinations in Europe. Scandinavian Airlines Sverige is also responsible for approximately 50% of the Group's flights between Stockholm and Copenhagen and 50% of the Group's flights between Stockholm and Oslo. In 2008, new routes were opened from Gothenburg to Malaga, Barcelona and Split (operated during the summer months), as well as from Stockholm to Stavanger, Split and Tromsø (operated during the summer months). However, the new routes from Gothenburg to Malaga and Barcelona, as well as other routes, including those from Stockholm to Budapest, Riga and Reykjavik, were unprofitable and were subsequently closed in 2008 to increase the Group's profitability under the Profit 2008 program.

In the Swedish market, Scandinavian Airlines Sverige is the largest airline with a market share of approximately 33% based on the total number of passenger-segments into or out of Swedish airports in 2008, including intercontinental passengers. For a more detailed description of the sources and calculation of market share statistics in this Offering Memorandum, see page x of this Offering Memorandum under "Industry and Market Data." Its principal competitors in the Swedish domestic and intra-Scandinavian markets are Norwegian Air Shuttle and Malmö Aviation. On international flights to or from Sweden, Scandinavian Airlines Sverige competes with Finnair, Air France-KLM, British Airways and Ryanair.

The number of flights operated by Scandinavian Airlines Sverige was relatively constant from 2007 to 2008, with an average of 193 daily departures in 2007 compared to 189 in 2008. However, ASK increased from 6,919 million in 2007 to 7,531 million in 2008, and RPK increased from 4,893 million in 2007 to 5,091 million in 2008. These increases were due to the opening of new routes as well as the larger size of certain wet leased aircraft that were used in 2008 to replace grounded Q400 aircraft. However, these increases were partially offset by the discontinuation of certain routes in the second half of 2008. At the same time, the number of passengers carried by Scandinavian Airlines Sverige decreased from 6.5 million in 2007 (including 0.3 million charter passengers) to 6.4 million in 2008 (including 0.2 million charter passengers), reflecting a weaker Swedish economy during 2008 and a corresponding decline in demand for air travel, as well as continued strong competition in the Swedish market. See "Operating and Financial Review—Results of Operations—Years Ended 31 December 2007 and 31 December 2008—Operating income by business segment—SAS Scandinavian Airlines—Revenue."

Under Core SAS, the Group anticipates that Scandinavian Airlines Sverige will close certain routes and reduce its fleet size. In addition, due to the reorganization of the Group that is contemplated by Core SAS, the Group's ground services at selected airports in Sweden, together with Scandinavian Airlines Sverige, are expected to be integrated into the Group's new production hub in Stockholm, and the Scandinavian Airlines Sverige entity will be dissolved. Moreover, the sales activities currently operated by Scandinavian Airlines Sverige in Sweden are expected to be consolidated within the Group's sales operations. The Group also expects Scandinavian Airlines Sverige to increase outsourcing to meet its ongoing needs for ground handling and technical services outside Scandinavia.

Scandinavian Airlines International

Scandinavian Airlines International operates primarily from its hub airports near Copenhagen and Stockholm and provides scheduled flight services to destinations in North America and Asia. In 2007, new routes were opened between Stockholm and Bangkok and between Copenhagen and Dubai, and in 2008, a new route was launched between Copenhagen and Delhi.

In the intercontinental market, Scandinavian Airlines International faces significant competition from international carriers such as Finnair, Air France-KLM, British Airways, Continental and Delta Airlines; however, Scandinavian Airlines International operated approximately 45% of the intercontinental flight traffic into and out of Scandinavia based on scheduled ASK in 2008. For a more detailed description of the sources and calculation of market share statistics in this Offering Memorandum, see page x of this Offering Memorandum under “Industry and Market Data.”

The number of flights operated by Scandinavian Airlines International remained constant from 2007 to 2008, with an average of 18 daily departures in both 2007 and 2008. ASK also remained relatively stable with a small increase from 11,616 million in 2007 to 11,700 million in 2008. These small changes in capacity were primarily due to the Group maintaining the same number of aircraft for intercontinental flights in both 2007 and 2008. However, during 2008, a number of aircraft were shifted from routes between Scandinavia and the United States to routes between Scandinavia and Asia. At the same time, the number of passengers carried by Scandinavian Airlines International increased slightly from 1.3 million in 2007 to 1.4 million in 2008, and RPK increased from 9,634 million in 2007 to 9,767 million in 2008. These increases were primarily due to strong demand in the beginning of 2008. See “Operating and Financial Review—Results of Operations—Years Ended 31 December 2007 and 31 December 2008—Operating income by business segment—SAS Scandinavian Airlines—Revenue.”

Under Core SAS, the Group anticipates that Scandinavian Airlines International will close certain routes and reduce its fleet size by two aircraft. In addition, due to the reorganization of the Group that is contemplated by Core SAS, Scandinavian Airlines International is expected to be integrated into the Group’s production hubs in Copenhagen and Stockholm, and the sales activities currently operated by Scandinavian Airlines International outside Scandinavia are expected to be consolidated within the Group’s sales operations. The Group also expects Scandinavian Airlines International to increase outsourcing to meet its ongoing needs for ground handling and technical services outside Scandinavia.

SAS Individually Branded Airlines

SAS Individually Branded Airlines accounted for approximately 10% of the Group’s revenue in 2008. Formed in 2001 as a result of the restructuring of the business, this segment currently comprises Widerøe and Blue1, which are regional airlines focused in the Nordic region. These airlines operate scheduled flights for both leisure and business travelers, with business models tailored to each airline’s particular market. In 2008, SAS Individually Branded Airlines offered flight services to 68 destinations in Europe with an average of 339 daily departures. For the year ended 31 December 2008, the total external revenue of SAS Individually Branded Airlines was SEK 5,369 million.

The following table sets forth traffic performance data for SAS Individually Branded Airlines for the years ended 31 December 2008, 2007 and 2006:

	Year ended 31 December		
SAS Individually Branded Airlines	**2008**	**2007**	**2006**
Number of Passengers carried (in thousands) (1)	3,652	3,762	3,764
RPK (in millions)	2,039	2,061	2,040
ASK (in millions)	3,231	3,179	3,217
Passenger load factor	63%	65%	63%

(1) Passengers carried reflects passengers on scheduled flights only.

Widerøe

Widerøe, in which the Group has a 100% ownership interest, operates scheduled turboprop aircraft flight services to 37 destinations in Norway and seven destinations in Sweden, Denmark and the United Kingdom. Through its extensive regional network in Norway, Widerøe provides its customers access to numerous rural airports, which the Group believes is an important part of the Norwegian infrastructure, as well as to SAS Scandinavian Airlines’ 141 destinations via the Group’s hubs near Oslo and Copenhagen. Certain of Widerøe’s routes are operated under agreements with the Norwegian government. In 2008, Widerøe launched three new routes, including from Copenhagen to Rygge and Haugesund as well as from Oslo to Röros. Due to the economic downturn and declining demand, the routes from Copenhagen to Rygge and Haugesund were subsequently closed in the second half of 2008.

Widerøe is one of the largest Norwegian airlines (although it is behind both Scandinavian Airlines Norge and Norwegian Air Shuttle in terms of the total number of passenger-segments into or out of Norwegian airports in 2008, including intercontinental passengers), and its primary competitors in Norway include a number of small, regional airlines that also operate in rural airports along the west coast of Norway.

The number of flights operated by Widerøe increased from an average of 264 daily departures in 2007 to 273 in 2008. ASK also increased from 1,018 million in 2007 to 1,093 million in 2008. These increases were primarily the result of operating smaller aircraft to replace the grounded Q400 aircraft, which required more frequent flights and generally increased the airline's capacity. At the same time, the number of passengers carried by Widerøe increased from 1.96 million in 2007 to 2.03 million in 2008, and RPK increased from 614 million in 2007 to 653 million in 2008. Economic conditions in Norway, particularly the regions in which Widerøe operates, did not begin to decline until November 2008. Accordingly, demand remained strong for most of 2008, as reflected by the increases in passengers and RPK in 2008. See "Operating and Financial Review—Results of Operations—Years Ended 31 December 2007 and 31 December 2008—Operating income by business segment—SAS Individually Branded Airlines—Revenue."

The Group does not expect Core SAS to have a significant impact on Widerøe's operations, including its route network or fleet. Widerøe's market is part of what has been defined as the Group's home market under Core SAS. Therefore, Widerøe's operations will be included in Core SAS.

Blue1

Blue1, in which the Group has a 100% ownership interest, is an airline that operates flights from centrally located airports in Finland, providing a network to allow transfers and value-for-money routes to business and leisure travelers in Finland. Blue1 provides scheduled passenger services from its hub airport in Helsinki to 23 additional destinations in the Nordic region and the rest of Europe. Blue1 also provides scheduled passenger services between Stockholm and selected regional airports in Finland. In 2008, Blue1 discontinued certain of its unprofitable routes, such as those from Helsinki to Amsterdam, Berlin and Hamburg.

Blue1 is the second largest airline in Finland based on the total number of passenger-segments into or out of Finnish airports in 2008, including intercontinental passengers. Its primary competitor is Finnair in both the domestic and international markets, but Blue1 also competes with Ryanair and Easyjet on routes between Finland and the rest of Europe.

The number of flights operated by Blue1 decreased from an average of 74 daily departures in 2007 to 66 in 2008. ASK also decreased from 2,161 million in 2007 to 2,138 million in 2008. These decreases were due to the closing of certain unprofitable routes during 2008 as well as decreasing the frequency of flights on certain routes to manage capacity in light of weakening demand. At the same time, the number of passengers carried by Blue1 decreased from 1.8 million in 2007 to 1.6 million in 2008, and RPK decreased from 1,447 million in 2007 to 1,386 million in 2008. These decreases resulted primarily from the general economic slowdown in 2008. See "Operating and Financial Review—Results of Operations—Years Ended 31 December 2007 and 31 December 2008—Operating income by business segment—SAS Individually Branded Airlines—Revenue."

The Group does not expect Core SAS to have a significant impact on Blue1's operations, including its route network or fleet. Blue1's market is part of what has been defined as the Group's home market under Core SAS. Therefore, Blue1's operations will be included in Core SAS.

SAS Aviation Services

SAS Aviation Services provides a variety of airline support services to the airline industry, including baggage handling, maintenance and cargo operations, and primarily serves the Group's airlines. In 2008, SAS Aviation Services's total revenue was SEK 15,032 million prior to consolidation in the Group's financial statements, of which approximately 66% was related to services performed for the Group's airlines. SAS Aviation Services comprises SAS Ground Services ("**SGS**"), SAS Technical Services ("**STS**") and SAS Cargo.

SAS Ground Services

SGS offers a range of ground handling and other airport-related services, primarily to the Group's airlines. Its services include baggage handling, a variety of automated and personal check-in services, boarding management and centralized departure and arrival control services. SGS also includes SAS Ground Equipment, which owns, leases and maintains the equipment used by SGS to load or unload aircraft as well as to transport luggage and other goods between aircraft and the airport terminals. SGS operates in approximately 67 airports in Europe, Asia and North America and handled 78 million travelers, 500,000 departures and 356,000 tonnes of freight and mail in 2008.

SGS provides most of the Group's ground services and is thus the largest ground handling company in the Nordic region. SGS is also a significant competitor in the overall European ground handling market. Within Scandinavia, its competitors include independent ground service companies, such as Novia, Nordic Aero, Menzes and Norport. In the rest of Europe, SGS's competitors include ground handling companies formerly associated with airline operators, including Swissport (formerly owned by Swiss Air), Servisair (formerly owned by Lufthansa) and WFS (formerly owned by American Airlines), as well as other independent ground service companies, such as BBA and Aviapartner.

In 2008, revenues for SGS were SEK 6,322 million, before consolidation in the Group's financial statements, of which the Group's airlines accounted for approximately 80%. In addition, SGS maintains agreements with several external airlines for its services, primarily at its bases in Scandinavia, including the Group's hub airports in Copenhagen, Stockholm and Oslo. Its customers include Lufthansa, Malaysia Airlines, Turkish Airlines, Icelandair and MyTravel Airways.

In 2008, SGS decreased its annual cost base in 2007 by approximately SEK 446 million, before taking into account one-time restructuring costs of SEK 143 million, by implementing cost reductions as part of the Group's streamlining efforts, such as increased outsourcing at secondary airports and renegotiating agreements with third-party providers of ground services. SGS continues to seek additional cost reductions while maintaining the quality of its services.

As part of Core SAS, the Group plans to discontinue a substantial portion of its ground services and increase its outsourcing of those services to third parties. Within Scandinavia, the Group plans to discontinue its ground services at selected secondary airports while maintaining its operations at selected base airports. In addition, the Group expects to divest most of its ground service operations outside Scandinavia, except for certain purchasing and administrative functions which are to remain internal. The remaining SGS operations that are not discontinued under Core SAS are expected to be integrated into the Group's new production hubs in Copenhagen, Oslo and Stockholm.

SAS Technical Services

STS provides technical aircraft maintenance, repair and overhaul services to the airline industry, primarily to the Group's airlines. Its services are divided primarily into three categories: line maintenance, base maintenance and heavy maintenance. Line maintenance consists primarily of routine maintenance operations, such as those services required for an aircraft before and after each flight. Line maintenance includes services such as moving aircraft between the airport gate and the hangar, checking the air pressure in the tires and ensuring the aircraft's instruments are working properly. Base maintenance includes more significant repairs that are periodically required for aircraft if the line maintenance crew have identified a technical problem they are unable to resolve. Heavy maintenance is a major overhaul of an aircraft that occurs on scheduled intervals once or twice during its useful life, which includes stripping the aircraft down, performing x-rays on the hull and replacing wires and other electronic components throughout the aircraft. STS operates maintenance bases at nine airports in Scandinavia as well as bases in Seattle, St. Petersburg and Tallinn. STS provides line maintenance services at each of its airports and also provides base maintenance services in Stockholm as well as base and heavy maintenance services in Oslo and Tallinn. In 2008, the average unscheduled downtime, defined as the total number of unscheduled hours that an aircraft is unable to fly for mechanical reasons divided by the total number of scheduled segments for such aircraft, for the aircraft maintained by STS increased from 0.24 in 2007 to 0.29 in 2008, primarily due to the increased average age of the Group's fleet.

STS provides most of the Group's maintenance services and is thus one of the largest technical and aircraft maintenance companies in Scandinavia. STS is also a significant competitor in the European aircraft maintenance service market. In the European market, its primary competitors are SR Technics group, Lufthansa Technik and Air France Industries.

In 2008, revenues for STS were SEK 5,329 million before consolidation in the Group's financial statements, and the Group's airlines accounted for approximately 91% of its revenue. In addition, STS maintains agreements with external airlines for its services, primarily at its bases in Scandinavia, including the Group's hub airports in Copenhagen, Stockholm and Oslo.

Under Core SAS, the Group expects to discontinue a substantial portion of its base and heavy maintenance operations and plans to increase the use of outsourcing to meet the Group's ongoing needs for technical services. However, the Group plans to continue to provide line maintenance services, primarily within Scandinavia.

SAS Cargo

SAS Cargo provides air cargo, airmail, freight forwarding and cargo handling services to external airlines as well as to corporate and individual customers. The majority of SAS Cargo's business is derived from its Cargo Belly operations, which utilize the cargo holds of aircraft on the Group's passenger flights, particularly its intercontinental flights, to transport merchandise, spare parts and other items for a wide customer base that includes Scandinavian corporations and other third parties. SAS Cargo also provides certain All Cargo services that utilize dedicated cargo aircraft, although a substantial portion of the Group's All Cargo services were terminated in 2008. In addition, SAS Cargo has entered into a number of commercial agreements and alliances with other cargo carriers, including United Airlines, Lufthansa, Japan Airlines and Singapore Airlines, which generally allow SAS Cargo to supplement the Group's cargo capacity by purchasing space from other cargo carriers. These arrangements also enable SAS Cargo to offer its customers an extensive cargo network to approximately 155 destinations worldwide. SAS Cargo maintains its own sales offices in New York and Riga, but SAS Cargo's sales activities in the Nordic region are performed by the Group's airlines. SAS Cargo currently provides cargo services at 14 airports in Europe and North America.

In the Scandinavian cargo market, SAS Cargo's primary competitors are DHL, TNT, UPS and Posten in Sweden (the Swedish Post), which are generally international freight forwarding companies that provide point-to-point cargo services for their customers. However, certain of these competitors operate a portion of their own air cargo capacity needs, which compete with the Group's Cargo Belly operations. In addition, certain of these competitors purchase cargo capacity from SAS Cargo when their own aircraft are insufficient to meet the needs of their customers. SAS Cargo's primary international competitors are British Airways World Cargo, DHL and TNT.

SAS Cargo's revenue increased from SEK 3,336 million in 2007 to SEK 3,437 million in 2008. At the same time, RTK decreased from 1,024 million tonne kilometers in 2007 to 893 million tonne kilometers in 2008. The amount of flown tonnes by SAS Cargo decreased from 279,000 tonnes in 2007 to 252,000 tonnes in 2008. These decreases were primarily due to a weakening economic environment, paired with continued competition in the cargo market. See "Operating and Financial Review—Results of Operations—Years Ended 31 December 2007 and 31 December 2008—Operating income by business segment—SAS Aviation Services—Revenue."

As part of Core SAS, the Group intends to divest or discontinue certain of the Group's cargo services, and the Group has already sold its ownership stake in Cubic to NordicGSA ApS in February 2009. In addition, the Group currently expects to divest its ownership stakes in Spirit, a business unit of SAS Cargo that provides cargo handling services, as well as Trust, a business unit of SAS Cargo that provides cargo forwarding services, such as door-to-door delivery, customized cargo solutions and management of documentation for imports and exports. However, the Group intends to maintain its Cargo Belly operations.

Fleet

As of 31 December 2008, the Group operated the largest fleet of aircraft in the Nordic region (Source: Lundkvist Fleet Database). In managing its fleet, the Group seeks to tailor its mix of aircraft to the needs of the Group's network at a low cost, while maintaining a high degree of flexibility in order to adjust its capacity quickly in line with changing market demand.

Current Fleet

As of 31 December 2008, the Group's fleet consisted of a total of 255 aircraft, of which 79 aircraft were owned, and 162 were leased and 14 were wet leased. Of the Group's overall fleet, 55 aircraft are turboprop planes, 19 are regional jets, 182 aircraft are used for short-haul and medium-haul flights, such as for domestic and European routes and 11 aircraft are used for intercontinental flights.

The table below sets forth details about the Group's fleet as of 31 December 2008 and the number of aircraft operated at that date by each of the Group's airlines:

Aircraft	Average Age (years)	Owned	Leased	Wet Leased	Total	Leased Out	On Order
Airbus A330/A340	6.6	5	6		11		
Airbus A319 / A320 / A321	5.5	4	10		14	2	
Boeing 737 Classic	16.0		17		17		
Boeing 737NG	8.2	22	43		65	4	4
Boeing 717	8.4		5		5	5	
McDonnell Douglas MD-80-series	19.4	17	44		61	12	
McDonnell Douglas MD-90	11.9	8			8	3	
Avro RJ-70/-85/-100	10.5		6	4	10		
Fokker F50	18.7		6		6		
DeHavillandQ-series (1)	10.6	22	25		47	5	6
BAe146	22.2			2	2		
SAAB2000	11.8			2	2		
Bombardier CRJ200	8.5			6	6		
Bombardier CRJ900 NG	0.1	1			1		11
Total	12.2	79	162	14	255	31	21
By Group airline:							
Scandinavian Airlines	12.3	49	120	12	181	31	15
Widerøe	12.2	16	14		30		6
Blue1	9.6	5	6	2	13		
Leased-out aircraft	13.0	9	22		31		
Total	12.2	79	162	14	255	31	21

(1) Includes 12 Q400 aircraft that have been withdrawn from operation.

The Group's aircraft are either owned or leased by the Group or its subsidiaries, generally under operating lease agreements. For the Group's operating leases, the Group typically acquires an aircraft directly from the manufacturer and then refinances the aircraft through a sale and leaseback transaction. The majority of these sale and leaseback transactions are arranged through financing facilitators with branches in Japan, and Japanese investors typically provide the aircraft financing at attractive terms due to favorable tax treatment of such arrangements in Japan. The terms of these leaseback arrangements are typically 10 years, although the Group may often terminate the lease after 8 years or extend the term to 12 years. Upon expiration of these leases, the Group generally has the right to either purchase the aircraft at a pre-determined price or to return the aircraft to the investors.

In September and October 2007, three Q400 aircraft operated by the Group encountered landing problems due to failures of the landing gear on the aircraft. Although no passengers or crew were injured in the incidents, on 28 October 2007, the Company's Board of Directors decided to permanently ground all 27 of the Group's Q400 aircraft, including seven aircraft operated by Scandinavian Airlines Sverige, 15 aircraft operated by Scandinavian Airlines Danmark and five aircraft operated by Widerøe. In 2008, the Group sold or leased out 15 of its 27 Q400 aircraft, and the Group aims to sell or lease out the remaining 12 Q400 aircraft in 2009. To accommodate the grounding of these aircraft and minimize the disruption to passenger services in the short-term, the Group made changes to flight schedules and obtained replacement aircraft through wet leases with other airlines. Over the longer-term, the Group plans to replace the grounded Q400s and has ordered four Boeing 737NG aircraft to be operated by Scandinavian Airlines Sverige, 12 Bombardier CRJ900 NG aircraft to be operated by Scandinavian Airlines Danmark and six next generation deHavillandQ-series aircraft. The Group has already accepted delivery of one CRJ900 NG in 2008 and expects 18 more aircraft on order to be delivered in 2009. The Group expects the remaining aircraft on order to be delivered in 2010.

Fleet Management

The Group actively manages its fleet and capacity to meet the needs of its route network. The Group's network structure requires a mixed fleet of turboprop planes, regional jets and aircraft with one and two aisles, and the Group believes it has developed a mix of aircraft that is well-suited to the Group's particular needs. For example, SAS Scandinavian Airlines has a mix of short-haul and regional aircraft to meet the demands of its flights between Scandinavia and the rest of Europe as well as its domestic traffic, particularly in Norway and Sweden. In addition, Widerøe's fleet of turboprop aircraft allows the regional airline to land on short, rural runways along the coast of Norway. Moreover, Blue1's fleet consists of regional jets (50%), which are well-suited to domestic Finnish flights, and short-haul aircraft (50%) that can be used for Blue1's flights between Finland and the rest of Europe. However, such a mix implies certain additional costs, including the cost of maintaining several aircraft types and restrictions on the interchangeability pilots and cabin crew.

In addition to the Group's aircraft mix, the Group believes its use of the Douglas MD-80-series ("**MD-80**"), provides a cost advantage over Boeing 737-700s as well as certain other next generation aircraft. Based on the age of the Group's MD-80s and their projected cycles (the estimated number of landings), the Group believes that the age and cycles of its MD-80s will not become a limitation until approximately 2020. Although MD-80s have higher fuel and maintenance costs than Boeing 737-700 aircraft, the Group believes that their significantly lower leasing costs provide an overall cost advantage, based on the annual cost per seat. As a result of this cost advantage and the remaining useful life of MD-80 aircraft through 2020, the Group anticipates low capital investments in its fleet before 2014. However, after 2014, the Group expects to begin renewing its fleet by retiring certain of its MD-80 aircraft, and the precise timing of those renewals will depend on a variety of factors, including environmental regulations and concerns relating to older aircraft, customer perception of the MD-80s and technological development of future generation aircraft.

The Group's aircraft mix and the staggered maturities of its operating leases are designed to provide the Group with a high degree of flexibility in managing its capacity over the medium-term. Approximately 64% of the Group's aircraft are financed with operational leases, and almost 100 of those aircraft leases are expected to expire during 2009 through 2011. These maturities are expected to facilitate certain of the Group's planned aircraft reductions under Core SAS. In addition, as operating leases expire, the Group expects to be able to choose whether to phase out certain of its older aircraft or keep them in operation, depending on the Group's future capacity needs. Finally, the weakening economic environment may provide the Group an opportunity to renegotiate certain of these operating leases on more favorable terms.

Alliances and Strategic Cooperation Arrangements

Star Alliance

SAS Scandinavian Airlines was one of the founding airlines of the Star Alliance, which was launched in 1997 as the first truly global airline alliance. The Star Alliance is the cornerstone of the Group's global partner and network strategy, offering customers and travelers reliable travel products and services worldwide. The Star Alliance is the largest airline alliance in the world, with member airlines that operate more than 16,500 daily flights to 912 destinations in 159 countries.

The Star Alliance is a cooperative and marketing arrangement of international airlines and currently has 24 airline members: Adria (regional member; Slovenia), Air Canada, Air China, Air New Zealand, All Nippon Airways (ANA), Asiana Airlines, Austrian Airlines, Blue1 (regional member; Finland), bmi, Croatia Airlines (regional member; Croatia), EgyptAir, LOT Polish Airlines, Lufthansa, SAS Scandinavian Airlines, Shanghai Airlines, Singapore Airlines, South African Airways, Spanair, Swiss International, Tap Portugal, Thai Airways, Turkish Airlines, United Airlines and US Airways. The alliance is governed by a master agreement among all Star Alliance members that, among other things, establishes a general framework for bilateral or multilateral agreements between its individual members. Under this master agreement, the Group has agreed to certain obligations should the Group choose to leave the Star Alliance, including a withdrawal fee and an agreement not to join a similar competing alliance for a period of two years.

The bilateral and multilateral agreements under the Star Alliance framework range from those covering mutual recognition of frequent flyer programs, codesharing and joint servicing of certain routes to those that provide for joint ownership and income sharing between member airlines on certain routes.

SAS Scandinavian Airlines has entered into multilateral and bilateral agreements with Star Alliance members, including global corporate agreements (agreements between international corporate customers and multiple Star Alliance members), codesharing agreements, interlining agreements and special pro rata agreements (revenue sharing agreements between airlines related to interlining passengers). The Group has several multilateral agreements in place, including agreements with Adria, Air Canada, Air China, Austrian Airlines, bmi, Croatia Airlines, LOT Polish Airlines, Lufthansa, Shanghai Airlines, South African Airways, Swiss International, Thai Airways and United Airlines.

The overall aim of the Group's agreements with Star Alliance members is to provide the Group's customers a competitive, global service offering. These agreements allow the Group to offer its customers more destinations, reliable service and the ability to earn frequent flyer points on a large number of airlines. As a result, EuroBonus members can earn and redeem points on flights operated by any of the 24 Star Alliance airlines as well as enjoy the same kind of frequent flyer privileges and benefits they receive when traveling with the Group's airlines.

Cooperation with Lufthansa and other Airlines

In addition to participation in the Star Alliance, SAS Scandinavian Airlines has operated an alliance, structured as a joint venture, with Lufthansa since 1996. The alliance with Lufthansa involves cooperation on routes between Scandinavia and Germany, as well as joint sales and marketing activities. The Group also cooperates closely with Lufthansa with respect to agreements with mutual corporate customers and travel agents. By coordinating routes, flight schedules and capacity, SAS Scandinavian Airlines and Lufthansa are able to offer a comprehensive and efficient network between Scandinavia and Germany, on the one hand, and the rest of the world, on the other.

The Group has also entered into certain bilateral agreements with airlines outside the Star Alliance, which include codesharing agreements, interlining agreements and special pro rata agreements. The Group currently maintains this type of agreement with a number of airlines, including Aeroflot, airBaltic, Air One, Cimber Air, City Airline, Estonian Air, Rossiya and Skyways.

Maintenance and Safety

The Group is dedicated to ensuring the safety and security of its customers and employees. The Group seeks to maintain its aircraft in strict accordance with manufacturer specifications and applicable safety regulations, and performs routine line maintenance every day.

STS, within the Aviation Services segment, currently performs a significant portion of the Group's maintenance. Continuous aircraft and aircraft component maintenance, repair and overhaul are vital to the safety and comfort of the Group's passengers as well as optimized utilization of its fleet. All aircraft, engines and components undergo regular inspections and maintenance in accordance with the schedules recommended by manufacturers and approved by the competent aviation authorities in accordance with European Aviation Safety Standards.

The Group holds all the necessary approvals to maintain its fleet and is approved in accordance with the applicable aviation regulations within the EU, such as CAMO (Continuing Airworthiness Management Organization). Based on such approvals, the Group maintains its own fleet and also provides specified maintenance services and comprehensive technical support services to other air carriers. In order to control maintenance costs while meeting the high European Aviation Safety Standards, the Group also cooperates with other airlines that are authorized aircraft maintenance providers approved in accordance with European Aviation Safety Standards with respect to the mutual provision of maintenance services. Furthermore, the Group contracts the performance of selected maintenance activities out to authorized aircraft maintenance providers approved in accordance with European Aviation Safety Standards. Third-party contractors provide maintenance and repair services at a number of airports served by the Group, and under Core SAS, the Group expects to increase its reliance on such third-party contractors, particularly outside Scandinavia. For example, SR Technics group currently provides all the Group's base and heavy maintenance services for the Group's long-haul aircraft.

The Company's training programs are oriented towards preventing accidents and cover all aspects of flight operations. Crew members are required to undergo training programs in air and ground safety when they are hired and are tested regularly over the course of their employment. The requirements for the Group's training programs and tests are conducted in accordance with EU and international standards as applied by the civil aviation authorities in Denmark, Norway and Sweden. Furthermore, IATA regularly conducts Operational Safety Audits ("**IOSA**") on the Group, and all airlines in the Group were approved by the IATA in their latest respective IOSAs.

All of the Group's pilots have valid flight licenses in accordance with the EU and international standards as applied by the civil aviation authorities in Denmark, Norway and Sweden. The requirements for flight certification include theoretical and practical education as well as continuing education and medical requirements. A significant portion of the Group's training programs are conducted by Flight Academy, which was formerly owned by the Group but was sold in 2007. The Group also requires that a certain portion of the flight instructors of any third-party training provider be pilots currently employed by the Group.

Sales, Marketing and Loyalty Programs

Ticket Sales

The Group currently sells most of its passenger tickets either through travel agents or through direct sales channels.

Travel agents and other ticket operators currently represent the most significant distribution channel for the Group. In 2008, ticket sales through travel agents accounted for approximately 60% of the Group's passenger revenues. The Group maintains agreements with a number of travel agencies, such as Carlson Wagonlit Travel and American Express. These agreements generally provide sales commissions to the travel agencies in exchange for booking travel on the Group's airlines.

Direct sales channels, which include the Group's websites, call centers and certain city and airport ticket offices, accounted for approximately 32% of the Group's passenger revenues in 2008, including approximately 27% of passenger revenues through the Group's websites and approximately 5% of passenger revenues via call centers and ticket offices operated by the Group or third-party contractors. The Group currently operates call centers and ticket offices in Denmark, Norway, Sweden, the United States, Asia and Estonia, and its largest call centers are located in Scandinavia. In the long-term, the Group expects to increase sales through its websites, which have increased substantially in recent years.

A significant portion of the Group's ticket sales are secured by direct corporate agreements that the Group maintains with certain of its corporate customers. Under Core SAS, the Group intends to expand the use of such agreements by providing electronic booking tools to certain corporate customers to facilitate their ticket purchases. In addition, as a member of the Star Alliance and other cooperation and codesharing agreements, a portion of the Group's tickets are sold by the Group's partner airlines.

Data relating to all available flights are stored in an electronic inventory system. Bookings can be made through an electronic reservation system that the Group and its sales partners have access to through the travel industry's central reservation systems ("**CRS**"), such as Amadeus or Galileo. Available flights and price categories are constantly updated in the CRSs to reflect the current available seats and the latest prices, which are designed to maximize the Group's revenue.

Prices for flights are dependent on several factors, including the distance of the route, the degree of competition on the route, the class of service and the level of flexibility associated with the ticket. Furthermore, ticket prices differ according to the market or country where the ticket is sold as well as the mode of purchase, whether online, by telephone or otherwise. Ticket prices also depend on the availability of seats for a specific fare, which is controlled by means of a forecasting system that estimates the number of bookings for each of the Group's daily flights. If projected passenger load factors are low, the availability of discounted fares will be increased. If, on the other hand, projections indicate that a flight will be fully booked, the availability of discounted fares will be decreased.

Marketing

The Group's marketing plan is to position the Group as a high quality provider of air travel services, particularly for business travelers, by maintaining the Group's innovative and extensive service offering and by implementing its new commercial model, Service And Simplicity.

Innovative and High Quality Service Offering

The Group has been a pioneer in providing electronic and other services that simplify air travel for passengers. In October 2005, the Group was the first European network airline (which excludes low cost carriers) to offer one-way airfares on all European routes, which have simplified the pricing rules for travelers and allow customers the flexibility to price each segment of their trip separately. The Group also provides innovative check-in solutions on selected routes, such as the option to check-in via SMS text message or to verify a passenger's identity using fingerprints instead of traditional identification cards. Furthermore, once at the airport, certain of the Group's customers also have access to a number of other services provided by the Group, including Fast Track security for quicker passage through airport security as well as free IP telephony service and free wireless internet access for customers with lounge access. The Group has also introduced a number of initiatives to provide a high level of onboard services, particularly for business travelers, such as the introduction of Economy Extra service on most international flights and seats that lie flat in Business Class onboard the Group's intercontinental flights. See "—Key Competitive Strengths—Comprehensive Commercial Offering—Innovative and High Quality Service Offering."

Service And Simplicity

Under Core SAS, the Group has launched its new commercial model, Service And Simplicity, that primarily targets the needs of business travelers and is designed to strengthen the Group's position as a provider of high quality air travel services that simplifies the administrative problems associated with air travel. The Service And Simplicity program is a new overall commercial strategy that incorporates both existing innovative services as well as several new services and features to be implemented under Core SAS. The backbone of the Service And Simplicity model is to manage the Group's revenue and route network in order to prioritize the demands of business travelers. Moreover, Service And Simplicity encompasses several new electronic and other services designed to provide additional check-in options to customers as well as improve certain airport services. Finally, the Group intends to implement certain other initiatives to prioritize the demands of corporate customers. See "—Core SAS—Focus on Business Travelers and a Strengthened Commercial Offering—Service And Simplicity."

EuroBonus

The EuroBonus frequent flyer program is also an important element of the Group's marketing plan. EuroBonus develops brand loyalty and encourages passengers to travel with the Group and its partner airlines in order to accrue points that are redeemable for travel with any Star Alliance member as well as for certain commercial products and other travel benefits. Members receive EuroBonus points for travel on the Group's airlines, for travel on Star Alliance member airlines as well as for purchases from the Group's commercial partners, including certain rental car and credit card companies.

Following a decision by the the Norwegian Ministry of Labour and Administration in 2002, EuroBonus members may not receive redeemable EuroBonus points for travel on Norwegian domestic flights. In addition, due to a ruling by the Swedish Market Court (*Marknadsdomstolen*) in 2001, EuroBonus members did not earn redeemable EuroBonus points from October 2001 to January 2009 for travel on Swedish domestic routes on which other carriers operated. However, in January 2009, following a decision of the Swedish Competition Authority (*Konkurrensverket*), the Group has reintroduced redeemable EuroBonus points on all Swedish domestic flights, beginning on 1 February 2009.

Members that earn a certain number of points during a 12-month period are automatically upgraded to Silver, and then Gold, memberships, each of which brings additional travel benefits, including higher priority on waitlists and access to the Group's airport lounges. Currently, SAS Scandinavian Airlines, Blue1, Widerøe and Estonian Air are all linked to the EuroBonus network, and passengers may register for EuroBonus membership free of charge. EuroBonus currently has approximately 2.8 million members, of which 5.5% are Silver members and an additional 2.5% are Gold members.

As part of Core SAS, the Group also intends to strengthen the loyalty of its business customers by redesigning its EuroBonus program. Under the new EuroBonus program, EuroBonus customers will have access to more award tickets and will be able to redeem their EuroBonus points on a value-based system. Instead of fixing the number of EuroBonus points required for a particular flight or route, EuroBonus members will be able to redeem their points for tickets or other products based on the underlying price of such ticket or other product. In addition, the Group plans to increase the number of external partners to its EuroBonus program, such as financial service companies, retailers and insurance providers, to increase the number of products and services available to EuroBonus customers upon redeeming their EuroBonus points.

Employees

The following table sets forth the average number of employees the Group employed during each of the periods indicated:

	Year ended 31 December		
	2008	2007	2006
Pilots	2,112	2,192	2,298
Cabin crew	3,289	3,372	3,350
Ground crew	10,631	10,651	10,573
Administration and other	4,464	4,569	4,527
Total	20,496	20,784	20,748

The Group's average number of full time employees decreased by 288 employees, or approximately 1.4%, during 2008, compared to an average of 20,784 employees during 2007, as the Group continued to implement its cost reductions under Strategy 2011 and to reduce capacity in response to the weakening economic environment. For the year ended 2008, the Group had an average of 20,496 full time employees, including 2,112 pilots, 3,289 cabin crew, 10,631 ground crew and 4,464 administrative and other personnel.

The following table sets forth a geographic breakdown of the average number of employees the Group employed during each of the periods indicated:

	Year ended 31 December		
	2008	**2007**	**2006**
Denmark	6,277	6,058	5,947
Norway	6,630	6,791	7,193
Sweden	5,193	5,361	5,269
Finland	739	797	774
Other	1,657	1,777	1,565
Total	20,496	20,784	20,748

Labor Relations

Substantially all of the Group's pilots, and a large percentage of the cabin crew and ground crew, are unionized, and the Group's employees are represented by 39 different unions in Denmark, Norway and Sweden. The Group has a history of strikes and work stoppages, most recently with the strikes by Scandinavian Airlines Danmark cabin crew in March 2007, which resulted in 98 cancelled flights, further cabin crew strikes in April 2007, which resulted in 702 cancelled flights and strikes in May 2007 by Scandinavian Airlines Sverige cabin crew members, which resulted in a standstill in traffic for five days.

Following these strikes, the Group has made a concerted effort develop a new model for cooperation with the trade unions. The Group has held on-going meetings and discussions with the unions in both formal and informal settings in order to improve communications and relations with the unions. These efforts culminated in the entry into amended collective bargaining agreements reached by the Group and the unions in January 2009. The amended agreements are expected to reduce the Group's annual cost base in 2008 by SEK 1.3 billion, excluding a one-time cost saving of SEK 156 million resulting from the reversal of certain pension expenses for Scandinavian Airlines Norge attributable to a previous agreement in 2007 that was superseded by the new agreements with the unions. These cost savings include the cancellation of previously negotiated salary increases for cabin crew and ground staff, a 6% salary reduction for pilots and certain members of Group Management, a 6% reduction in compensation for members of the Company's Board of Directors beginning in January 2009 and a decrease in the pension and insurance benefits provided to employees. The new agreements also contemplate a number of changes to employee benefits that will decrease costs and increase the Group's productivity, such as reducing the number of vacation and other non-working days, decreasing the number of scheduling restrictions, increasing the working hours per employee and decreasing the per diem amounts paid to cabin crew and pilots.

The Group is bound by collective bargaining agreements with 39 unions that represent the Group's employees. In January 2009, the Group amended the collective bargaining agreements with most of the unions. However, these amended agreements did not extend the terms of their respective underlying collective bargaining agreements, so the amended agreements will be subject to customary renegotiation upon the expiration of their respective underlying collective bargaining agreements. The majority of these amended collective bargaining agreements are expected to expire in 2010, but the amended collective bargaining agreements with the pilots are expected to expire in the first quarter of 2009. If no new agreements can be reached with the Group's unions upon expiration of the amended collective bargaining agreements, then the terms of the amended agreements entered into in January 2009 will remain in force.

While the Group's relations with the unions have improved significantly since 2007, as evidenced by the amended agreements described above, the success of Core SAS depends in part on the Group's ability to continue to maintain good relations with employees and to implement the cost reductions and other concessions described above. See "Risk Factors—Risks relating to the Group—Labor disruptions could adversely affect the Group's operations" and "Business Overview—Employees."

Pension Plans

The Group's pension commitments are reflected by various pension plans that vary considerably due to different legislation and agreements on occupational pension systems in the individual countries in which the Group operates.

For defined contribution pension plans, the Group's pension payment obligations to employees cease when the Group has paid the contribution amount as defined by the plan. The majority of the Group's employees in Denmark are covered by defined contribution plans. Most pension plans in Sweden and Norway are defined benefit pension plans, the majority of which are placed with insurance companies. In Sweden, most defined benefit pension plans are placed with Alecta and Euroben, and in Norway with Vital. For defined benefit pension plans, the Group's pension payment obligations do not cease until the defined benefit amounts due to employees under the plan have been paid. See "Risk Factors—Risks related to the Group—The Group's pension obligations may exceed the reserves that have been created for these obligations, and changes in accounting standards could have a material impact on the Group's pension obligations" and "Operating and Financial Review—Critical Accounting Policies and Estimates—Pensions."

Real Property

The Group owns two buildings in Sweden, both located at Stockholm-Arlanda Airport and situated on land owned by a third party. All other premises used by the Group are leased, or in some cases ground leased. Ground leases are generally long-term leases of land during which the tenant may develop or own buildings or other improvements upon such leased land. The Group's offices in Frösundavik outside Stockholm, as well as some of the major technical facilites in Denmark, Norway and Sweden, are leased by the Group under financial sale and leaseback arrangements, where the Group pays an annual fee, operates the properties and has an option to purchase the properties, and/or the special purposes vehicles that own the properties, under certain conditions.

Intellectual Property

The Group has registered certain trade names associated with its business, including Scandinavian Airlines, SAS, Blue1 and Widerøe, in the Nordic region and in certain other jurisdictions. In addition, the Group has registered trademarks for Blue1, SAS and EuroBonus, as well as other marks and logos associated with such brands or otherwise essential to the Group's operations. The Group's activities do not depend to a material degree on the use of patents.

Information Technology

The Group makes extensive use of information technology systems and works together with third party providers of information technology and similar services. The Group's systems are used mainly for the control of the Group's operations, including yield management, data warehousing, human resources management and administrative activities. The Group also uses information technology for its inventory, ticketing and check-in functions. The Group has established backup computer centers for the systems it regards as critical to its business operations, and in the event of any computer or other failure, the backup computer systems can be put into service within 30 minutes.

The Group installs an increasing number of business applications on its internal network to benefit its customers, partners and suppliers. Access to these applications via the internet or other means is protected by a variety of firewalls, and the Group retains external experts regularly to verify the Group's information technology security as well as to ensure the Group has the latest available technology.

Insurance

The Group is exposed to potential catastrophic losses that may be incurred in the event of an aircraft accident or terrorist incident. Any such accident or incident could involve not only repair or replacement of damaged or destroyed aircraft and its consequent temporary or permanent loss from services, but also significant potential claims of injured passengers and others, including third parties on the ground.

The Group currently maintains aircraft insurance for the loss or damage of aircraft, passenger and third party legal liability insurance and other property and business insurance in amounts per occurrence that the Group believes are consistent with industry standards and that meet or exceed the Group's obligations, particularly its minimum coverage obligations, under applicable Scandinavian and other laws, including certain international air transport treaties.

Although the Group believes that its current insurance coverage is adequate, there can be no assurance that the amount of such coverage will not need to be increased, that insurance premiums will not increase significantly or that the Group will not be forced to bear substantial losses from accidents in the future. See "Risk Factors—Risks Related to the Group—Airline insurance may become too difficult or expensive to obtain, which could expose the Group to substantial loss and may have a material adverse effect on the Group's business, financial condition and results of operations."

Environmental

The Group takes environmental aspects into account in all its operational activities, and the Group seeks to ensure sustainable, profitable growth from an ecological standpoint. The Group's most significant environmental effects come from its flight operations and fuel consumption, in particular. The Group has set aggressive targets for itself to reduce its emissions, including a 20% overall reduction in the Group's greenhouse emissions by 2020 as well as having greenhouse emissions neutral operations by 2050. The Group has begun implementing a strategy that includes a variety of different efforts to achieve its emissions goals. For example, the Group has provided financial support to research alternative jet fuel sources and has collaborated with international organizations to develop a "green approach," which is a system for landing flights on an even and steady approach, which has shown to decrease fuel consumption substantially. Moreover, the Group was one of the first airlines to offer its customers carbon offsets, which allow customers who purchase tickets on the Group's websites to contribute an amount, in addition to their ticket price, to an organization that offsets a portion of the CO_2 emissions from their flight. Currently, the Group pays this additional amount for all business travel by the Group's employees.

In addition, the Group has decided to maintain certain of its older aircraft through 2014, so the Group will be able to acquire future generation aircraft that are expected to be significantly more fuel efficient than the aircraft currently available. By waiting for the future generation of aircraft, the Group estimates that it will reduce its emission significantly over the next 25 to 30 years. Moreover, beginning in 2012, the Group currently expects to participate in the EU Greenhouse Emission Trading Scheme which imposes a cap on CO_2 emissions for all the Group's flights arriving at or departing from EU airports, while allowing the Group to buy and sell emission credits on the EU emission credits trading market. See "Regulatory Framework—Environmental Regulations—Emission Trading."

The second important environmental issue for the Group is the noise from its aircraft and the resulting impact on areas close to airports. The Group continuously tests various ways to meet certain noise abatement standards, such as replacing the engines in the Group's MD-80s and upgrading the aircraft through the use of hush kits.

The third main environmental issue facing the Group is the waste arising from non-flight operations, such as catering waste and hazardous waste from aircraft maintenance operations. In response to this issue, the Group has developed an environmental management system based on the International Standards Organization's ("**ISO**") ISO 14001 environmental management system. The Group set a target for itself to have its environmental management system in compliance with ISO 14001 by 2011 at the latest, and SAS Cargo is already ISO 14001 certified.

REGULATORY FRAMEWORK

The Group is subject to extensive and complex rules and regulations both on a domestic and international level, including numerous EU regulations applicable throughout the EEA. The influence of national governments over civil aviation in the EEA is decreasing as a result of new EU regulations. The implementation of EU regulations has also further harmonized the national regulations of the Scandinavian countries. A summary of certain significant regulatory matters affecting the Group's activities is set out below. The summary—which is divided into descriptions of the international regulatory framework, the EU regulatory framework, the Scandinavian regulatory framework, environmental regulations and taxes and charges on air travel—is not intended to provide a comprehensive description of all such regulatory matters and should not be considered exhaustive.

International Regulatory Framework

The Chicago Convention and ICAO

The regulatory system for international air transport is based upon principles set out in the Convention on International Civil Aviation of 1944 (the "**Chicago Convention**"). The Chicago Convention, with 190 contracting states (including Denmark, Norway and Sweden), establishes the general principle that each state has sovereignty over its air space and has the right to control the operation of scheduled air services over its territory. International air transport rights are based primarily on traffic rights granted by individual states to other states through bilateral air transport agreements which are founded on the Chicago Convention. Each state grants the rights it receives to its local air carriers.

As envisioned by the Chicago Convention, the International Civil Aviation Organization ("**ICAO**") was established in 1947. The aims and objectives of ICAO, an agency of the United Nations, are to develop the principles and techniques of international air navigation and to foster the planning and development of international air transport. ICAO establishes standards and recommended practices covering, for example, aircraft operations, staff licensing, aviation safety, accident investigation, airport operations and environmental protection, all with a view to ensuring conformity among the rules and regulations of the 190 member states.

The Rome Convention

The primary aim of the Convention on Damage Caused by Foreign Aircraft to Third Parties on the Surface of 1952 (the "**Rome Convention**"), is to impose strict liability on the part of the airline operator in respect of damage to third parties on the ground caused by any of such airline's aircraft, regardless of any fault on its part. The Rome Convention has 49 signatory states, including Denmark, Norway and Sweden.

The Rome Convention incorporates certain limits on liability and only applies to damage caused on the ground of a signatory state by an aircraft in flight registered in another signatory state. ICAO has set out to modernize the Rome Convention, principally prompted by the events of 11 September 2001 and the perceived inadequacy of the compensation mechanism and limits contained in the convention. This has resulted in two draft ICAO conventions (concerning damage arising out of general aviation risks and acts of unlawful interference, respectively), which, for example, would introduce a more predictable compensation system. A diplomatic conference to consider the two drafts has been scheduled for April 2009. However, the Company expects that it will take several years before the new conventions will come into effect.

The Montreal Convention

The Convention for the Unification of Certain Rules for International Carriage by Air of 1999 (the "**Montreal Convention**") is a legal framework governing airline operators' liability in the event of damage and delay caused to passengers, luggage or goods during international flights. As of December 2008, there were 87 parties to the Montreal Convention, including all EU member states, Norway, the United States, China and Japan. Under Regulation (EC) No. 889/2002, amending Regulation (EC) No. 2027/97 on air carrier liability in the event of accidents, the rules of the Montreal Convention have been extended to apply to all flights, whether domestic or international, operated by EU registered airline operators.

Bilateral Air Transport Agreements

Bilateral air transport agreements between states generally govern the designation of airlines and airports for the operation of specified routes, airline capacity and fare-approval procedures. On the basis of these agreements, contracting states give designated airlines the right to operate scheduled passenger and air-freight services on certain routes between those states (traffic rights). Most bilateral air transport agreements with non-EU member states require that the designated airlines show that they are substantially owned as well as effectively controlled by the state and/or citizens or corporations of the state in question.

Requirements for national majority ownership and control have been deemed incompatible with the EU's right of free establishment. The EU's aim is to open the bilateral markets typically reserved for one or a few carriers of a contracting EU member state to all EU airlines, regardless of domicile. As part of this effort, the European Commission has launched in recent years a policy of gradually replacing bilateral agreements with agreements that are executed on the EU level, removing nationality restrictions on ownership and allowing airlines of all EU member states to operate flights between any EU member state and the contracting non-EU member states. See, for example, "—The EU-U.S. Open Skies Agreement."

Additionally, EU member states have been requested by the European Commission to replace national ownership and control requirements with corresponding EU ownership and control requirements in individual bilateral agreements with non-EU countries, thereby securing non-discrimination among EU carriers in respect of traffic rights. Most notably, the latest additions in this category in relation to Denmark, Norway and Sweden are the revised agreements with Thailand and Japan.

As a consequence of the above, if the Company were to cease to be majority owned or controlled by Scandinavian or EU (as the case may be) states, citizens and/or corporations at any time, the contracting states in the relevant bilateral agreements could theoretically deny SAS Scandinavian Airlines landing rights under these agreements. The same would apply for SAS Individually Branded Airlines. See "—EU Regulatory Framework—Operating License and Air Operator Certificate; Business and Ownership Requirements."

At the present time, Denmark, Norway and Sweden are parties to bilateral air transport agreements with approximately 100 countries while 27 air transport agreements have been entered into by the EU. See "—The EU-U.S. Open Skies Agreement."

Vis-à-vis states that are parties to bilateral agreements, the Danish, Norwegian and Swedish states have designated SAS Danmark A/S, SAS Norge AS and SAS Sverige AB, respectively, to provide air services as authorized by the agreements. In addition, through special arrangements included in each of these bilateral agreements, it has been agreed that the companies may exercise the rights pertaining to the agreements through the jointly-owned SAS Consortium on the condition that the companies themselves do not engage in air traffic operations. The other parties to the bilateral agreements have thereby accepted that air traffic operations conducted by SAS Scandinavian Airlines to and from any of the Scandinavian countries may be conducted by the SAS Consortium.

The EU-U.S. Open Skies Agreement

The so-called "EU-U.S. Open Skies Agreement" was signed on 30 April 2007 and became effective on 30 March 2008, replacing existing bilateral agreements between EU member states and the United States, creating an "open-skies" framework. Under the agreement, every EU and U.S. airline is authorized to fly between any airport within the EU and the United States. U.S. airlines are also allowed to fly between points in the EU. However, EU airlines are not allowed to operate domestic flights within the United States.

The International Air Services Transit Agreement

The International Air Services Transit Agreement of 1944 (the "**Transit Agreement**"), was the result of disagreements over the contents of the Chicago Convention. The agreement allows scheduled flights to use the air space of the contracting states as well as to land in contracting states for non-traffic purposes (such as for maintenance or refueling). Currently there are 129 contracting states to the Transit Agreement, including Denmark, Norway and Sweden.

EU Regulatory Framework

Operating License and Air Operator Certificate; Business and Ownership Requirements

Pursuant to Regulation (EC) No. 1008/2008, air carriers that are subject to the air traffic regulation rules of the EU must have an operating license for the transportation of passengers, mail and/or freight in commercial air traffic. An operating license is granted only if the air carrier holds an Air Operator Certificate ("**AOC**"). Such an AOC specifies the types of aircraft that can be operated by the air carrier as well as other operational and technical specifications.

Other conditions for being granted an operating license are, among other things, that the air carrier's principal place of business must be located in the EU member state issuing the license and the carrier's principal business must be the provision of air services. Furthermore, member states and/or nationals of member states must own a majority of, and effectively control, the carrier.

All of the Group's airlines hold individual operating licenses. In respect of SAS Scandinavian Airlines, operating licenses have been issued to the joint owners of the SAS Consortium, i.e., SAS Danmark A/S, SAS Norge AS and SAS Sverige AB, with air traffic carried out through the SAS Consortium, which holds a common AOC for Scandinavian Airlines Danmark, Scandinavian Airlines Sverige and Scandinavian Airlines International. Scandinavian Airlines Norge and the airlines within SAS Individually Branded Airlines hold their own AOCs. As a consequence of Core SAS (see "Operating and Financial Review—Factors Affecting the Group's Financial Conditions and Results of Operations—Core SAS"), the Company anticipates that the common AOC held by the SAS Consortium will also, following a transition period of approximately one year, include Scandinavian Airlines Norge.

The current ownership structure, in which the Scandinavian states own in the aggregate 50% of the Shares, and the majority of the remaining Shares are held by Scandinavian shareholders, fulfils the requirements for ownership and control in Regulation (EC) No. 1008/2008 as well as maintains Scandinavian ownership and control in accordance with applicable bilateral air transport agreements and special arrangements pertaining thereto. If the states' stakes were to be reduced and majority ownership were to shift from Scandinavian to non-EEA persons, situations may arise in which the Company could risk violating provisions regarding ownership and control in bilateral air transport agreements and/or in laws and regulations regarding authorization for air traffic within the EEA. If majority control remained within the EEA, these risks would however be significantly reduced. To ensure that the Company remains substantially owned and effectively controlled by Scandinavian interests as long as this is required for reasons of civil aviation policy, the Company's Articles of Association enable the Board of Directors to resolve to redeem Shares held by non-Scandinavians by means of a reduction of the Company's share capital. If such a redemption should not be possible or, in the judgment of the Board of Directors, would be insufficient, subscription for new subordinated shares will be made, subject to the General Meeting's approval, by Scandinavian persons and corporate bodies by virtue of warrants already issued by the Company and currently held by a wholly-owned subsidiary. A precondition for both measures is that there is a direct threat to the Company's or its subsidiaries' air traffic rights as a result of a violation or potential violation by the Company or any of its subsidiaries of provisions concerning ownership and control contained in bilateral civil aviation agreements or in laws or regulations concerning conditions for air traffic within the EEA. Moreover, these measures may only be implemented to such an extent that the threat as a result thereof is eliminated. See "Share Capital and Ownership Structure—Protection of the Group's Air Traffic Rights in the Company's Articles of Association."

Single European Sky

In 2004, the European Commission adopted regulations aimed at improving the efficiency and reinforcing the safety of the EU air traffic management system, restructuring the European airspace based on air traffic flow rather than national borders (the "**Single European Sky**"). The Single European Sky legislation comprises four regulations: Regulation (EC) No. 549/2004 establishes the framework for the Single European Sky; Regulation (EC) No. 550/2004 regulates air navigation services; Regulation (EC) No. 551/2004 governs organization and use of national airspace; and Regulation (EC) No. 552/2004 regulates interoperability of the European air traffic management network. The European Commission has mandated the European Organisation for the Safety of Air Navigation ("**Eurocontrol**") to develop rules for the implementation of the Single European Sky. Rules are prepared in consultation with member states and the aviation industry, but progress has been slow due to national considerations and the fact that each country protects its own air space.

The EU institutional process with respect to the Second Single European Sky Package ("**SES II**"), amending the regulations adopted in 2004, is moving forward. SES II aims at further improving the overall efficiency of the structure and use of the European airspace. Among other things, unnecessary extensions to the length of flights will be eradicated, making air routes more direct and reducing fuel consumption. The Company makes the assessment that SES II will not require any investments on the part of the Group and that SES II will have a positive impact on virtually all air carriers that operate within the EU. The European Commission has targeted formal and final adoption of SES II before the summer of 2009.

Airport Slot Allocation

A slot represents an authorization to land at, and depart from, an airport at a particular time during a specified time period. Slot allocation at congested airports is governed by Regulation (EEC) No. 95/93, as amended, which sets forth transparent and non-discriminatory rules and procedures for the allocation of airport landing and take-off slots. Under these regulations, an airport coordinator distributes slots for a specific flight schedule period. If the number of applications exceeds the number of available slots, priority is given to the carriers that held the relevant slots in the previous flight schedule period and used such slots at least 80% of the time. If a carrier fails to meet the usage threshold, it may lose the relevant slot and the slot may be allocated to a slot pool for assignment to other carriers. However, if an air carrier has failed to use a slot for exceptional reasons, such as due to unforeseen and unavoidable circumstances outside the air carrier's control, the air carrier may be entitled to retain the slot.

Amendments to Regulation (EEC) No. 95/93 during 2004 were aimed at improving slot utilization procedures and providing access to slots for new entrants. The amended regulation also set forth criteria, including technical and environmental considerations, to be used in allocating slots, and provides for the independence of airport slot coordinators and judicial review of their decisions. Airport slot coordinators have the right to revoke single slots or a series of slots for the remainder of a flight schedule period as a sanction against airlines that engage in abusive slot practices, such as operating at times not approved by the slot coordinator. Air carriers may exchange slots with each other under certain conditions, and since 30 April 2008 secondary trading of slots has been accepted by the European Commission as long as such exchanges take place in a transparent manner, respecting all the other administrative requirements for the allocation of slots set out in the applicable regulation.

Ground Handling

The market in ground handling services is covered by Directive 96/67/EC, which has gradually opened ground handling services to competition. The Directive stipulates that at the larger EU airports access to the market by suppliers of ground handling services is free and that for certain categories of services the number of suppliers may be no fewer than two per category. Moreover, at least one of these suppliers should be entirely independent of the airport or the dominant air carrier at that airport. Similar provisions exist with regard to self-handling, meaning that the airlines themselves provide the services in question.

Pricing

Under Regulation (EC) No. 1008/2008 and subject to safeguards against predatory pricing and discrimination on grounds of nationality, EU airlines may freely set air fares and cargo rates for intra-EU air services.

Airport and Air Traffic Control Charges

Airport operators charge fees for incoming and outgoing flights based on a number of criteria. The EU is in the process of introducing regulations to harmonize these criteria. Although no such regulations have been passed as of the date of this Offering Memorandum, it is anticipated by the Company within 2-3 years. The new provisions are expected to restrict opportunities for airports to benefit from natural monopolies when setting charges.

The Single European Sky legislation (see "—EU Regulatory Framework—Single European Sky") harmonized the legal framework for air traffic control services in Europe. However, except for charges by Eurocontrol, such services are still being charged on the basis of national legislation.

Security

According to Regulation (EC) No. 300/2008, an air carrier is required to demonstrate specific security measures as set out in, and in compliance with, a security program appropriate to meet the requirements of the national civil aviation security program approved by the national civil aviation authority.

Within the EU there is an ongoing effort to develop a detailed implementation plan, including the possible simplification and streamlining of the current regulations for aviation security introduced as a direct consequence of the events of 11 September 2001. Work is also ongoing to harmonize EU regulations with corresponding rules in non-EU countries, such as those with respect to the handling and import of liquids and tax-free items.

Air Safety

The Group's operations are subject to a wide range of safety standards. Annex III to Regulation (EEC) No. 3922/91, as amended, ("**EU OPS**") details common technical requirements as well as safety and related procedures applicable to commercial transportation by aircraft. The EU OPS requirements and procedures relate to, among other things, certification and supervision, flight operations, weather conditions, aircraft performance and equipment, maintenance, flight crew, cabin crew and transportation of dangerous goods.

The European Aviation Safety Agency ("**EASA**") is an EU agency created under Regulation (EC) No. 216/2008. EASA's responsibilities include provision of expert advice to the EU for the purpose of new legislation, implementation and surveillance of safety rules, type-certification of aircraft and components, authorization of non-EU aircraft operators and safety analysis and research. EASA works with the national civil aviation authorities of EEA member states and has assumed certain of their functions in the interest of aviation standardization across the EEA.

Consumer Protection

In the EU, there are a number of consumer protection rules in the area of air travel. Under Regulation (EC) No. 261/2004, airline passengers who have been denied boarding on a flight for which they hold a valid ticket are entitled to be compensated. This regulation also imposes fixed levels of compensation for passengers due to cancelled flights, except where the airline can prove that such cancellation is caused by extraordinary circumstances, such as bad weather, air-traffic control delays or safety issues. The term "extraordinary circumstances" has been subject to several different interpretations and the Court of Justice of the European Communities made a judgment on 22 December 2008 (Case C-549/07), in which the court attempted to clarify the term in respect of technical cancellations. The court ruled that technical problems, such as an engine defect that is discovered during routine maintenance, normally do not constitute "extraordinary circumstances."

A recurring issue in the area of consumer protection is failure to provide adequate compensation for overbooking or cancelled flights. Certain airlines have not always fully met their obligations where flights have been overbooked or cancelled. The EU has given the airline industry more time to show consistent compliance under the threat of new and stricter legislation.

Regulation (EC) No. 2027/1997, as amended in order to implement the Montreal Convention, sets out rules on air carrier liability in respect of the transport of passengers and their luggage by air.

Regulation (EC) No. 1107/2006 establishes rules for the protection of, and provision of assistance to, disabled persons and persons with reduced mobility travelling by air, both to protect them against discrimination and to ensure that they receive assistance. This regulation applies to all passengers whose mobility is restricted by either a disability or impairment, health or age, or a temporary mobility problem such as a broken leg.

Insurance

Regulation (EC) No. 785/2004 prescribes insurance requirements for air carriers and aircraft operators regarding their liability in respect of passengers, luggage, cargo and third parties. Each of the air carrier and aircraft operator is responsible for obtaining sufficient cover as prescribed by this regulation. For further information about the Company's insurance coverage, see "Business Overview—Insurance."

Competition

Airlines operating in the EU must observe EU competition rules, in particular Articles 81 and 82 of the Treaty establishing the European Community (the "**EC Treaty**"), which seek to address anti-competitive behavior. Article 81(1) prohibits agreements, decisions by associations of undertakings and concerted practices that restrict competition, whereas Article 82 is directed towards the unilateral conduct of firms with a dominant market position that act in an abusive manner.

An agreement which falls within Article 81(1) is not necessarily unlawful. Agreements, decisions or concerted practices which satisfy certain conditions may qualify for an individual exemption under Article 81(3) or fall under a so-called block exemption. In principle, individual entities must assess for themselves whether their agreements, concerted practices and decisions are compatible with Article 81 of the EC Treaty. For example, the Company and Lufthansa no longer benefit from a decision declaring competition rules inapplicable to their cooperation agreement, but rely on their assessment that their alliance does not violate the EU competition rules.

Regulation (EC) No. 3976/87, as amended, authorizes the European Commission to apply the exemptions of Article 81(3) to certain categories of agreements and concerted practices in the air transport sector in respect of traffic within the EU as well as in respect of traffic between the EU and non-member states. While this authority has been used in the past, there are currently no block exemptions in force under Regulation (EC) No. 3976/87. It should nevertheless be noted that the European Commission has adopted general block exemptions for certain types of horizontal and vertical agreements that apply also to the air transport sector.

Scandinavian Regulatory Framework

Scandinavian Cooperation

To manage the task of regulating the safety of operations carried out by the SAS Consortium, the civil aviation authorities of Denmark, Norway and Sweden formed a joint coordinating body called OPS-utvalget, in 1948. OPS-utvalget consists of the three directors general of the Scandinavian civil aviation authorities and deals basic with aviation safety matters of principle and common interest to the authorities. In conjunction with the reorganization of the SAS Consortium in 1951 (see "Business Overview—History and Development"), the Scandinavian arrangement was formalized through an agreement in which the countries agreed to jointly exercise, through OPS-utvalget, the control of the SAS Consortium's operations required under applicable laws, operating licenses and international regulations. The Scandinavian Surveillance Office ("**STK**"), a joint inspection office between the Scandinavian civil aviation authorities, was established in 1969 to ensure effective supervision of flight safety matters for the SAS Consortium on behalf of OPS-utvalget. STK also coordinates oversight of national regulations concerning flight operations, technical matters, education, training and certificates in order to harmonize practices within SAS Scandinavian Airlines with respect to safety-related issues.

National Rules

In addition to the cooperation through OPS-utvalget and STK, national aviation laws and regulations of Denmark, Norway and Sweden have been further harmonized as a result of, and are to a large extent based on, international standards and EU regulations.

In Denmark, civil aviation rules are primarily embodied in the Danish Air Navigation Act of 1960 (*Lov om Luftfart*). In addition, more detailed regulations are issued by the national civil aviation authority, the Danish Civil Aviation Administration (*Statens Luftfartsvæsen*).

The principal national civil aviation law in Norway is the Norwegian Aviation Act of 1993 (luftfartsloven) with detailed regulations issued by the national aviation regulator, the Norwegian Civil Aviation Authority (Luftfartstilsynet).

Rules for civil aviation in Sweden are embodied in the Swedish Aviation Act of 1957 (*luftfartslagen (1957:297)*) and the Swedish Aviation Ordinance of 1986 (*luftfartsförordningen (1986:171)*) as well as in regulations issued by the national civil aviation authority, the Swedish Transport Agency (*Transportstyrelsen*).

Environmental Regulations

Environmental Permits

Commercial aviation uses aircraft which are internationally 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 current trend is toward stricter environmental framework conditions for the airline industry. See "—Emission Trading."

Airlines need no separate environmental licenses or permits for their operations, but rely on permits that airport operators have, such as for handling of fuel and glycol for aircraft deicing, runway deicing, and threshold levels for noise and emissions. There is an exemption for the use of the hazardous gaseous fire suppression agent halon in fire extinguishers on board aircraft. Halon use is heavily restricted under the Montreal Protocol on Substances that Deplete the Ozone Layer of 1987, as amended, and airline operators must submit annual reports to the authorities on the use and storage thereof.

Emission Trading

As a consequence of the 1997 Kyoto Protocol, an international agreement on climate regulations, EU member states adopted Directive 2003/87/EC (the "**Emission Trading Directive**"), which establishes a scheme for greenhouse gas emission allowance trading within the EU, the so-called EU Greenhouse Emission Trading

Scheme (the "**EU ETS**"). The Emission Trading Directive forms the framework of the member states' efforts to reach certain carbon dioxide (CO_2) reduction targets encapsulated in the Kyoto Protocol. The Emission Trading Directive identifies certain types of industrial entities within the EU that are required to acquire CO_2 certificates, entitling such entities to emit specified quantities of CO_2.

In addition, the Emission Trading Directive sets out guidelines for allocating CO_2 certificates to the identified industrial entities and the content of the national allocation plans that each member state is required to develop.

In an effort to address aviation's contribution to climate change, the European Commission in December 2006 proposed to include the aviation industry in the EU ETS. The proposal involved imposing a cap on CO_2 emissions for all flights arriving at, or departing from, EU airports, while allowing airlines to buy and sell emission credits on the EU emissions credits trading market. In July and November 2008, the European Parliament and the Council of the European Union, respectively, voted in favor of including aviation emissions in the EU ETS. This requires all flights, both within the EU as well as international flights arriving or leaving the EU, to participate in the EU ETS from 2012. Emissions reduction targets are based on average annual emissions between 2004-2006 and are required to be cut by 3% in 2012, and then by 5% from 2013 onwards. In allocating emission credits, 85% of emissions allowances will be allocated to airlines for free with 15% to be auctioned off. The initial allocation for individual airlines will be determined in 2011, based on each airline's portion of the overall traffic during 2010 on routes to be covered by EU ETS. Airline operators that fail to comply with the scheme will be fined and could ultimately be banned from operating in the EU if a member state so requests. It is the intention of the EU to seek international agreements, including with the United States, on the reduction of aviation emissions.

When voting on the European climate package on 17 December 2008, the European Parliament did not enact any amendments to the above-mentioned provisions. The Company has carried out an analysis to estimate the economic effects of the new regulations. The impact will be influenced by a number of factors, such as reactions from non-EU countries, the price of emission allowances auctioned off or traded, the availability of alternative fuels, fleet composition, the successful implementation of the Single European Sky (including SES II) and price elasticity among customers. Accordingly, the Group estimates that the impact of the new regulatory regime will lead to a cost increase of approximately SEK 300 to SEK 400 million per year. The effect on the Group's results of operations may be limited by passing part of the increased costs on to customers. According to an impact assessment report from the European Commission, the costs of including the aviation industry in the EU ETS could result in air fares increasing by EUR 5 to 40 by 2020, depending on the length of the flight.

Taxes and Charges on Air Travel

Air travel is subject to numerous taxes and charges, which are typically levied on the basis of national legislation and thus vary among countries. Examples of traffic charges paid by carriers and included in air fares are take-off and landing charges, emission charges, noise charges, terminal navigation charges and en route charges. Additional passenger charges are paid by every customer on top of the fare to cover, for example, the cost of airport terminals, facilities and air travel-related security. In addition, certain countries impose a special air passenger tax to travelers who depart from airports within such countries. Tickets may also be subject to a separate ticket tax as well as value added tax. Normally, charges and taxes that are not included in an air carrier's fare must be included in the total ticket price when the carrier advertises to the public.

In accordance with a policy issued by ICAO in the 1950s, jet fuel for international commercial aviation is untaxed. The European Commission has been advocating within ICAO to introduce a global carbon tax on jet fuel. However, there has been considerable opposition to such a tax among ICAO members and as of the date of this Offering Memorandum no such measures have been introduced or are planned to be introduced. Norway is currently the only country in the world that levies both a carbon tax and a tax on nitrogen oxide (NOx) on aviation. These taxes amounted to approximately SEK 150 million for the Group's Norwegian domestic traffic in 2008.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Group's capitalization and indebtedness as of 31 December 2008. The following table does not reflect the issuance of 2,303,000,000 New Shares in the Rights Offering at the subscription price indicated in this Offering Memorandum and the intended application of the estimated net proceeds of SEK 5.8 billion (see note 1 to the table). See "Share Capital and Ownership Structure" for information relating to the Group's issued share capital and number of outstanding Shares. Investors should read this table in conjunction with the Group's consolidated financial information (and the notes thereto) included elsewhere in this Offering Memorandum and "Operating and Financial Review."

	As of 31 December 2008 (1)
Total current debt:	
Secured	(658)
Unguaranteed/unsecured	(1,124)
Total current debt (2)	(1,782)
Non-current debt:	
Secured	(6,452)
Unguaranteed/unsecured	(7,481)
Total non-current debt (3)	(13,933)
Total indebtedness	(15,715)
Shareholders' equity:	
Share capital	(1,645)
Other contributed capital	(170)
Translation reserve	(25)
Hedging reserve	743
Retained earnings	(7,585)
Total shareholders' equity	(8,682)
Total capitalization	(24,397)
Net indebtedness:	
Cash	1,911
Cash equivalents (short-term deposits)	3,872
Liquidity	5,783
Current financial receivables (4)	4
Current bank debt	(762)
Current portion of long-term debt	(872)
Short term liabilities (5)	(148)
Current financial debt	(1,782)
Net current financial indebtedness	4,005
Non-current bank loans	(11,449)
Bonds issued	(2,212)
Other non-current indebtedness (6)	(272)
Non-current financial debt	(13,933)
Net indebtedness	(9,928)

(1) The above table does not reflect the issuance of 2,303,000,000 New Shares in the Rights Offering at the subscription price indicated in this Offering Memorandum and the intended application of the estimated net proceeds of SEK 5.8 billion. Following completion of the Rights Offering, the Group estimates that share capital will increase by SEK 5,757,500,000. See "Background and Reasons" for a description of the intended use of proceeds from the Rights Offering.

(2) Represents the current portion of long-term loans, plus short-term liabilities excluding non-interest rate derivatives.

(3) Represents long-term interest-bearing debt.

(4) Current financial receivables include the value of the Group's interest rate derivatives presented in "other current receivables" on the Group's consolidated balance sheet.

(5) Short-term liabilities include the debt obligations which come due within the next twelve months from the balance sheet date and the value of the Group's interest rate derivatives that are classified as current liabilities. These interest rate derivatives have been included in "short-term liabilities" on the Group's consolidated balance sheet at the balance sheet date.

(6) Other non-current financial indebtedness include the debt obligations which are coming due later than twelve months from the balance sheet date and the value of the Group's interest rate derivatives that are classified as long-term liabilities. These interest rate derivatives and debt obligations have been included in "other loans" and "short-term liabilities" on the Group's consolidated balance sheet at the balance sheet date.

Other than discussed above and elsewhere in this Offering Memorandum, there have not been any material changes in the capitalization of the Group from 31 December 2008.

EXCHANGE RATES

The following tables sets forth, for the periods indicated, certain information concerning the exchange rate for SEK based on the mid-rate quoted by the Swedish Central Bank (Sveriges Riksbank) expressed in SEK per 1 USD, per 100 NOK, per 100 DKK and per 1 EUR (rounded to two decimal places). No representation is made that amounts in SEK have been, could have been, or could be converted into these currencies at the mid-rate or at any other rate. As of 31 December 2008, the mid-rate was SEK 7.75 per USD 1, SEK 110.35 per NOK 100, SEK 146.80 per DKK 100 and SEK 10.94 per EUR 1.

SEK per USD 1 – mid-rate

	Low	High	Average (1)	Period End
2008 Monthly Exchange Rate Data:				
January	6.31	6.61	6.42	6.36
February	6.17	6.52	6.35	6.17
March	5.95	6.18	6.06	5.95
April	5.84	6.01	5.95	6.01
May	5.90	6.08	5.99	6.03
June	5.90	6.09	6.03	5.98
July	5.95	6.06	6.00	6.06
August	6.06	6.40	6.27	6.40
September	6.46	6.81	6.65	6.78
October	6.88	8.09	7.41	7.79
November	7.69	8.31	7.96	7.97
December	7.64	8.38	8.00	7.75
Annual Exchange Rate Data:				
2004	6.58	7.75	7.35	6.61
2005	6.66	8.25	7.48	7.95
2006	6.79	7.98	7.38	6.87
2007	6.25	7.11	6.76	6.47
2008	5.84	8.38	6.58	7.75

SEK per NOK 100 – mid-rate

	Low	High	Average (1)	Period End
2008 Monthly Exchange Rate Data:				
January	117.15	120.10	118.58	117.15
February	116.70	118.95	117.82	118.95
March	116.45	119.40	118.05	116.55
April	116.20	119.00	117.69	117.10
May	117.40	119.25	118.37	118.10
June	116.45	118.35	117.33	118.25
July	116.85	118.20	117.53	118.00
August	116.85	119.25	117.83	119.25
September	115.20	119.05	117.38	117.45
October	109.45	117.95	114.60	115.70
November	113.35	116.20	114.85	115.90
December	110.35	116.50	114.46	110.35
Annual Exchange Rate Data:				
2004	103.25	112.25	109.05	108.80
2005	107.80	124.45	116.01	117.60
2006	108.95	121.05	115.04	109.45
2007	108.90	120.00	115.46	118.75
2008	109.45	120.10	117.05	110.35

SEK per DKK 100 – mid-rate

	Low	High	Average (1)	Period End
2008 Monthly Exchange Rate Data:				
January	125.70	127.85	126.61	126.65
February	124.70	127.00	125.66	125.90
March	125.50	127.15	125.50	125.95
April	124.95	126.30	125.65	125.50
May	124.25	125.40	124.88	125.20
June	124.95	126.75	125.68	126.75
July	125.95	127.60	126.82	126.75
August	125.40	127.05	125.97	126.60
September	126.75	130.90	128.17	130.90
October	129.15	135.80	132.07	132.60
November	132.15	140.35	135.93	138.40
December	138.05	149.10	143.87	146.80
Annual Exchange Rate Data:				
2004	119.70	124.55	122.67	121.15
2005	121.05	129.30	124.60	126.40
2006	120.35	126.95	124.08	121.35
2007	120.90	127.05	124.13	127.05
2008	124.25	149.10	128.84	146.80

SEK per EUR 1 – mid-rate

	Low	High	Average (1)	Period End
2008 Monthly Exchange Rate Data:				
January	9.37	9.53	9.43	9.44
February	9.30	9.47	9.37	9.38
March	9.35	9.48	9.40	9.39
April	9.32	9.42	9.37	9.37
May	9.27	9.36	9.32	9.34
June	9.32	9.45	9.37	9.45
July	9.39	9.52	9.46	9.46
August	9.35	9.48	9.40	9.44
September	9.45	9.76	9.56	9.76
October	9.63	10.12	9.84	9.87
November	9.84	10.46	10.12	10.31
December	10.28	11.11	10.72	10.94
Annual Exchange Rate Data:				
2004	8.89	9.27	9.13	9.01
2005	9.00	9.65	9.29	9.43
2006	8.97	9.47	9.26	9.05
2007	9.01	9.47	9.25	9.47
2008	9.27	11.11	9.61	10.94

Source: NASDAQ OMX Stockholm

(1) The average rate for each year from 2004 to 2008 is the average of the daily mid-rates during the relevant period.

At 9:30 a.m. CET on days when organized foreign exchange rate markets are open for business, Swedish banks calculate a fixing rate of SEK against foreign currencies (the average of the buying rate and selling rate). At 10:05 a.m. CET, NASDAQ OMX Stockholm establishes a joint mid-rate by calculating the average value of the banks' fixing rates. Historical mid-rates of the SEK are quoted by the Swedish Central Bank and often used as a standard for official agreements, court cases and other agreements between parties when an alternative standard for a rate of exchange is not specified.

FINANCIAL INFORMATION AND OPERATING DATA IN SUMMARY

*The summary consolidated financial data of the Group is derived from the Group's consolidated financial statements which are included elsewhere in this Offering Memorandum as of and for the twelve months ended 31 December 2006, 2007 and 2008. The Group's consolidated income statements have been restated on a comparable basis for the periods under review to reflect divestitures that were classified as discontinued operations. The assets and liabilities associated with these entities were classified as "assets held for sale" and "liabilities attributable to assets held for sale," respectively, on the date on which the criteria to classify these assets as "assets held for sale" were met. This summary financial data should be read in conjunction with the consolidated financial statements as well as the "Operating and Financial Review" section of this Offering Memorandum. The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, ("**IFRS**"). See "Glossary" for definitions and concepts of terms set out in the tables below.*

Financial Information

	Year ended 31 December		
	2006	**2007**	**2008**
	(SEK millions)		
Income Statement Data:			
Revenue	48,952	50,598	53,195
Payroll expenses	(15,916)	(16,897)	(18,153)
Other operating expenses	(28,143)	(28,682)	(31,791)
Leasing costs for aircraft	(2,350)	(2,342)	(2,282)
Depreciation, amortization and impairment	(1,740)	(1,457)	(1,591)
Share of income in affiliated companies	111	32	(147)
Income from the sale of aircraft and buildings	76	41	4
Operating income	990	1,293	(765)
Other gains and losses	(46)	5	—
Financial income	587	787	654
Financial expense	(1,362)	(1,041)	(933)
Income before tax	169	1,044	(1,044)
Tax	26	(273)	28
Net income for the year from continuing operations	195	771	(1,016)
Income from discontinued operations	4,545	(135)	(5,305)
Net income for the year	4,740	636	(6,321)
Minority interest	118	(1)	(57)
Per Share Data:			
Earnings per share (SEK)	28.10	3.87	(38.08)
Earnings per share from continuing operations (SEK)	1.19	4.69	(6.18)
Cash Flow Data:			
Cash flow from operating activities	2,102	2,866	(2,651)
Cash flow from investing activities	7,485	(213)	(2,913)
Cash flow from financing activities	(7,438)	(4,492)	2,480
Net (decrease) / increase in cash and cash equivalents	2,149	(1,839)	(3,084)
Balance Sheet Data at period end:			
Total non-current assets	31,189	26,663	26,840
Total current assets	19,975	22,107	16,524
Total assets	51,164	48,770	43,364
Total short-term receivables	8,176	6,168	6,000
Assets held for sale	—	6,198	3,921
Total long-term liabilities	17,847	11,274	17,790
Total current liabilities	16,929	20,347	16,892
Liabilities attributable to assets held for sale	—	5,323	2,465
Total shareholders' equity attributable to parent company owners	16,366	17,130	8,682
Minority interest	22	19	—
Total shareholders' equity	16,388	17,149	8,682

Key Financial Ratios and Data

	As of, and for the year ended, 31 December		
	2006	2007	2008
		(unaudited)	
Change in revenues year-on-year (%)	*n/a*	*3.4*	*5.1*
EBITDAR (before impairments) (SEK millions) (1)	4,893	5,019	3,251
Adjusted EBITDAR (SEK millions) (2)	6,065	6,819	4,442
Adjusted EBITDAR margin (%) (3)	*12.4*	*13.4*	*8.3*
EBT (SEK millions)	169	1,044	(1,044)
Adjusted EBT (SEK millions) (4)	1,388	2,798	155
Adjusted EBT margin (%) (5)	*2.8*	*5.4*	*0.3*
CFROI (%) (6)	*15*	*14*	*5*
Equity/assets ratio (%) (7)	*32*	*35*	*20*
Adjusted debt/equity ratio (8)	1.68	0.92	2.59
Financial preparedness (as a % of revenues) (9)	*32*	*29*	*17*
Investments relating to continuing operations (SEK millions) (10)	1,791	2,464	4,172

(1) **EBITDAR is generally defined as earnings before interest, taxes, depreciation, amortization and rental expense. The Group defines EBITDAR (before impairments) as net income for the year before net financial items, tax (expense)/benefit, depreciation and amortization, leasing costs for aircraft, share of income/(loss) in affiliated companies, sale of aircraft and buildings, and other gains/losses, adjusted for impairments of assets.**

Group Management considers EBITDAR (before impairments) to be a useful measure of the Group's operating performance, as it believes an airline with more operating leases is not readily comparable with an airline with more purchased aircraft and therefore higher depreciation and potentially higher financial costs. EBITDAR (before impairments) is not determined in accordance with IFRS or any other generally accepted accounting principles, and should not be considered in lieu of measures determined in accordance with IFRS. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures. See "Presentation of Financial Information and Certain Other Information." See note 2 below for the calculation of EBITDAR (before impairments) for the periods indicated.

(2) **Adjusted EBITDAR is defined as EBITDAR (before impairments) adjusted to add back items that management has determined to be non-recurring or unusual in nature.**

The Group believes that adjusted EBITDAR, which excludes certain items that Group Management believes are unusual or non-recurring, is a useful measure to analyze the Group's operating performance without the effects of these unusual or non-recurring items. Adjusted EBITDAR is not determined in accordance with IFRS or any other generally accepted accounting principles, and should not be considered in lieu of measures determined in accordance with IFRS. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures. See "Presentation of Financial Information and Certain Other Information."

EBITDAR (before impairments) and adjusted EBITDAR for the Group are calculated as follows for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
	(SEK millions)		
Net income (loss) for the year from continuing operations	195	771	(1,016)
Net financial items (a)	775	254	279
Tax expense/(benefit)	(26)	273	(28)
Depreciation and amortization	1,689	1,457	1,579
Leasing cost	2,350	2,342	2,282
Share of (income)/loss in affiliated companies	(137)	(32)	147
Sale of aircraft and buildings	(76)	(41)	(4)
Other gains/losses	(3)	(5)	—
Impairments of assets (b)	126	—	12
EBITDAR (before impairments)	4,893	5,019	3,251
Adjustments:			
Effects of ECA and joint venture with Lufthansa (c)	310	652	100
Estimated effects of Q400 incidents (d)	—	700	450
Restructuring charges (e)	328	216	284
Estimated effects of strikes (f)	350	212	—
Litigation costs (g)	100	—	357
Other non-recurring items	84	20	—
Adjusted EBITDAR	6,065	6,819	4,442

(a) Represents financial income and expenses.

(b) Impairments of assets include impairment of intangible and tangible fixed assets, investments in affiliates, and other holdings of securities. These amounts are included in depreciation, amortization and impairment, share of income / (loss) in affiliated companies, and other gains and losses, respectively, in the Group's consolidated income statement.

(c) Reflects the Group's share of profits from the joint venture agreement with Lufthansa and the Group's share of bmi's losses on routes to and from the United Kingdom and Scandinavia and Germany during the periods indicated under the ECA. Pursuant to the ECA, the profits and losses on these routes were allocated to the Company, Lufthansa and bmi on a 45%, 45% and 10% basis, respectively. The ECA expired in 2007. These amounts are added back as the Group does not believe these agreement are consistent with the Group's other similar agreements and as such are not reflective of the Group's operating performance.

(d) This represents estimates of the effect on revenue and increased costs associated with the Q400 incidents. These were calculated by adding the estimated negative effect on revenue of SEK 370 million in 2007 and the estimated positive effect on revenue of SEK 50 million in 2008, and estimated incremental costs of SEK 330 million in 2007 and SEK 800 million in 2008, associated primarily with the entry into wet leases of aircraft to replace the grounded Q400 aircraft. Wet lease costs amounted to SEK 180 million in 2007 and SEK 710 million in 2008. The Group estimated the effects of the Q400 incidents based on loss of revenue due to cancelled flights and forecasted revenues based on revenues during comparable periods in prior years, taking into account, among other things, traffic estimates, macroeconomic factors and competition trends. Estimated losses in 2008 were partially offset by a payment of approximately SEK 350 million received as compensation from Bombardier, the manufacturer of the Q400 aircraft.

(e) Restructuring charges primarily represent expenses related to severance payments made to employees. In 2006, restructuring costs also included SEK 70 million relating to the closure of facilities no longer used in operations.

(f) During 2006 and 2007, the Group was impacted by various strikes by union employees in Denmark and Sweden. The figures in the above table represent the estimated negative impact on revenue associated with these strikes and the incremental costs incurred as a result of these strikes, offset in part by any compensation received in relation to the strikes. The Group estimated the effects of strike activity based on loss of revenue due to cancelled flights and forecasted revenues based on revenues during comparable periods in prior years, taking into account, among other things, traffic estimates, macroeconomic factors and competition trends. Incremental costs incurred as a result of the strikes were estimated based on increased costs due to passenger claims, alternative transportation arrangements for displaced passengers and overtime payments for personnel at ticket offices and customer service. In 2007, the Group received SEK 300 million in compensation in relation to the strikes.

(g) Reflects legal and settlement costs associated with the investigation of cargo activities by the U.S. Department of Justice in 2006 and 2007, and includes SEK 84 million of legal costs associated with labor law issues arising from the hiring of former Braathens ground services staff in 2002.

(3) **Adjusted EBITDAR margin is adjusted EBITDAR divided by revenue.**

(4) **Adjusted EBT is defined as income before tax adjusted for impairments of assets, sale of aircraft and building, other gains/losses and non-recurring items.**

Group Management believes this is a useful tool in assessing the underlying performance of the business. The Group makes adjustments to income before tax as Group Management does not believe these items reflect the true nature of the business on a continuing basis and/or these line items are either non-recurring or unusual in nature. The Group has chosen to make these adjustments to provide a clearer picture of the performance of the Group's underlying business operations and generate a metric that will provide greater comparability over time. Adjusted EBT is not a measure determined in accordance with IFRS and should not be considered as an alternative to income before tax. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures.

Adjusted EBT for the Group is calculated as follows for the periods indicated:

	Year ended 31 December		
	2006	**2007**	**2008**
	(SEK millions)		
Income before tax	169	1,044	(1,044)
Adjustments: (a)			
Impairments of assets (b)	126	—	12
Sale of aircraft and buildings	(76)	(41)	(4)
Other gains/losses	(3)	(5)	—
Effects of ECA and joint venture with Lufthansa	310	652	100
Estimated effects of Q400 incidents	—	700	450
Restructuring charges	328	216	284
Estimated effects of strikes	350	212	—
Litigation costs	100	—	357
Other non-recurring items	84	20	—
Adjusted EBT	1,388	2,798	155

(a) See description of adjustments in the above reconciliation of adjusted EBITDAR.

(b) Impairments of assets include impairment of intangible and tangible fixed assets, investments in affiliates, and other holdings of securities. These amounts are included in depreciation, amortization and impairment, share of income / (loss) in affiliated companies, and other gains and losses, respectively, in the Group's consolidated income statement.

(5) **Adjusted EBT margin is adjusted EBT divided by revenue.**

(6) **CFROI (cash flow return on investment) is adjusted EBITDAR in relation to asset value (adjusted capital employed) calculated as the book value of shareholders' equity, plus minority interest, 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. This measure may 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 non-interest bearing liabilities and interest-bearing assets, excluding net pension funds.**

Group Management believes that CFROI is a useful measure of the Group's operating performance, as it believes an airline with more operating leases and off-balance sheet arrangements is not readily comparable with an airline with more purchased aircraft and fewer off-balance sheet arrangements. The Group therefore presents CFROI as a comparability measure to evaluate the results of the Group, which has a high number of operating leases and off-balance sheet arrangements, with the results of other airlines that have more purchased aircraft and fewer off-balance sheet arrangements. CFROI is not a measure determined in accordance with IFRS or any other generally accepted accounting principles, and this measure should not be considered in lieu of measures determined in accordance with IFRS. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures.

(7) **Shareholders' equity (including minority interests) divided by total assets.**

(8) **Calculated by dividing financial net debt (interest-bearing liabilities minus interesting bearing assets, excluding pension fund assets) plus 7 times the net annual cost of operating leases for aircraft, by shareholders' equity (including minority interests).**

Group Management believes that this ratio is a useful measure of the Group's operating performance, as it believes an airline with more operating leases and off-balance sheet arrangements is not readily comparable with an airline with more purchased aircraft and fewer off-balance sheet arrangements. The Group therefore presents the ratio of financial net debt adjusted for operating lease costs in relation to shareholders' equity as a comparability measure to evaluate the results of the Group, which has a high number of operating leases and off-balance sheet arrangements, with the results of other airlines that have more purchased aircraft and fewer off-balance sheet arrangements. Adjusted debt/equity ratio is not a measure determined in accordance with IFRS or any other generally accepted accounting principles, and this measure should not be considered in lieu of measures determined in accordance with IFRS. Other companies in the airline industry may calculate this measure differently, and consequently, the Group's presentation of this figure may not be readily comparable to other companies' figures.

(9) Financial preparedness is comprised of cash and short-term investments, plus the total amount of unutilized credit facilities.

(10) See Note 37 to the consolidated financial statements included in this Offering Memorandum.

Operating Data

	Year ended 31 December		
	2006	**2007**	**2008**
		(unaudited)	
Number of destinations served (scheduled) (1)	164	158	176
Number of flights (scheduled) (1)	552,899	423,807	427,201
Number of passengers carried (total) (thousands) (2)	30,139	30,590	30,772
Number of passengers carried (scheduled) (thousands)	28,863	29,165	29,593
ASK (total) (millions) (2)	44,353	44,446	45,779
ASK (scheduled) (millions)	40,188	40,031	42,008
RPK (total) (millions) (1), (2)	46,770	33,082	33,097
RPK (scheduled) (millions)	29,545	29,365	29,907
Passenger load factor (total) (%) (2)	74.3	73.4	71.2
Average passenger distance (total) (km) (1)	1,084	1,054	1,070
Average jet fuel price paid (USD/tonne)	715	781	1,020
Passenger yield (SEK) (3)	1.20	1.25	1.27
RASK (SEK) (4)	0.80	0.92	0.91

(1) Figure for 2006 includes Spanair and airBaltic.

(2) Total includes scheduled traffic, charter and ad hoc flights.

(3) Passenger revenue (scheduled) divided by RPK (scheduled).

(4) Passenger revenue (scheduled) divided by ASK (scheduled).

OPERATING AND FINANCIAL REVIEW IN SUMMARY

The following is a summary of certain developments in the Group's results of operations, financial condition and business for the years ended 2006, 2007 and 2008. This summary is based on the Group's consolidated financial statements as of 31 December 2006, 2007 and 2008 and for the years then ended, and should be read in conjunction with the consolidated financial statements as well as the "Operating and Financial Review" section of this Offering Memorandum. The following summary includes certain forward-looking statements regarding current trends in the Group's markets and industry. See "Forward-Looking Statements."

Results of Operations

Revenue

Revenue for the Group amounted to SEK 48,952 million in 2006, SEK 50,598 million in 2007 and SEK 53,195 million in 2008.

The increase in revenue of 5.1% from 2007 to 2008 reflected an increase in the average prices paid by customers during the period, which was primarily attributable to higher fuel surcharges introduced for most of 2008 in light of significant volatility in jet fuel prices during the period (although the Group reduced these surcharges beginning in November 2008). Revenues were also higher in 2008 compared to 2007 as revenues in 2007 were negatively affected by the Q400 incidents in September and October 2007 and the strikes in Denmark and Sweden in 2007. Passenger revenue increased by 3.5% from 2007 to 2008, largely as a result of the increase in average prices as a result of the higher fuel surcharges. The number of passengers on the Group's airlines increased by 1.5% from 2007 to 2008, although the number of passengers decreased by 5.3% during the second half of 2008 compared to the comparable period in 2007, reflecting weaker economic conditions in all of the Group's core markets. RPK (scheduled) increased by 1.9% in 2008 due to an increase in the number of kilometers flown during the year, primarily reflecting the introduction of new leisure routes by Scandinavian Airlines Norge during the first half of the year. Reflecting the worsening economic conditions in all of the Group's core markets by the end of the year, RPK decreased by 6.8% in the fourth quarter of 2008 compared to the comparable period in 2007. ASK increased by 4.9% in 2008, reflecting the introduction of the new leisure routes, as well as an increase in flights by Scandinavian Airlines Sverige on routes to and from Sweden and the rest of Europe. Passenger yield increased by 1.6% in 2008, reflecting the initiatives by the Group as part of the Profit 2008 program to maintain passenger yield in an environment of declining demand, as well as increased jet fuel surcharges during the period.

The increase in revenue of 3.4% from 2006 to 2007 primarily resulted from an increase in passenger revenue of 4.1% due to favorable demand reflected by the increase in the number of passengers on the Group's airlines of 1.0% compared to 2006. The increase in revenue was also attributable to an increase in revenue from charter traffic of 10.1% in 2007, reflecting an increase in charter traffic for Scandinavian Airlines Danmark enabled by higher demand for charter travel and greater aircraft utilization. RPK (scheduled) and ASK remained stable from 2006 to 2007, as the Group's airlines focused on maximizing revenues from existing routes and operations and capacity management.

Operating expenses

The Group's operating expenses totaled SEK 44,059 million in 2006, SEK 45,579 million in 2007 and SEK 49,944 million in 2008.

The increase in operating expenses of 9.6% from 2007 to 2008 was primarily due to higher jet fuel costs and increased payroll expenses. Costs for jet fuel increased by 27.6% in 2008 compared to 2007 due to higher prices for jet fuel, which increased for most of the period. Payroll expenses increased by 7.4% in 2008 compared to 2007, primarily due to general increases in salary for personnel, retroactive payments to pilots in accordance with collective agreements with the pilots' unions, as well as increased pension costs for personnel, particularly in Norway. The Group's operating expenses also increased from 2007 to 2008 due to costs associated with wet leases entered into by the Group to replace the aircraft grounded following the Q400 incidents in September and October 2007. Operating expenses in 2008 also included SEK 314 million in fines levied by the U.S. Department of Justice as part of a settlement agreement entered into by SAS Cargo in connection with the investigation by the U.S. competition authorities into certain cargo activities by SAS Cargo. The settlement agreement requires the Group to pay a fine of USD 52 million in installments over a four-year period.

The increase in operating expenses of 3.5% from 2006 to 2007 was primarily due to increased payroll expenses, higher government user fees at airports, increased selling costs and higher costs for technical maintenance attributable to increased capacity. Payroll expenses increased by 6.2% in 2007 compared to 2006, primarily due to efforts to harmonize wages among the Group's Norwegian employees as a result of cost inflation relating to rapid economic growth in Norway, which led to higher salaries and pension costs. Costs for technical aircraft maintenance increased by 5.9% in 2007, due to a significant number of the Group's aircraft that had reached a point in their useful lives in 2007 at which heavy maintenance was required.

Net income (loss) for the year

Net income for the Group was SEK 4,740 million in 2006 and SEK 636 million in 2007. The Group recognized a net loss of SEK 6,321 million in 2008.

In addition to the reasons described above, the Group's net income (loss) in each year was affected by income and losses from discontinued operations (see "—Summary of Divestitures" below). The Group recognized a loss from discontinued operations of SEK 5,305 million in 2008, primarily reflecting losses and impairment charges totaling SEK 4,895 million in relation to the divestment of Spanair. The Group recognized a loss from discontinued operations of SEK 135 million in 2007, primarily attributable to losses after tax and impairment of goodwill in Spanair and AeBal of SEK 713 million, which offset income and gains received in relation to other discontinued operations in 2007. The Group recognized income from discontinued operations of SEK 4,545 million in 2006, primarily reflecting capital gains from the stock-exchange listing of, and sale of 91% of the Group's shares in, Rezidor Hotel Group, which was offset in part by losses after tax and impairments in Spanair, AeBal, SAS Media and SAS Component.

Cash Flows

The Group's cash and cash equivalents amounted to SEK 10,803 million, SEK 8,891 million and SEK 5,783 million as of 31 December 2006, 2007 and 2008, respectively.

The decrease in cash of SEK 3,108 million from year-end 2007 to year-end 2008 primarily reflected cash outflows for operating activities and cash outflows for investing activities, including total investments of SEK 4,448 million in 2008 related to purchases of aircraft and other tangible fixed assets. These cash outflows were only partially offset by cash inflows from financing activities reflecting the proceeds of borrowings in 2008.

The decrease in cash of SEK 1,912 million from year-end 2006 to year-end 2007 primarily reflected cash outflows for investing activities, including total investments of SEK 2,908 million relating to the purchase of aircraft and other tangible fixed assets in 2007, and cash outflows for financing activities in relation to repayments in 2007 of the Group's borrowings. These cash outflows were only partially offset by cash inflows from operating activities, which reflected a greater number of tickets sold due to a period of stronger economic growth and demand in the Group's principal markets.

Borrowings

The Group's total indebtedness (including the current portion of long-term loans and excluding liabilities associated with assets held for sale) at 31 December 2008 was SEK 15,761 million, compared to SEK 8,744 million at 31 December 2007 and SEK 16,420 million at 31 December 2006. The increase in indebtedness from year-end 2007 to year-end 2008 was primarily due to the utilization of available credit facilities by the Group in 2008 to finance current operations.

Current Market and Industry Trends

The airline market in January and February 2009 was characterized by lower demand due to declining macroeconomic conditions, both in the Nordic region and worldwide. The Group's business is seasonal in nature, and the Group has historically experienced lower demand in the period from December to February. Total passengers and RPK for the Group's airlines declined in both January and February 2009 compared to the comparable periods in 2008. ASK also decreased during this period, as the Group adjusted capacity on its routes in response to declining market demand and the weaker economic environment. Passenger yield was positive and improved for both January and February 2009 compared to the comparable periods in 2008, reflecting reductions in capacity on, or elimination of, unprofitable leisure routes to focus capacity on business-oriented routes, which tend to generate more purchases of higher-yielding tickets, such as business class and Economy Extra tickets.

The Group expects a number of factors to continue to have a negative impact on the Group's results of operations in 2009, primarily the weakening trend in GDP, which will continue to impact demand for air travel, and the risk of higher oil prices, combined with a stronger USD in 2009. The Group expects that economic growth in 2009 will be negative, as official forecasts have been revised to reflect a downward economic trend in both the Nordic region and in the global economy. Accordingly, the Group anticipates that the number of passengers traveling by air to, from and within the Nordic region will decline in 2009 compared to 2008. The Group also anticipates continued uncertainty with respect to jet fuel prices, although prices have fallen substantially in line with the weakening of the global economy. Although the Group can make no assurances that the measures under Core SAS will be fully successful, the Group believes that the measures being implemented in connection with Core SAS will help to alleviate these trends.

OPERATING AND FINANCIAL REVIEW

Overview

General

The Group's core business is operating passenger flights on an extensive Nordic, European and intercontinental route network. During 2008, the Group employed an average of approximately 20,496 full time employees, operated an average of 1,170 daily departures and offered scheduled and chartered passenger flight services to 176 destinations in the Nordic region, the rest of Europe, North America and Asia. During 2008, the Group generated total revenues of SEK 53,195 million and carried approximately 29 million passengers.

The Group is a member of the Star Alliance, which is the cornerstone of the Group's global partner and network strategy, offering the Group's customers reliable travel products and services worldwide. The Star Alliance is the largest airline alliance in the world with 24 member airlines that operate more than 16,500 daily flights to 912 destinations in 159 countries.

In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network. The Group currently provides cargo services at 14 airports in Europe and North America. The majority of its cargo revenues are derived from utilizing the cargo holds of aircraft on the Group's passenger flights to transport merchandise, spare parts and other items for a wide customer base that includes Scandinavian corporations and other third parties. The Group's other aviation services are primarily used by the Group's airlines and include ground handling services for passengers, baggage and aircraft, maintenance, repair and other airport-related services.

To increase the Group's profitability, in response to the current economic downturn and internal challenges, the Group has a renewed strategic approach, known as Core SAS, which is expected to be implemented from 2009 through 2011. Core SAS is aimed at focusing and reorganizing the Group's business operations according to five key strategies:

- Focus on the Nordic home market;
- Focus on business travelers and a strengthened commercial offering;
- Improve the Group's cost base;
- Streamline the Group's organization; and
- Strengthen the Group's capital structure.

See "Business Overview—Core SAS" for a detailed description of Core SAS, the measures the Group expects to take to implement Core SAS and the Group's estimates of the effects of Core SAS on its business, results of operations and financial condition.

Presentation of Financial Information

The financial statement information presented in this Offering Memorandum and discussed in this section is derived from the audited financial statements as of 31 December 2006, 2007 and 2008 and for the years then ended, prepared in accordance with IFRS.

The Group presents financial information according to the business segments and geographic markets of the Group. Operating income for the period under review is analyzed by each business segment: (1) SAS Scandinavian Airlines, (2) SAS Individually Branded Airlines and (3) SAS Aviation Services. Revenues are further broken down by the geographic markets in which the Group operates. Traffic revenue from domestic service in Denmark, Norway and Sweden is allocated to the "domestic" geographic market. Traffic between Denmark, Norway and Sweden is allocated to the "intra-Scandinavian" geographic market. All other traffic revenue is allocated to the geographic market where the destination is located. Other revenues are allocated to each geographic market based on: (1) the customer's geographic location relating, for example, to goods exported to a customer in another country or (2) the geographic location where the service is performed.

As part of Core SAS, the Group will reorganize its business segments and its business segment financial reporting structure. Accordingly, the historical financial information for each business segment presented and discussed in this Offering Memorandum may not be comparable with the Group's presentation of financial information for each business segment in the future following the implementation of this reorganization. See "Business Overview—Core SAS."

Summary of Divestitures

Historically, the Group has divested certain subsidiaries and holdings as part of its strategy to focus on its core airline business and Nordic market. The Group divested, or entered into agreements to divest, the following subsidiaries and holdings during the period under review:

Year Ended 31 December 2006

- *Rezidor Hotel Group*. The Group divested 91% of its shareholding in Rezidor Hotel Group in November 2006 through the offering and listing of shares in Rezidor Hotel Group on the Stockholm OMX Nordic Exchange. The Group received SEK 5,324 million and recognized a gain from the sale of the shares of SEK 4,254 million in 2006 (excluding costs incurred in relation to the listing). The Group sold its remaining shares in Rezidor Hotel Group to Carlson Companies in May 2007 for SEK 584 million.

Year Ended 31 December 2007

- *SAS Flight Academy*. The Group sold its subsidiary SAS Flight Academy to STAR Capital Partners in February 2007 for approximately SEK 550 million.
- *Newco*. The Group sold its interest in the Spanish ground handling company Spanish Newco Airport Services ("**Newco**") to Teinver in September 2007 for SEK 322 million.

Year Ended 31 December 2008

- *SAS Media*. The Group sold its subsidiary SAS Media to Datagraf in April 2008 for SEK 7 million. The Group recognized a capital loss of SEK 11 million from the sale. SAS Media's activities included the production of in-flight magazines for the Group's airlines and related publications.
- *SAS Facility Management*. The Group divested its subsidiary SAS Facility Management to Coor Service Management in June 2008 for a nominal cash consideration. As a result, the Group recognized a loss of SEK 30 million from the sale, representing the full book value of the Group's shares in the subsidiary. The divestiture was undertaken in accordance with the Group's strategy to increasingly outsource non-core businesses. In connection with the divestiture, the Group entered into a services agreement with Coor Service Management to provide office management and facility support services to the Group.
- *ST Aerospace Solutions (Europe)*. The Group divested its remaining interest in ST Aerospace Solutions (Europe), which supplies spare aircraft parts and equipment, to Singapore Technologies in June 2008. The divestment occurred through the exercise of a put option received by the Group when it divested 67% of its interest in SAS Component in 2005. The Group recognized a loss of SEK 139 million from the sale.
- *airBaltic*. The Group sold its 47.2% interest in airBaltic to the management of airBaltic in December 2008, for approximately SEK 216 million. The sale of airBaltic follows the decision of the Latvian government in early 2008 not to continue the privatization of the airline. The Group recognized a gain of SEK 169 million from the sale.
- *AeBal*. The Group sold its interest in AeBal S.A. ("**AeBal**") to Proturin S.L., a Spanish company based in Mallorca. AeBal, which the Group acquired as part of its holding in Spanair, operates flights for Spanair. As no purchase price was paid in connection with the sale, the Group realized a loss of SEK 203 million from the sale in the fourth quarter of 2008.
- *Spanair*. The Group entered into an initial agreement on 18 December 2008 with a group of investors based in Catalonia, Spain, led by the Consorci de Turisme de Barcelona and Catalana d'Iniciatives, regarding the sale of 80.1% in Spanair. The Group entered into a definitive agreement regarding the sale on 30 January 2009. The purchase price for the sale was EUR 1. The sale is expected to be completed in the first quarter of 2009 and is subject to certain conditions, such as the receipt of regulatory approvals. The Group cannot provide any assurance that the sale will be completed within the anticipated time schedule or at all.

Following the completion of the sale, the Group will retain a 19.9% interest in Spanair. The Company has provided, and undertaken to continue to provide, certain financing in relation to Spanair up until completion of, and following, the sale, which includes:

- A capital contribution in the amount of EUR 20 million via the conversion of existing loans and/or financing facilities previously granted by the Company to Spanair;
- The grant of a vendor loan to Spanair consisting of:
  - A loan of EUR 99 million in order to finance Spanair's operational cash needs. The Company funded this portion of the vendor loan to Spanair in 2008 via existing loans to Spanair, which will remain outstanding following the completion of the divestment and mature in January 2014 (subject to extension for successive periods of one year if repayment would render Spanair insolvent);
  - A loan of up to EUR 50 million to cover future financial requirements of Spanair in the event that Spanair fails to raise this amount on its own through external financing. This loan is available to Spanair until 31 December 2011 and, if taken, matures in January 2014 (subject to extension for successive periods of one year if repayment would render Spanair insolvent); and
  - A guarantee line of up to EUR 36 million. Under this facility, existing guarantees provided by the Company for the benefit of Spanair may be replaced or substituted by new guarantees by the Company for operational undertakings by Spanair (such as agreements with suppliers) up to EUR 36 million. The terms of the new guarantees, including maturity date, will match the existing guarantees; although the guarantee line does not require the Company to maintain any guarantees after 30 January 2014. This guarantee line is available to Spanair until 31 December 2009;
- A bridge loan facility to the purchasers of Spanair of up to EUR 30 million in the event that the purchasers fail to provide the full amount of an EUR 80 million share capital contribution to Spanair. This facility is available to the purchasers until 1 December 2009, and, if extended, matures on 31 December 2009.

The Company has further undertaken to use its best efforts to raise external interim financing for any shortfall amount should Spanair's financing requirements (including guarantees for its operational undertakings) as contemplated in Spanair's current cash flow projections exceed certain levels before the date on which the purchaser's capital contribution of EUR 80 million becomes available. See "Legal Considerations and Supplementary Information—Material Contracts—Acquisitions and Divestitures."

In 2008, the Group recorded impairment charges of SEK 1,686 million in relation to a writedown of goodwill in Spanair and SEK 273 million in relation to a writedown of deferred tax assets in Spanair. In addition, due to the Group's classification of Spanair as an asset held for sale, the Group recorded its investment in Spanair at fair value as of 31 December 2008, which resulted in an additional expense of SEK 712 million during 2008.

The Group's consolidated income statements have been restated on a comparable basis for the periods under review to reflect divestitures that were classified as discontinued operations. The assets and liabilities of the associated divestitures were classified as "assets held for sale" and "liabilities attributable to assets held for sale," respectively, on the date on which the criteria to classify these assets as "assets held for sale" were met. For example, assets associated with Spanair qualified as "assets held for sale" on 31 December 2007 and 31 December 2008, and as such were classified as "assets held for sale" on the balance sheet as of 31 December 2007 and 2008, but not as of 31 December 2006.

Factors Affecting the Group's Financial Condition and Results of Operations

Developments in the Global and Local Airline Markets

The Group experienced significant losses from its continuing operations from 2001 to 2005, which materially weakened the Group's financial condition and results of operations. Factors contributing to this period of losses commencing in 2001 include the terrorist attacks of 11 September 2001, the SARS epidemic and stiffening competition in the global airline industry. See "Risk Factors—Risks related to the Group—The Group has a history of reported losses, and the Group's future profitability and financial condition depend on the successful implementation of Core SAS." Further, many economists have reported that the European Union is in a recession and economic growth in the Nordic region, the Group's key market, was negative in the fourth quarter of 2008 and is expected to worsen during 2009. In addition, the recent downturn in both the global and local economies has led to a significant decrease in demand for air travel as businesses reduce spending on air travel due to cost savings initiatives or as a result of decreased business activity requiring travel, and leisure travelers have reduced, delayed or eliminated the volume of their air travel. The behavioral patterns of business travelers, the Group's core passenger market, have altered due to declining market conditions, which in turn has had a negative impact on the Group's results of operations. Demand by these passengers has decreased and the Group has experienced a shift in passenger revenue from higher yielding tickets (such as business class and Economy Extra tickets) to lower yielding tickets (such as Economy). Primarily as a result of these developments in the global and local airline markets, as well as increases in jet fuel prices and the continuing effects of the Q400 incidents in September and October 2007, the Group has experienced a negative earnings trend since November 2007 and recognized a loss before tax from continuing operations of SEK 1,044 million in 2008. See "Risk Factors—Risks related to the Airline Industry—The demand for air travel, the Group's profitability and its ability to finance its operations have been and may continue to be adversely affected by the economic downturn in both the global and local markets" and "Risk Factors—Risks related to the Group—The Group depends on the Scandinavian markets for a significant portion of its revenue. The economic slowdown in these markets has had and will continue to have a material effect on the Group's business, financial condition and results of operations."

To address the current crisis in the airline industry, the Group launched a short-term earnings-enhancement program in April 2008, "Profit 2008," which encompassed measures to increase revenues, such as higher ticket prices including increased fuel surcharges and sales of higher yielding tickets, changes in the Group's airlines' traffic programs to reduce capacity and cost reduction measures totaling SEK 1,500 million, which were fully implemented by the end of 2008. These cost reduction measures included headcount reductions in back-office and sales and a temporary halt on marketing and development projects. The program included reduction of the Group's fleet by 18 aircraft and a reduction of capacity of 10% as part of its cost-cutting measures.

Core SAS

The Group's renewed strategic approach, Core SAS, is critical to its future performance and success. See "Business Overview—Core SAS." Core SAS encompasses five strategies:

- Focus on the Nordic home market by divesting the Group's ownership stakes in airlines outside the Nordic region that are not directly included in core operations and by either divesting or discontinuing certain of the Group's aviation services that the Group believes are not strategically critical;
- Focus on business travelers and a strengthened commercial offerings by closing unprofitable routes and focusing the Group's network on routes that are important to business travelers, by correspondingly reducing the Group's capacity and by implementing the Group's new "Service And Simplicity" commercial model;
- Improve the Group's cost base by implementing a comprehensive cost reduction program that is expected to reduce the Group's annual cost base in 2008 by approximately SEK 3.6 billion (including approximately SEK 1 billion of cost reductions from Strategy 2011, of which approximately SEK 700 million were implemented during the second half of 2008), before taking into account one-time restructuring costs of approximately SEK 400 million;
- Streamline the Group's organization by restructuring its overall business organization to be more centralized, efficient and customer-oriented, which is expected to reduce the Group's annual cost base in 2008 by approximately SEK 400 million, before taking into account one-time restructuring costs of approximately SEK 500 million; and
- Strengthen the Group's capital structure by extending the terms of approximately SEK 6.5 billion of the Group's credit facilities and conducting the Rights Offering.

As outlined above, Core SAS is based on certain targets and projections based on current expectations and assumptions regarding the future, including reducing personnel and costs. Projected results could differ materially from actual results due to a number of factors, such as changes in the markets in which the Group operates, the Group's ability to expand and develop its business as projected and prevailing macroeconomic conditions. In addition, each implementation strategy depends on certain factors, such as the ability to find interested purchasers and industrial partners to purchase or invest in non-core businesses and continued good relations with labor unions in order to implement reductions in headcount, salaries and other personnel benefits.

See "Risk Factors—Risks related to the Group—The Group may not be able to meet the targets and projections set out in the Group's renewed strategic approach, Core SAS. If the Group fails in meeting these objectives or Core SAS is otherwise unsuccessful, the Group's business, financial condition and results of operations could be materially adversely affected."

The initiatives under Core SAS will be implemented at the business segment level. In order to monitor the progress of its strategies under Core SAS, the Group has established a specific program office to centralize monitoring of the implementation of these initiatives. The business segments will report progress to the program office, headed by a restructuring lead controller, who will then report to senior management.

Capacity and Capacity Utilization

The Group's operating income is mainly affected by the number of passengers, the average prices paid by passengers and the volume of cargo flown. The number of passengers and cargo volume is, in turn, affected by the number of aircraft in the Group's fleet, the capacity of such aircraft, the utilization of such capacity, the availability of slots at the airports that the Group's airlines serve and general local and global economic and competitive conditions. Utilization of the fleet by allocating the right type and size of aircraft to particular routes is important to maximizing total revenues, the number of passengers and the volume of cargo.

Capacity

The following table sets forth information on the capacity and age of the Group's fleet as of and for the periods indicated (excluding discontinued operations, unless otherwise indicated):

	Year ended 31 December		
	2006	**2007**	**2008**
Number of aircraft at period end (1), (2)	301	260 (3), (4)	255
Average age of the fleet at period end (1), (2)	10.9	11.7	12.2
ASK (total) (millions) (5)	44,353	44,446	45,779
ASK (scheduled) (millions)	40,188	40,031	42,008
ATK (total) (million tonne km) (1)	7,775	5,812	5,991

(1) Figure for 2006 includes Spanair and airBaltic.

(2) Includes 8, 16 and 18 aircraft leased to Spanair in 2006, 2007 and 2008, respectively.

(3) Includes 27 Q400 aircraft that were taken out of service in 2007.

(4) Includes 2 wet leased aircraft that replaced Q400 aircraft.

(5) Total ASK reflects scheduled traffic, charter and ad hoc flights.

Changes in the Group's operating expenses, similar to other airlines, are driven by changes in the overall passenger capacity and cargo capacity available, expressed, with respect to passenger capacity, in terms of the total number of seats available for passengers multiplied by the number of kilometers flown (ASK) and, with respect to cargo capacity, in terms of the total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers flown (ATK). Increases in capacity are primarily a result of a higher frequency of flights on existing routes, which are serviced by the existing fleet, as well as additional routes that require more aircraft usage both from the existing fleet and from new aircraft either purchased or leased. Operating expenses increase as the number of flights increases, either due to higher frequency of flights on existing routes or additional routes.

As the Group has almost 100 operational leases expiring during 2009 through 2011, it has much flexibility to adjust its capacity to meet the current demands of the market. In 2008, 162 of the Group's aircraft out of the total fleet of 255 aircraft were subject to operational leases. As many of these leases expire in the next two to three years, considering customer demand and capacity needs, the Group has the flexibility to exercise options in these leases to extend their terms for an additional period or to allow the leases to expire in accordance with their terms.

Capacity utilization

The following table sets forth information on the utilization of the Group's fleet for the periods indicated for all flight operations (excluding discontinued operations, unless otherwise indicated):

	Year ended 31 December		
	2006	**2007**	**2008**
Passenger revenue (scheduled) (SEK millions)	35,370	36,814	38,103
RPK (total) (millions) (1), (2)	46,770	33,082	33,097
RPK (scheduled) (millions)	29,545	29,365	29,907
Passenger load factor (total) (%) (2)	74.3	73.4	71.2
RTK (total) (millions) (1)	5,496	4,210	4,136
Total load factor (total) (%) (1), (3)	70.7	72.4	69.0
Number of passengers (total) (thousands)	30,139	30,590	30,772
Number of passengers (scheduled) (thousands)	28,863	29,165	29,593
Passenger yield (SEK) (4)	1.20	1.25	1.27
Flown tonnes (thousands)	294	279	252

(1) Figure for 2006 includes Spanair and airBaltic.

(2) Reflects scheduled traffic, charter and ad hoc flights. Figures may deviate from traffic statistics of the respective airlines.

(3) Reflects total cargo and passengers, by weight.

(4) Reflects passenger revenue (scheduled) divided by RPK (scheduled).

The Group's revenues from passenger traffic are driven by RPK and passenger yields. RPK correspond to the number of passengers multiplied by the distance, measured in kilometers, those passengers are flown. Passenger yields are defined as scheduled passenger revenue for the Group divided by scheduled RPK. Similarly, the Group's revenues from cargo traffic are a function of RTK, which correspond to the number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance, measured in kilometers, the cargo is flown. Passenger load factor measures the utilization of available seats in relation to the number of revenue passengers, expressed as a ratio of scheduled RPK to scheduled ASK. Minor variations and fluctuations in these factors affecting revenues can have a significant impact on the Group's results of operations as expenses are mostly fixed. For example, a 1% change in RPK would have had an effect of SEK 300 million on the Group's earnings in 2008, compared with an effect of SEK 310 million in 2007. A one-percentage point change in passenger load factor would have had an effect of SEK 450 million on the Group's earnings in 2008, compared with an effect of SEK 430 million in 2007. A 1% change in passenger yield would have had an effect of SEK 380 million on the Group's earnings in 2008, compared with an effect of SEK 390 million in 2007.

A number of factors affect RPK and passenger yields, and correspondingly, the Group's revenues. These factors include:

- the ability of the Group's airlines to maximize revenue by allocating the highest prices to seats on flights and routes that prevailing demand will bear;
- the ability to pass on the cost of jet fuel and other fees and charges to customers;
- the distribution mix of tickets sold to customers among higher-yielding tickets, such as business class tickets, and lower-yielding tickets, such as economy class tickets; and
- the distances passengers are flown.

Volatility in Jet Fuel Costs

Jet fuel costs are a significant variable that have substantially affected the Group's results of operations in recent years. The following table summarizes the development of the Group's jet fuel costs and usage for the periods indicated (excluding discontinued operations):

	Year ended 31 December		
	2006	**2007**	**2008**
Average price of jet fuel (USD/tonne)	715	781	1,020
Tonnes of jet fuel consumed (in thousands)	1,988	2,024	1,875
Total jet fuel expenditure (SEK million)	7,547	7,554	9,637
Jet fuel costs as a percentage of revenue (%)	*15.4*	*14.9*	*18.1*
Jet fuel cost per ASK (total) (SEK)	0.17	0.17	0.21

Jet fuel prices have historically fluctuated widely, and are likely to do so in the future as a result of the level of economic activity, the rate of economic growth, political events, weather conditions, refinery outages or maintenance and the coordinated pricing decisions of producer cartels such as the Organization of Petroleum Exporting Countries, as well as speculative trading activity regarding the price of oil. For example, in 2008, the maximum price for jet fuel, according to the Jet Fuel CIF Cargoes NWE Index, was USD 1,467 per tonne and the minimum price was USD 442 per tonne, with an average price for the year of USD 1,006 per tonne. In 2007, the maximum jet fuel price was USD 957 per tonne, the minimum price was USD 542 per tonne, and the average price for the year was USD 712 per tonne. See "Risk Factors—Risks related to the Airline Industry—The Group is exposed to risks associated with the price and availability of jet fuel."

The Group, like many other European airlines, has imposed fuel surcharges on ticket costs and charges for cargo traffic to help defer the significant increases in fuel prices in recent years. In addition, in order to manage exposure to fluctuations in fuel prices, the Group has a policy of entering into derivative contracts to hedge the price of jet fuel purchases. According to the Group's risk management policy, the Group hedges the cost of between 40% and 60% of its anticipated consumption of fuel in the coming 12-month period. In accordance with this policy, the Group has entered into derivative contracts covering approximately 45% of the Group's projected fuel needs for 2009. As a result of the significant decrease in jet fuel prices during late 2008, the Group's hedging reserve in shareholders' equity as of 31 December 2008 included accumulated fair value losses (excluding discontinued operations) relating to cash flow hedges for fuel derivatives of SEK 1,759 million, which will affect the Group's income statement in 2009. See "—Risk Management Policy—Jet Fuel Pricing Risk." Further, as jet fuel costs are incurred in U.S. dollars (USD) while the Group's revenues are predominantly denominated in Swedish kronor (SEK), Norwegian kroner (NOK) and Danish kroner (DKK), the Group is exposed to fluctuations in the exchange rate between USD and these currencies. The Group hedges a portion of its expected exposure to fluctuations in USD. See "—Foreign Currency Translation and Exchange Rate Effects" and "—Risk Management Policy—Currency Risk" below.

Relations with Employees

While the Group has not experienced any strikes or work stoppages since the first half of 2007 and has recently reached new agreements with the unions, the Group has had a history of strikes and work stoppages. The Group experienced strikes by Scandinavian Airlines Danmark cabin crew in March 2007, which resulted in 98 cancelled flights, further cabin crew strikes in April 2007, which resulted in 702 cancelled flights and strikes in May 2007 by Scandinavian Airlines Sverige cabin crew, which resulted in a standstill in traffic for five days at Arlanda airport outside Stockholm. These cancelled flights and the disruption to air travel caused by the strikes are estimated to have resulted in SEK 212 million in net losses to the Group in 2007. Strikes in 2006 are estimated to have resulted in SEK 350 million in net losses to the Group. The Group is a member of the Federation of Swedish Enterprises and is entitled to receive compensation for strikes carried out by staff in Sweden or staff employed by the Consortium; however, there can be no assurance that such compensation will fully offset the financial impact of strike activity.

Following these strikes, the Group has made a concerted effort to implement a cultural turnaround and develop a new model for cooperation with the unions. The Group has held on-going meetings and discussions with the unions in both formal and informal settings in order to improve communications and relations with the unions. These efforts culminated in the entry into amended collective bargaining agreements reached by the Group and the unions in January 2009. The amended agreements are expected to reduce the Group's annual cost base in 2008 by approximately SEK 1,300 million, with expected cost savings of approximately SEK 1,500 million in 2009 including a non-recurring item of SEK 156 million, which reflects the reversal of pension expenses for Scandinavian Airlines Norge attributable to a previous agreement in 2007 that was superseded by the amended agreements with the unions. These cost savings are expected to consist of, among other things, an estimated SEK 320 million in cost savings compared to the most recent budget before the amended collective bargaining agreements, as a result of the cancellation in 2009 of already negotiated salary increases and an estimated SEK 1,010 million in cost savings from reductions in pension and insurance costs, reductions in salaries for management and cabin crew beginning in 2009 and changes in the productivity of staff (such as reductions in vacation days and days off) and changes in scheduling restrictions.

While the Group's relations with the unions have improved significantly since 2007, as evidenced by the amended agreements described above, the success of Core SAS depends in part on the Group's ability to continue to maintain good relations with employees and to implement the cost reductions and other concessions described above. See "Risk Factors—Risks relating to the Group—Labor disruptions could adversely affect the Group's operations" and "Business Overview—Employees." Further, certain of the Group's collective bargaining agreements with its unions are subject to renegotiation within the next five years; in particular, the agreement with the pilots' union expires in the first quarter of 2009 and the agreements with the central trade unions expire in 2010. There can be no assurance that the Group will not experience labor disruptions during the course of these negotiations.

High Level of Fixed Costs

Airlines tend to have a high proportion of fixed costs that do not vary proportionately according to the number of passengers or amount of cargo carried, flights flown or aircraft used. The Group's principal costs are categorized among fixed, semi-fixed and variable costs. Fixed costs primarily include costs for personnel involved in flight operations, service and maintenance and operating lease costs, as well as the overhead costs for the Group's operations, such as costs for administrative personnel, systems and infrastructure. Semi-fixed costs include those fixed costs that may vary after six months to a year, as capacity changes in the fleet are implemented, and after three months and a year for personnel expenses. Variable costs include jet fuel costs, catering costs and airport charges and user fees. In 2008, fixed, semi-fixed and variable costs represented approximately 40%, 30% and 30% of the Group's total costs, respectively. Since a significant percentage of costs are fixed, minor variations affecting revenues can have a significant impact on the Group's results of operations. In connection with the introduction of Core SAS, the Group is implementing measures to reduce its cost base and thus lower its level of fixed costs. See "Business Overview—Core SAS—Improve the Group's Cost Base."

Seasonal Fluctuations

The airline industry tends to be seasonal in nature and the Group, like other airlines, has historically experienced substantial seasonal fluctuations. Generally, demand is relatively lower from December to February (often meaning that the Group's first quarter earnings have been negative), and relatively higher from April to June and September to November. Further, there is a reduced volume of business and short-haul travel in Scandinavia throughout March and April each year associated with the Easter holidays. The average ticket price paid by passengers correlates with the level of demand and increases during periods of high demand and decreases during periods of low demand. The Group tends to experience its highest volume of passengers in June and its lowest volume of passengers in December of each year.

Foreign Currency Translation and Exchange Rate Effects

The Group presents its financial statements in SEK, which is the reporting currency of the Company. However, given the international nature of the Group's business, a significant portion of its assets, liabilities, revenues and expenses are denominated in currencies other than SEK, particularly in USD, NOK and DKK. During 2008, approximately 24% of the Group's revenue from continuing operations and 16% of operating expenses associated with continuing operations were denominated in SEK.

Transactions are recorded based on the applicable currency exchange rate on the date of the transaction. The associated monetary assets or liabilities are retranslated at the end of each reporting period based on the currency exchange rate at period end. The difference between the currency exchange rate at the time the asset or liability was originally recorded and the currency exchange rate at period end is generally recognized as income or an expense during the period. During 2008, the Group recorded net foreign currency gains of SEK 744 million, compared to a loss SEK 132 million in 2007.

In addition, the financial statements of the Company's subsidiaries with a functional currency other than SEK must be translated into SEK for the preparation of the Group's consolidated financial statements. The assets and liabilities are converted based on the exchange rate on the balance sheet date, and income statement items are converted based on the average exchange rate during the period. Any resulting difference in translation between the exchange rate on the balance sheet date and the average exchange rate during the period is recorded in the translation reserve under shareholder's equity in the Group's balance sheet. The Group generally hedges translation risk through borrowings in foreign currencies and derivative instruments. The change in the translation reserve from SEK 361 million as of 31 December 2007 to SEK 25 million as of 31 December 2008 was primarily attributable to fluctuations in currency exchange rates during the year that amounted to negative SEK 251 million. These fluctuations primarily reflected the Group's exposure to EUR in relation to its investment in Spanair, which was not hedged.

Further, as a significant portion of the Group's revenues and expenses is denominated in currencies other than SEK, the Group's results for each period are impacted by changes in exchange rates. For example, if a passenger on one of the Group's airlines paid USD 1,000 for a ticket, this would have resulted in SEK 6,770 of revenue in 2007 and SEK 6,500 of revenue in 2008 due to changes in exchange rates during the respective period. The aggregate effect of exchange rate fluctuations on the Group's operating income from continuing operations was SEK 1,292 million in 2008, SEK 606 million in 2007 and SEK 30 million in 2006 and the aggregate effect of exchange rate fluctuations on income before tax from continuing operations was SEK 1,329 million in 2008, SEK 619 million in 2007 and SEK 39 million in 2006. These effects are primarily related to a weaker USD in 2006 and 2007 and for most of 2008. These effects have been calculated assuming exchange rates were constant from the prior year.

The Group enters into derivative financial instruments to hedge a portion of its expected exposure to fluctuations in currency exchange rates. Based on the Group's risk management policy, the Group hedges between 60% and 90% of its projected cash requirements for the following 12 months and hedges the currency risk associated with the cash flows in connection with future aircraft sales by entering into foreign currency derivatives with a nominal value of between 20% and 80% of the book value of its current aircraft fleet. In addition, the Group may hedge up to 80% of the purchase price of new aircraft under purchase agreements that are denominated in USD. The Group has hedged approximately 66% of its projected USD exposure, primarily relating to jet fuel purchases, in 2009. See "—Risk Management Policy—Currency Risk."

Critical Accounting Policies and Estimates

The preparation of the Group's financial statements and notes thereto requires that management make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Management bases its estimates on historical experience, changes in the business environment and on various other assumptions that management believes are reasonable under the circumstances.

While the Group provides information on the application of accounting principles being used in its financial statements in the notes thereto, the following paragraphs describe the critical accounting principles and estimates that management considers most important for understanding the Group's financial condition, results of operations and cash flows.

Unutilized Ticket Revenue

Ticket sales are recognized as traffic revenue when the air transport has been carried out. The value of tickets sold and still valid but not used is assessed on a monthly basis. Based on historical experience over the most recent two to three years, management analyzes the level of usage of these unutilized tickets while the tickets are still valid (tickets are valid for one year from the date of purchase). The unutilized tickets are further analyzed as to the proportion of unutilized tickets that are refundable tickets and those that are non-refundable tickets (the revenue from which is recognized in the year the non-refundable tickets are sold). For example, as of 31 December 2008, the Group estimated that approximately 70% of unutilized tickets represented non-refundable tickets, the revenue from which was recognized in 2008 as other traffic revenue. The value of the remaining 30% of unutilized tickets, which reflected refundable tickets still valid for use on the balance sheet date, was set aside as a provision and reported as unearned transportation revenue on the balance sheet. This item will be reduced in 2009 as either the Group's airlines or another airline provides transport for the passenger, passengers request refunds for tickets or the tickets expire, and revenue will be correspondingly recognized on the income statement as other traffic revenue.

Loyalty Program

Under the EuroBonus program, passengers who are EuroBonus members earn points based on travel on the Group's airlines, as well as for travel on Star Alliance members' airlines, which they may redeem for certain redemption options, such as free travel on the Group's or other Star Alliance members' airlines or other rewards, such as hotel stays. Each option has a corresponding estimated marginal cost associated with the option. For example, the marginal cost associated with points redeemed for travel on the Group's airlines in 2008 was estimated on the basis of a set price per point. The marginal cost associated with points redeemed for travel on other Star Alliance members' airlines is estimated on the basis of a set price per points set forth in individual agreements between the Group and other Star Alliance members.

During the period under review, in accordance with its accounting policies, the Group made ongoing balance sheet provisions as points were earned for the variable marginal costs associated with the provision of free travel or other rewards in exchange for the redemption of the points earned by members. In estimating these provisions, management considered the threshold level of points at which rewards begin to accrue for each member (a minimum of approximately 20,000 points are required for exchange for rewards) and the expected usage of points for redemption by members. The number of EuroBonus points outstanding was reduced by the number of points management expects not to be used based on historical experience. The outstanding points were categorized according to the redemption option for which they were expected to be redeemed, based on historical experience. The value of the provision on the balance sheet represents the sum of each category of points by redemption option multiplied by the corresponding marginal cost associated with that redemption option.

Due to the number of required assumptions, changes to future redemption percentages or modifications to the EuroBonus program could have a significant impact on the Group's revenues or incremental cost accrual of the changes during the year as well as in future years.

Beginning on 1 January 2009, the Group will apply IFRIC 13 "Customer Loyalty Programs," which requires bonus points awarded for redemption for rewards to be recognized as a separately identifiable component of the purchase price of an airline ticket, and as such, be recorded at fair value. The portion of the ticket price allocated to award points is required to be measured at fair value and recognized against revenue in the period in which the points are earned. The fair value of the future reward flights is based on the lowest price offered to paying passengers. See "—Recently Issued Accounting Pronouncements." As a result of the adoption of IFRIC 13, the Group's reserve in relation to the EuroBonus program as of 1 January 2009 increased to SEK 1,883 million, compared to a provision of SEK 507 million as of 31 December 2008. In accordance with IAS 8, the Group will restate its comparative financial information to present the financial statements on a consistent basis of accounting. Accordingly, the effect of the adoption of IFRIC 13 will be reflected cumulatively as of 1 January 2008 directly in shareholders' equity. In terms of the impact of the adoption of IFRIC 13 on the Group's operating income in 2009, points earned by EuroBonus members in 2009 will be reflected in the reserve at a higher cost, but these higher costs will be offset by revenues recognized by the Group in subsequent periods at the higher price under IFRIC 13. Assuming the same volumes of points will be earned and redeemed by EuroBonus members in 2009 as in 2008, the Group estimates that the net effect of the adoption of IFRIC 13 on operating income in 2009 will be SEK 25 million.

Impairment Losses

At least annually, Group Management reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. An impairment is recorded when the recoverable amount of the asset, which is defined as the higher of fair value of the asset less its cost to sell or its value in use, is less than the carrying value.

In calculating the recoverable amount of the Group's owned aircraft (which includes aircraft under finance leases), Group Management makes certain assumptions regarding the future leasing revenue from the aircraft. These assumptions include the useful life of the aircraft and the discount rate. Due to the subjective nature of these assumptions, the estimated recoverable amount may differ from future actual results, and it is possible that this could result in an impairment charge taken in relation to the asset in future periods.

In regards to the Group's other assets, each asset's value in use is determined based on future discounted cash flows in relation to the asset, which involves the use of significant assumptions including discount rates and projections of future growth, margins, operating costs, and working capital expenditures. These assumptions are subjective in nature and modifications to these assumptions in future periods may result in significant changes in the value of these assets.

At the end of each reporting period, Group Management assesses whether there are any indications of impairment. In 2008, as a result of this assessment, and in light of the considerable current turmoil in the financial markets, the weak economic climate in the Group's core markets and overcapacity in the aviation market, the Group's goodwill with respect to Spanair was tested for impairment. At the time of testing, Group Management determined that certain assumptions it used to estimate the recoverable amount of goodwill in prior periods had changed and the goodwill with respect to Spanair was written down to zero. This resulted in the recognition of an impairment charge of SEK 1,686 million during 2008.

Pensions

The Group's defined benefit pension plans are reported in accordance with IAS 19, which requires pension commitments to be determined until the age of retirement of an employee, estimated on the basis of a present value calculation. The determination of the value of pension fund assets and/or liabilities requires a selection of various assumptions such as discount rate, expected return on assets, inflation, future salary increases and life expectancy. The discount rate is determined by reference to the market yields on corporate bonds on the balance sheet date. Other assumptions are based on expected trends over the term of the pension commitment. Actual results may differ significantly from the assumptions, and accordingly, deviations from estimates may result. According to IAS 19, changes in pension fund commitments levels necessitated by deviations in assumptions must either be recognized during the year or amortized over the average remaining period of employment, which management estimates is 15 years.

At the beginning of 2008, the accumulated unrecognized deviations between pension commitment estimates and actual results amounted to approximately a loss of SEK 8 billion. Due to a lower actual return on assets by an average of 5% attributable to a weakening stock market trend in 2008, a deviation of a loss of approximately SEK 1.5 billion was realized in 2008. In addition, the Group adjusted its assumption related to the discount rate and salary increases in 2008, which resulted in an additional deviation of approximately SEK 2.3 billion. These variances will be amortized in future years at a rate of approximately SEK 600-700 million per year.

Sensitivity to changes in certain assumptions for the pension plans, holding all other assumptions constant, may be estimated as follows (based upon conditions as of 31 December 2008):

- a one-percentage point change in the discount rate would have affected the pension obligation by approximately SEK 4.5 billion;
- a one-percentage point change in the inflation rate would have affected the pension obligation by approximately SEK 3 billion; and
- a one-percentage point change in the salary adjustment assumption would have affected pension obligation by approximately SEK 4 billion.

IAS 19 is being revised and a discussion paper containing certain proposals has been released by the IASB. The proposed changes, which would mean that variances may no longer be amortized over the remaining average period of service, but continuously recognized directly against equity or recognized in the income statement, will likely come into effect after 1 January 2012 at the earliest. As a result of this change, accumulated unrecognized variances existing on the effective date of the revised accounting standards would be required to be recognized in their entirety against shareholders' equity, which will have a material impact on the Group's shareholders' equity.

Management Financial Measures

Group Management uses certain non-IFRS measures of financial performance to analyze the Group's results of operations, including EBITDAR (before impairments), adjusted EBITDAR and adjusted EBT. Group Management believes that these measures provide a clearer picture of the Group's results generated by its core operating activities, thus enabling Group Management to evaluate relevant trends more meaningfully when considered in conjunction with (but not in lieu of) other measures that are calculated in accordance with IFRS. These measures are not uniformly or legally defined measures and are not recognized under IFRS or any other generally accepted accounting principles. The Group considers these measures an important indicator of its representative, recurring operations. Other companies in the airline industry may calculate these measures differently, and consequently, the Group's presentation of these figures may not be readily comparable to other companies' figures.

For a discussion of the reasons for the changes in the line items that are included in the calculation of EBITDAR (before impairments), adjusted EBITDAR, EBT and adjusted EBT during the periods indicated, see "—Results of Operations—Years Ended 31 December 2007 and 31 December 2008—Results of operations for the Group" and "—Results of Operations—Years Ended 31 December 2006 and 31 December 2007—Results of operations for the Group" below.

EBITDAR (before impairments) and Adjusted EBITDAR

Group Management considers EBITDAR (before impairments) and adjusted EBITDAR useful benchmarks in light of the airline industry's unique nature. Airlines typically acquire aircraft either through purchase or leases. An operating lease is accounted for through the recognition of lease payments as expenses in the income statement. Group Management finds that EBITDAR (before impairments) and adjusted EBITDAR are useful measures of the Group's operating performance, as it believes an airline with more operating leases is not readily comparable with an airline with more purchased aircraft (including aircraft acquired through finance leases) and therefore higher depreciation and potentially higher financial costs. Further, the Group believes that adjusted EBITDAR, which excludes certain items that Group Management believes are unusual or non-recurring, is a useful measure to analyze the Group's operating performance without the effects of these unusual or non-recurring items.

EBITDAR (before impairments) and adjusted EBITDAR for the Group are calculated as follows for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
	(SEK millions)		
Net income (loss) for the year from continuing operations	195	771	(1,016)
Net financial items (1)	775	254	279
Tax expense/(benefit)	(26)	273	(28)
Depreciation and amortization	1,689	1,457	1,579
Leasing cost	2,350	2,342	2,282
Share of income (loss) in affiliated companies	(137)	(32)	147
Sale of aircraft and buildings	(76)	(41)	(4)
Other gains/losses	(3)	(5)	—
Impairments of assets (2)	126	—	12
EBITDAR (before impairments)	4,893	5,019	3,251
Adjustments: (3)			
Effects of ECA and joint venture with Lufthansa	310	652	100
Estimated effects of Q400 incidents	—	700	450
Restructuring charges	328	216	284
Estimated effects of strikes	350	212	—
Litigation costs	100	—	357
Other non-recurring items	84	20	—
Adjusted EBITDAR	6,065	6,819	4,442

(1) Represents financial income and expenses.

(2) Impairments of assets include impairment of intangible and tangible fixed assets, investments in affiliates, and other holdings of securities. These amounts are included in depreciation, amortization and impairment, share of income / (loss) in affiliated companies, and other gains and losses, respectively, in the Group's consolidated income statement.

(3) See "Financial Information and Operating Data in Summary" for a description of these adjustments.

Adjusted EBT

Group Management considers adjusted EBT to be a useful measure in evaluating the Group's underlying operating performance from continuing operations before items that management considers to be unusual or non-recurring, such as the effects of the strikes by cabin crew during 2007, the effects of the ECA and the Q400 incidents.

Adjusted EBT for the Group is calculated as follows for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
	(SEK millions)		
Income before tax	169	1,044	(1,044)
Adjustments: (1)			
Impairments of assets (2)	126	—	12
Sale of aircraft and buildings	(76)	(41)	(4)
Other gains/losses	(3)	(5)	—
Effects of ECA and joint venture with Lufthansa	310	652	100
Estimated effects of Q400 incidents	—	700	450
Restructuring charges	328	216	284
Estimated effects of strikes	350	212	—
Litigation costs	100	—	357
Other non-recurring items	84	20	—
Adjusted EBT	1,388	2,798	155

(1) See "Financial Information and Operating Data in Summary" for description of these adjustments.

(2) Impairments of assets include impairment of intangible and tangible fixed assets, investments in affiliates, and other holdings of securities. These amounts are included in depreciation, amortization and impairment, share of income / (loss) in affiliated companies, and other gains and losses, respectively, in the Group's consolidated income statement.

Results of Operations

Years Ended 31 December 2007 and 31 December 2008

Results of operations for the Group

The following table sets forth the Group's results of operations for the periods indicated:

	Year ended 31 December		
	2007	**2008**	**Change**
	(SEK millions)		**(%)**
Revenue	50,598	53,195	5.1
Payroll expenses	(16,897)	(18,153)	7.4
Other operating expenses	(28,682)	(31,791)	10.8
Leasing costs for aircraft	(2,342)	(2,282)	(2.6)
Depreciation, amortization and impairment	(1,457)	(1,591)	9.2
Share of income (loss) in affiliated companies	32	(147)	—
Income from the sale of aircraft and buildings	41	4	(90.2)
Operating income (loss)	1,293	(765)	—
Other gains and losses	5	—	—
Financial income	787	654	16.9
Financial expenses	(1,041)	(933)	(10.4)
Income before tax	1,044	(1,044)	—
Tax	(273)	28	—
Net income (loss) for the year from continuing operations	771	(1,016)	—
Income (loss) from discontinued operations	(135)	(5,305)	—
Net income (loss) for the year	636	(6,321)	—
Minority interest	(1)	(57)	
Earnings per share (SEK) (1)	3.87	(38.08)	—
Earnings per share from continuing operations (SEK)	4.69	(6.18)	—

(1) Earnings per share is calculated on the basis of 164,500,000 outstanding shares.

Revenue

The Group's revenue comprises traffic revenue and other revenue. Traffic revenue consists of revenue from passenger flights, charter flights and mail and freight transported as part of the Group's cargo operations. Other revenue comprises revenue from in-flight sales, ground, technical maintenance and terminal and forwarding services provided in connection with passenger, cargo flights and sales commissions and charges. Other revenue also includes revenue from government contracts, leasing of aircraft and buildings and crew outsourcing services provided to third parties, as well as revenue from certain non-recurring items such as compensation received for strike activity and insurance reimbursements.

Ticket sales are reported as traffic revenue when the air transport has been carried out. Revenue from interlining (ticket settlement agreements between airlines) and codesharing agreements is recognized when the agreement with respect to the interlining and codesharing arrangement has been settled with the respective airline, which may occur some months after the air transport has been carried out. Cargo transport services are recognized as revenue when the air transport is completed. Sales of goods and services are recognized as revenue when the goods are delivered or the service is carried out.

Revenue for the Group increased from SEK 50,598 million in 2007 to SEK 53,195 million in 2008, an increase of SEK 2,597 million, or 5.1%. The increase in revenues reflected an increase in the average prices paid by customers during the period, which was primarily attributable to higher fuel surcharges introduced for most of

2008 (although these were reduced beginning in November 2008). Revenues were also higher in 2008 compared to the prior period as revenues in 2007 were negatively affected by the Q400 incidents in September and October 2007 and the strikes in Denmark and Sweden in 2007. The Group estimated that the Q400 incidents negatively affected revenues by SEK 370 million in 2007. The Group estimated the effects of the Q400 incidents based on loss of revenue due to cancelled flights and forecasted revenues based on revenues during comparable periods in prior years, taking into account, among other things, traffic estimates, macroeconomic factors and competitive trends.

The number of passengers carried (scheduled) increased from approximately 29.2 million passengers in 2007 to approximately 29.6 million passengers in 2008, an increase of 428,000 passengers, or 1.5%. The number of passengers increased primarily due to the introduction of new leisure routes by Scandinavian Airlines Norge from Norway to destinations in Europe during the first half of 2008, although demand during the second half of 2008 was significantly affected by worsening economic conditions in the Group's core markets. The number of passengers on the Group's airlines increased from 14.4 million passengers in the first half of 2007 to 15.1 million passengers in the first half of 2008, an increase of 4.9%, compared to a decrease in the number of passengers from 14.7 million in the second half of 2007 to 13.9 million in the second half of 2008, a decrease of 5.3%. The number of passengers on the Group's airlines decreased from approximately 7.2 million passengers in the fourth quarter of 2007 to approximately 6.6 million passengers in the fourth quarter of 2008, a decrease of 8.3%. By the fourth quarter of 2008, weaker global economic conditions were reflected in all of the Group's core markets.

RPK (scheduled) increased from 29,365 million in 2007 to 29,907 million in 2008, an increase of 542 million, or 1.9%. RPK increased as a result of an increase in the number of kilometers flown in 2008, primarily reflecting the introduction of new routes by Scandinavian Airlines Norge (as described above). Reflecting the worsening economic conditions in all of the Group's core markets by the end of the year, RPK decreased from 7,034 million in the fourth quarter of 2007 to 6,559 million in the fourth quarter of 2008, a decrease of 6.8%. ASK increased from 40,031 million in 2007 to 42,008 million in 2008, an increase of 1,977 million, or 4.9%, primarily due to the introduction of these new routes by Scandinavian Airlines Norge, as well as an increase in flights by Scandinavian Airlines Sverige on routes to and from Sweden and the rest of Europe.

Traffic revenue constitutes the largest portion of the Group's revenue, accounting for 81.7% of revenue in 2008, compared to approximately 82.5% in 2007. Total traffic revenue increased from SEK 41,736 million in 2007 to SEK 43,434 million in 2008, an increase of SEK 1,698 million, or 4.1%. The breakdown of traffic revenue for the Group in 2007 and 2008 was as follows:

	Year ended 31 December		
	2007	2008	Change
	(SEK millions)		(%)
Traffic revenue:			
Passenger revenue	36,814	38,103	3.5
Charter	1,927	1,663	(13.7)
Mail and freight	1,700	1,509	(11.2)
Other traffic revenue	1,295	2,159	66.7
Total traffic revenue	41,736	43,434	4.1

Passenger revenue accounted for SEK 1,289 million of the increase in the Group's traffic revenue, increasing from SEK 36,814 million in 2007 to SEK 38,103 million in 2008, an increase of 3.5%. The increase reflected the increase in the average prices paid by customers during the period, which was primarily attributable to higher jet fuel surcharges. Passenger yield increased from SEK 1.25 in 2007 to SEK 1.27 in 2008, an increase of SEK 0.02, or 1.6%, reflecting the initiatives by the Group as part of the Profit 2008 program to maintain passenger yield in an environment of declining demand, as well as increased jet fuel surcharges during the period.

Revenue from charter traffic decreased from SEK 1,927 million in 2007 to SEK 1,663 million in 2008, a decrease of SEK 264 million, or 13.7%, reflecting primarily weaker demand for charter traffic as a result of the worsening economic conditions in the Group's core markets.

Revenue from mail and freight traffic decreased from SEK 1,700 million in 2007 to SEK 1,509 million in 2008, a decrease of SEK 191 million. The decrease in revenues from mail and freight traffic was primarily attributable to decreased volumes in 2008 compared with 2007, as flown tonnes for SAS Cargo decreased from

279,000 tonnes in 2007 to 252,000 tonnes in 2008, a decrease of 27,000 tonnes or 9.7%. RTK decreased from 4,210 million tonne kilometers in 2007 to 4,136 million tonne kilometers in 2008, a decrease of 74 million tonne kilometers, or 1.8%. The decrease in volumes reflected lower demand during the period and the effects of the loss of key customers in 2007, as well as the continued stiffening of competition in the cargo market. See "—Operating income by business segment—SAS Aviation Services—Revenue" and "—Years Ended 31 December 2006 and 31 December 2007."

Other traffic revenue, which includes revenue from interlining agreements and revenue from unutilized tickets, increased from SEK 1,295 million in 2007 to SEK 2,159 million in 2008, an increase of SEK 864 million, or 66.7%. Other traffic revenue includes the effects of the European Cooperation Agreement (the "**ECA**") between the Group, Lufthansa and bmi, which was a cooperation agreement entered into by the parties in 1999 concerning traffic on routes to, from and via London Heathrow and Manchester in the United Kingdom, on the one hand, and Scandinavia and Germany, on the other. Under the agreement, if the net operating profit for the joint venture in any given year was less than the baseline net operating profit as determined in accordance with the terms of the agreement, the deficiency in profit was allocated to the Group, Lufthansa and bmi on a 45%, 45% and 10% basis, respectively. The Group's share of these deficiencies was accounted for as a reduction in revenue under the item other traffic revenue. The ECA expired in 2007. After taking into account the effect on revenues of the Group's joint venture agreement with Lufthansa, the ECA affected the Group's other traffic revenue by a negative effect of SEK 100 million in 2008, compared to a negative effect of SEK 652 million in 2007. The increase in other traffic revenue in 2008 was primarily attributable to the higher negative effect of the ECA in 2007.

Other revenue, which accounted for 17.5% and 18.3% of revenue in 2007 and 2008, respectively, increased from SEK 8,862 million in 2007 to SEK 9,761 million in 2008, an increase of SEK 899 million, or 10.1%. The breakdown of other revenue in 2007 and 2008 was as follows:

	Year ended 31 December		
	2007	2008	Change
	(SEK millions)		(%)
Other revenue:			
In-flight sales	511	519	1.6
Ground services	1,455	1,265	(13.1)
Technical maintenance	973	792	(18.6)
Terminal and forwarding services	1,592	1,916	20.4
Sales commissions and charges	834	668	(19.9)
Other revenue	3,497	4,601	31.6
Total other revenue	8,862	9,761	10.1

Ground services and terminal and forwarding services constituted the largest portions of other revenue in both 2007 and 2008, accounting for 16.4% and 18.0% of other revenue, respectively, in 2007, and 13.0% and 19.6%, respectively, in 2008. Revenue from ground services decreased from SEK 1,455 million in 2007 to SEK 1,265 million in 2008, a decrease of SEK 190 million, or 13.1%. The decrease was primarily attributable to measures taken by SAS Ground Services International to increasingly focus its business on providing services to the Group's airlines (internal customers) due to increased competition and lower demand by external customers. These measures included the closure of ground handling facilities in Manchester, United Kingdom, which was primarily used for external customers. Revenue from terminal and forwarding services relating to ground cargo services provided by SAS Cargo increased from SEK 1,592 million in 2007 to SEK 1,916 million in 2008, an increase of SEK 324 million, or 20.4%, primarily attributable to higher prices relating to increased fuel surcharges imposed by SAS Cargo in 2008. Revenues from technical maintenance decreased from SEK 973 million in 2007 to SEK 792 million in 2008, a decrease of SEK 181 million, or 18.6%, primarily reflecting fewer external customers for SAS Technical Services as the segment terminated certain unprofitable external customer contracts.

Other sources of other revenue increased from SEK 3,497 million in 2007 to SEK 4,601 million in 2008, an increase of SEK 1,104 million, or 31.6%, largely due to the reimbursement of approximately SEK 350 million received in 2008 from the manufacturer of the Q400 aircraft in relation to the Q400 incidents in September and October 2007 and insurance compensation received in relation to the Q400 incidents and the Spanair accident in 2008. The increase also reflected revenue from government contracts awarded to Widerøe in 2008 to provide transport in remote areas of northern Norway.

In accordance with its accounting policies and internal reporting to company management, the Group also provides a breakdown of revenues by geographic market. The breakdown of traffic revenue by geographic segment in 2007 and 2008 was as follows:

	Year ended 31 December		
	2007	2008	Change
	(SEK millions)		(%)
Domestic (1)	13,318	13,459	1.1
Intra-Scandinavian (2)	4,151	4,389	5.7
Europe (3)	16,900	17,959	6.3
Intercontinental (3)	7,367	7,627	3.5
Total traffic revenue	41,736	43,434	4.1

(1) "Domestic" is defined as traffic within each of Denmark, Norway and Sweden.

(2) "Intra-Scandinavian" is defined as traffic between Denmark, Norway and Sweden.

(3) Allocated on the basis of location of destination.

As described below in the discussion of the Group's revenue by business segment, the marginal increase in domestic traffic revenue was primarily attributable to higher revenues from Scandinavian Airlines Norge attributable to traffic on domestic routes in Norway, as demand remained high in Norway for most of 2008. Domestic traffic revenue in each country also increased as a result of higher prices and increased fuel surcharges. The increase in intra-Scandinavian revenues was primarily attributable to increased fuel surcharges introduced during the year, as well as positive currency effects during the year of stronger NOK and DKK against the SEK. Traffic revenues from European routes increased in 2008 largely due to the introduction by Scandinavian Airlines Norge of new leisure routes to destinations in Europe, as well as increased capacity for Scandinavian Airlines Sverige and Scandinavian Airlines Danmark on routes to Europe. Traffic revenue from intercontinental routes increased by 3.5% in 2008, reflecting primarily higher fuel surcharges as well as positive trends in passenger yield and load factor for Scandinavian Airlines International during the first half of the year, which offset the declining trend in demand in the second half of 2008.

Expenses

The Group's operating expenses include payroll and related expenses for personnel, selling costs (which consist of commissions paid to agents used for passenger and cargo customer bookings), jet fuel costs, government user fees (such as landing and takeoff fees at airports and en route fees) and other expenses relating to flight operations, such as handling and technical aircraft maintenance costs. Other operating expenses include costs relating to leasing, owning and operating non-aircraft property and premises used by the Group; wet leases with durations of less than six months; leasing of fixed assets; printing and office supplies; freight and duties; travel and route expenses; advertising and publicity; other selling expenses; administrative and other external services; passenger services on the ground; and other operational costs.

The following table sets forth the Group's operating expenses for the periods indicated:

	Year ended 31 December		
	2007	2008	Change
	(SEK millions)	(SEK millions)	
Payroll expenses	16,897	18,153	7.4
Selling costs	660	680	3.0
Jet fuel	7,554	9,637	27.6
Government user fees	4,316	4,662	8.0
Catering costs	1,373	1,346	(2.0)
Handling costs	1,776	1,851	4.2
Technical aircraft maintenance	3,144	3,197	1.7
Computer and telecommunications costs	2,219	2,282	2.8
Other	7,640	8,136	6.5
Total operating expenses	45,579	49,944	9.6

Operating expenses for the Group increased from SEK 45,579 million in 2007 to SEK 49,944 million in 2008, an increase of SEK 4,365 million, or 9.6%. The increase in operating expenses from 2007 to 2008 was primarily due to higher jet fuel costs and increased payroll expenses.

Payroll expenses increased from SEK 16,897 million in 2007 to SEK 18,153 million in 2008, an increase of SEK 1,256 million, or 7.4%, primarily due to general increases in salary for personnel, retroactive payments to pilots in accordance with collective agreements with the pilots' unions, as well as increased pension costs for personnel, particularly in Norway. Increased pension costs in Norway related to an increase in the assumption used to calculate pension obligations relating to future increases in annual salaries for employees, which was in line with economic conditions in Norway. The assumption relating to future increases in annual salaries for employees increased from approximately 3% in 2007 to approximately 4% in 2008. Payroll expenses also included restructuring costs of SEK 284 million in 2008, compared to SEK 216 million in 2007, which primarily related to leaver costs in connection with reductions in full-time employees in SAS Ground Services, Scandinavian Airlines Danmark, Scandinavian Airlines Norge and SAS Cargo. The average number of employees in continuing operations for the Group decreased from 20,784 in 2007 to 20,496 in 2008, a reduction of 288 employees, or 1.4%.

Costs for jet fuel increased from SEK 7,554 million in 2007 to SEK 9,637 million in 2008, an increase of SEK 2,083 million, or 27.6%, due to higher prices for jet fuel, which increased for most of the period. The increase in jet fuel costs was only partially offset by the introduction of fuel surcharges for most of the period and capacity adjustments in relation to lower demand, as a result of the time lag between the rise in prices and the implementation of these measures to reduce costs. Adjusted for the positive currency effect of a weaker USD for most of 2008, fuel costs increased by SEK 2,323 million, or 31.8%.

Selling costs increased from SEK 660 million in 2007 to SEK 680 million in 2008, an increase of SEK 20 million, or 3.0%, principally as a result of an increase in volumes of passengers on routes on which commission charges are applicable. In 2008, Scandinavian Airlines Norge introduced new leisure routes to Europe. Commissions are typically applicable to European routes, and accordingly, the introduction of these routes in 2008 incurred additional commission charges as compared with 2007.

Government user fees increased from SEK 4,316 million in 2007 to SEK 4,662 million in 2008, an increase of SEK 346 million, or 8.0%. The increase in government user fees primarily reflected an increased volume of flights, as fees are charged for take-off and landing at airports, larger capacity aircraft used on flights (which incur higher take-off and landing charges) and increases in the fee rates charged by airports.

Catering costs decreased from SEK 1,373 million in 2007 to SEK 1,346 million in 2008, a decrease of SEK 27 million, or 2.0%. Catering costs for the Group's airlines have remained relatively stable since the introduction of "buy on board" food purchasing options for Economy class passengers on the Group's airlines in 2005. The decrease in catering costs from 2007 to 2008 principally reflected shifts in 2008 in the volume of passengers from Business and Economy Extra, in which free catering services are provided to passengers, to Economy class, in which free catering services are not provided and instead passengers have the option of purchasing food.

Handling costs increased from SEK 1,776 million in 2007 to SEK 1,851 million in 2008, an increase of SEK 75 million, or 4.2%, principally due to the increased number of flights in 2008 to destinations outside of Scandinavia, the United Kingdom and Finland, where SAS Ground Services operates. With the increase in flights to destinations outside these areas in 2008, the Group's airlines relied increasingly on external suppliers for ground handling services and handling costs increased as a result. In addition, prices for ground handling services increased during the period.

Costs for technical aircraft maintenance increased from SEK 3,144 million in 2007 to SEK 3,197 million in 2008, an increase of SEK 53 million, or 1.7%, primarily due to technical costs incurred in relation to maintenance of the Q400 aircraft repurchased in 2008 in preparation for the future sale of these aircraft. The increased costs also reflected higher costs for technical components charged in 2008.

Computer and telecommunications costs increased from SEK 2,219 million in 2007 to SEK 2,282 million in 2008, an increase of SEK 63 million, or 2.8%. The increase in computer and telecommunications costs primarily reflected technical costs related to maintaining two parallel reservation systems in 2008 while the Group transitioned to a new reservation system.

Other operating expenses increased from SEK 7,640 million in 2007 to SEK 8,136 million in 2008, an increase of SEK 496 million, or 6.5%. Other operating expenses in 2008 primarily consisted of costs associated with wet leases entered into by the Group to replace the aircraft grounded following the Q400 incidents in September and October 2007. Wet lease costs for the Group amounted to SEK 710 million in 2008, compared to SEK 180 million in 2007. Of the total wet lease costs, SEK 686 million was accounted for as other operating expenses in 2008, compared to SEK 174 million in 2007. The remainder of the wet least costs was accounted for as leasing costs for aircraft. Other operating expenses in 2008 also included SEK 314 million in fines levied by the U.S. Department of Justice in connection with the investigation by the U.S. competition authorities into certain cargo activities by SAS Cargo. SAS Cargo entered into a settlement agreement with the U.S. Department of Justice, pursuant to which it agreed to pay a fine of USD 52 million in installments over a four year period. In addition, the Group incurred legal expenses of SEK 43 million in relation to the investigation. See "Legal Considerations and Supplementary Information."

Leasing costs for aircraft

Leasing costs for aircraft include costs relating to wet leases for aircraft with durations longer than six months, as well as long-term operating leases for aircraft. Leasing costs for aircraft decreased from SEK 2,342 million in 2007 to SEK 2,282 million in 2008, a decrease of SEK 60 million, or 2.6%. The decrease in leasing costs compared to the prior period related to the repurchase of, and unwinding of sale and leaseback arrangements with respect to, 14 Q400 aircraft in preparation for the future sale of these aircraft as part of the discontinuation of this model of aircraft in the Group's fleet.

Depreciation, amortization and impairment

Depreciation, amortization and impairment charges increased from SEK 1,457 million in 2007 to SEK 1,591 million in 2008, an increase of SEK 134 million, or 9.2%. The increase in depreciation, amortization and impairment charges primarily related to the repurchase of, and unwinding of sale and leaseback arrangements in relation to, Q400 aircraft in 2008 in preparation for the future sale of these aircraft.

Share of income (loss) in affiliated companies

The Group's share of losses in affiliated companies amounted to SEK 147 million in 2008, compared to share of income of SEK 32 million in 2007. Share of income and losses in affiliated companies, by each affiliated company, in 2007 and 2008 was as follows:

	Level of Group Ownership	Year ended 31 December 2007	2008	Change
	(%)	(SEK millions)		(%)
British Midland PLC	20.0	33	(114)	—
Skyways Holding AB	25.0	11	2	(81.8)
Air Greenland A/S	37.5	33	17	(48.5)
Go Now A/S (1)	100.0	(18)	(21)	16.7
AS Estonian Air	49.0	(20)	(50)	150.0
Commercial Aviation Leasing Ltd.	49.0	(11)	14	—
Malmö Flygfraktterminal AB	40.0	5	5	—
Other		(1)	—	—
Total		32	(147)	—

(1) Go Now AS was included as a consolidated subsidiary in the Group beginning 1 March 2008.

Losses reported by the Group's affiliated companies reflected the continuing declining trend in the airline industry during 2008. These losses included the Group's share of losses in bmi of SEK 114 million, reflecting a continuing negative trend in bmi's performance, which was increased by the expiration of the ECA and the termination of the profit- and loss-sharing distribution arrangements pursuant to that agreement.

Income from the sale of aircraft and buildings

Income from the sale of aircraft and buildings decreased from SEK 41 million in 2007 to SEK 4 million in 2008, a decrease of SEK 37 million, or 90.2%. In 2008, the Group sold eight Q400 aircraft and divested five Boeing 737 aircraft through sale and leaseback transactions. The income recognized by the Group in 2007 was primarily attributable to the sale of one de Havilland Q100 aircraft in 2007 and the sale and leaseback of three Boeing 737 aircraft and two Airbus 319/321 aircraft.

Operating income

The Group recognized an operating loss of SEK 765 million in 2008, compared to operating income of SEK 1,293 million in 2007, for the reasons described above.

Financial income and expenses

Financial income includes income from financial assets of the Group, such as long-term receivables in affiliated companies, other holdings of securities and liquid assets. Financial expenses include interest payable on the Group's liabilities and any payments received or made in connection with the termination of interest rate swaps designated as cash flow hedges and other fair value hedges.

Financial income decreased from SEK 787 million in 2007 to SEK 654 million in 2008, a decrease of SEK 133 million, or 16.9%. This decrease was primarily attributable to a decrease in interest income on financial assets measured at fair value, which include other holdings of other securities and liquid assets (cash and bank balances), and amounted to SEK 578 million in 2008, compared with SEK 746 million in 2007. The decrease in interest income on financial assets measured at fair value in 2008 primarily reflected decreases in liquid assets during the year, which amounted to SEK 5,783 million as of 31 December 2008 compared to SEK 8,891 million as of 31 December 2007, as well as lower interest rates in 2008. Interest income on financial assets not measured at fair value, which include long-term receivables in affiliated companies, other long-term receivables and current receivables in affiliated companies, increased from SEK 41 million in 2007 to SEK 76 million in 2008, an increase of SEK 35 million, or 85.4%. The increase was primarily attributable to positive currency effects of a weaker SEK against the principal currencies in which these financial assets are denominated, as the majority of these assets are denominated in currencies other than SEK.

Financial expenses decreased from SEK 1,041 million in 2007 to SEK 933 million in 2008, a decrease of SEK 108 million, or 10.4%. The decrease was primarily due to decreases in the net profit on financial instruments categorized as held for trading and interest on financial liabilities not measured at fair value, which include the Group's long-term and short-term borrowings, as well as the net effect of currency exchange rate differences in relation to financial expenses. Net profit on financial instruments held for trading (interest rate swaps designated as cash flow hedges and other financial instruments not eligible for hedge accounting) decreased from SEK 76 million in 2007 to SEK 2 million in 2008, a decrease of SEK 74 million, or 97.4%. The decrease was primarily the result of decreases in the market value of these financial instruments, which are measured at fair value. Interest on financial liabilities not measured at fair value decreased from SEK 847 million in 2007 to SEK 726 million in 2008, a decrease of SEK 121 million, or 14.3%. Notwithstanding an increase in the Group's total indebtedness as of 31 December 2008 as compared to 31 December 2007, the decrease in interest on financial liabilities in 2008 reflected a lower average indebtedness for the Group during the year and lower interest rates in 2008, as the majority of the Group's loans incur interest at a floating rate. The Group also realized a net profit of SEK 9 million on financial instruments categorized as other liabilities, compared to a net loss of SEK 8 million in 2007. The net profit reflected amounts received in relation to interest rate swaps that were terminated early in 2008.

The net effect of currency exchange rate differences on financial assets and financial liabilities amounted to a positive currency effect of SEK 51 million in 2008, compared to a positive currency effect of SEK 14 million in 2007. As the majority of the Group's financial assets are denominated in currencies other than SEK, the positive currency effect in 2008 reflected a weaker SEK against the principal currencies in which these assets are denominated, which exceeded the negative effect of the weaker SEK on the Group's non-SEK liabilities.

Tax

The Group's tax income in 2008 amounted to SEK 28 million, compared to a tax expense of SEK 273 million in 2007. The Group's effective tax rate, which includes discontinued operations, was 4.0% in 2008, compared to 31.5% in 2007. The Group's effective tax rate in 2007 was impacted primarily by deferred tax assets that were not recognized during the period and non-deductible expenses, which were only partially offset by non-taxable income and a change in the tax rate. In 2008, the Group's effective tax rate reflected a tax expense primarily as a result of deferred tax assets that were not recognized, the write-down of deferred tax assets associated with Spanair's operating losses and non-deductible expenses.

Income (loss) from discontinued operations

The Group recognized a loss from discontinued operations of SEK 5,305 million in 2008, compared to a loss of SEK 135 million in 2007.

The Group's loss from discontinued operations in 2008 primarily reflected losses and impairment charges totaling SEK 4,895 million taken in relation to the divestment of Spanair. These items included (i) a loss before tax and non-recurring items of SEK 1,310 million, (ii) non-recurring restructuring costs of SEK 914 million, (iii) a writedown of deferred tax assets in Spanair of SEK 273 million, (iv) an impairment charge in relation to goodwill in Spanair of SEK 1,686 million and (v) an expense to revalue the assets and liabilities of Spanair at fair value of SEK 712 million. See "—Overview—Summary of Divestitures—Year ended 31 December 2008" for a description of divestitures during the period in question.

Net income (loss) for the year

For the reasons described above, the Group recognized a net loss of SEK 6,321 million in 2008, compared to net income of SEK 636 million in 2007.

Operating income by business segment

In accordance with its accounting policies and internal reporting to management, the Group provides a breakdown of operating income by business segment. See "—Overview—Presentation of Financial Information" above. The following discussion analyzes the Group's operating income by each business segment.

SAS Scandinavian Airlines

The following table sets out the components of operating income for SAS Scandinavian Airlines for the periods indicated:

	Year ended 31 December		
	2007	**2008**	**Change**
	(SEK millions)		**(%)**
Passenger revenue (scheduled)	33,031	34,149	3.4
Charter revenue	1,906	1,653	(13.3)
Other traffic revenue	2,025	2,869	41.7
Other revenue	3,193	3,552	11.2
Revenue	40,155	42,223	5.2
Payroll expenses	(8,510)	(8,943)	5.1
Selling costs	(512)	(535)	4.5
Jet fuel	(6,936)	(8,858)	27.7
Government user fees	(3,608)	(3,877)	7.5
Catering costs	(1,262)	(1,238)	(1.9)
Handling costs	(5,046)	(5,256)	4.2
Technical aircraft maintenance	(3,936)	(4,741)	20.5
Computer and telecommunications costs	(1,505)	(1,478)	(1.8)
Other operating expenses	(3,737)	(4,377)	17.1
Operating expenses	(35,051)	(39,304)	12.1
Leasing costs for aircraft	(2,156)	(2,132)	(1.1)
Depreciation, amortization and impairment	(984)	(1,089)	10.7
Share of income (loss) in affiliated companies	(31)	(7)	(77.4)
Capital gains (losses)	41	(10)	—
Operating income (loss)	1,974	(319)	—

- Revenue

SAS Scandinavian Airlines accounted for SEK 40,155 million and SEK 42,223 million of the Group's revenue in 2007 and 2008, respectively, or approximately 79% in both years. The number of passengers was approximately 25.4 million in 2008, a decrease of 0.2% compared with 2007. Passenger revenue for the segment increased from SEK 33,031 million in 2007 to SEK 34,149 million in 2008, an increase of SEK 1,118 million, or 3.4%. Revenues increased from the prior period primarily due to the introduction of fuel surcharges for most of the period (although these were reduced beginning in November 2008), as well as capacity adjustments to confront declining demand. However, the period was defined by weaker economic conditions in Scandinavia compared with 2007 and declining demand for air travel as a result, particularly in the fourth quarter of 2008, when the number of passengers for the segment decreased by 8.5% compared to the comparable prior period in 2007. Passenger yield for the segment remained stable in 2008, slightly increasing by 1.2%, from SEK 1.21 in 2007 to SEK 1.22 in 2008. Passenger yield for the segment was maintained in line with the prior period largely due to higher fuel surcharges, as well as the measures implemented by the Group in 2008 under the Profit 2008 initiatives to increase revenues and reduce costs in light of weakening demand in 2008. See "—Factors Affecting the Group's Financial Condition and Results of Operations—Developments in the Global and Local Airline Markets."

RPK increased from 27,304 million in 2007 to 27,890 million in 2008, an increase of 2.2%, notwithstanding the slight decrease in the number of passengers during the period. The increase in RPK was attributable to a higher number of kilometers flown in 2008, primarily reflecting the introduction of new leisure routes by Scandinavian Airlines Norge in the first half of 2008 to destinations in Europe. However, RPK declined by 7.1% in the fourth quarter of 2008 compared with the fourth quarter of 2007, reflecting declining demand due to worsening economic conditions in Scandinavia. ASK increased by 5.2%. The increase in capacity also reflected the introduction of the new leisure routes. The grounding of the Q400 aircraft following the incidents in September and October 2007 continued to have an impact on capacity in 2008, as the replacement aircraft had larger capacity than required to meet demand on the relevant routes, as smaller capacity aircraft were not available. While ASK increased over the year, ASK decreased in the fourth quarter of 2008 by 2.7% compared to the comparable period in 2007, reflecting capacity adjustments made late in the year in light of declining demand.

Revenue for Scandinavian Airlines Norge, which accounted for the largest portion of the segment's revenues in both 2007 and 2008, increased from SEK 13,411 million in 2007 to SEK 14,178 million in 2008, an increase of SEK 767 million, or 5.7%. The number of passengers in 2008 increased by 2.8% from 2007, totaling 10.0 million passengers, and RPK increased by 5.0% from 2007 to 7,190 million. ASK also increased, totaling 10,886 million in 2008, an increase of 10.6% from the prior period. The increases in revenues, passengers, RPK and ASK were primarily due to the introduction of new leisure routes by the airline in 2008 to destinations in Europe. In addition, Norway was not affected by the global economic decline until late 2008. Accordingly, demand remained strong for most of 2008 in Norway, although demand declined in the fourth quarter. The number of passengers for Scandinavian Airlines Norge decreased by 7.6% in the fourth quarter of 2008 in comparison with the fourth quarter of 2007, reflecting the decline in demand. RPK similarly decreased by 7.9% in the fourth quarter compared to the fourth quarter of 2007.

Revenue for Scandinavian Airlines Danmark increased from SEK 11,659 million in 2007 to SEK 12,022 million in 2008, an increase of SEK 363 million, or 3.1%. The increase in revenue for 2008 was largely due to higher prices and increased fuel surcharges introduced in 2008. Revenue also increased as a result of compensation received in 2008 from the manufacturer of the Q400 aircraft following the incidents in September and October 2007. The number of passengers during the period totaled 7.8 million, a decrease of 4.2% from the prior period, reflecting the worsening economic climate and lower demand for air travel during the period. The decrease in passengers was particularly significant in the fourth quarter of 2008, as the number of passengers for Scandinavian Airlines Danmark decreased by 9.7% compared to the fourth quarter of 2007. RPK also decreased, totaling 5,842 million, a decrease of 1.5% from the prior period. RPK decreased by 7.6% in the fourth quarter of 2008 compared with the comparable period in 2007. ASK increased in 2008, totaling 8,659 million, an increase of 2.2% from the prior period, reflecting larger capacity aircraft leased to replace the grounded Q400 aircraft. ASK decreased in the fourth quarter of 2008 by 7.8% compared with the comparable period in 2007, reflecting adjustments to capacity due to an environment of weaker demand.

Revenue from Scandinavian Airlines Sverige decreased from SEK 8,779 million in 2007 to SEK 8,587 million in 2008, a decrease of SEK 192 million, or 2.2%. The decrease in revenues reflected a weaker Swedish economy during 2008 and a corresponding decline in demand for air travel, as well as continued strong competition in the Swedish market. The number of passengers decreased by 0.1% from the prior period, totaling 6.2 million passengers in 2008. The decrease in the number of passengers compared to the prior period was particularly significant in the fourth quarter of 2008, as the number of passengers declined by 9.0% compared to the fourth quarter of 2007. While RPK increased for the year by 4.0%, RPK decreased by 5.9% in the fourth quarter of 2008 compared with the fourth quarter of 2007. ASK also increased, totaling 7,531 million in 2008, an increase of 8.8% from the prior period, as Scandinavian Airlines Sverige did not adjust capacity in light of weakening demand until late in the year. ASK decreased by 8.1% in the fourth quarter of 2008 compared to the comparable period in 2007.

Revenue from Scandinavian Airlines International increased from SEK 7,625 million in 2007 to SEK 8,043 million in 2008, an increase of SEK 418 million, or 5.5%. The increase in revenue primarily reflects a positive first half of the year, during which both passenger yield and load factor for Scandinavian Airlines International rose in comparison with the comparable period in 2007. Favorable passenger yield and load factor in turn resulted in a favorable trend in passenger revenue, which increased from SEK 5,914 million in 2007 to SEK 6,269 million in 2008, an increase of 6.0%. This positive trend during the first half of the year offset the declining trend in passenger revenue in the second half of 2008, in line with the worsening of the economic downturn in 2008. The number of passengers for the full year increased in comparison to the prior period, totaling 1.4 million passengers, an increase of 1.9% from 2007. RPK increased by 1.4%, totaling 9,767 million, while ASK marginally increased by 0.7% from the prior period. Reflecting declining demand in the second half of the year, the number of passengers for Scandinavian Airlines International decreased by 6.0% in the fourth quarter of 2008 compared to the prior period and RPK decreased by 6.8%. ASK also decreased in the fourth quarter of 2008 by 1.7% compared to the fourth quarter of 2007, reflecting adjustments to capacity due to weakening demand.

- Expenses

Operating expenses for SAS Scandinavian Airlines increased from SEK 35,051 million in 2007 to SEK 39,304 million in 2008, an increase of SEK 4,253 million, or 12.1%. The increase in operating expenses was primarily attributable to higher jet fuel prices and payroll expenses during the period. The effects of the Q400 incidents also continued to have an impact on the segment's operating expenses in 2008, particularly for Scandinavian Airlines Danmark as explained below. Operating expenses amounted to 87.3% of SAS Scandinavian Airlines' revenues in 2007 and 93.1% in 2008.

Payroll expenses for the segment increased from SEK 8,510 million in 2007 to SEK 8,943 million in 2008, an increase of SEK 433 million, or 5.1%, primarily reflecting general salary increases for personnel, retroactive payments to pilots pursuant to agreements with the pilots' unions, as well as increased pension costs for personnel. Costs for jet fuel increased from SEK 6,936 million in 2007 to SEK 8,858 million in 2008, an increase of SEK 1,922 million, or 27.7%, as a result of higher fuel prices and increased fuel usage during the period in question. Government user fees increased from SEK 3,608 million in 2007 to SEK 3,877 million in 2008, an increase of SEK 269 million, or 7.5%, largely due to an increase in the volume of flights and increases in the fees charged by airports. Handling costs increased from SEK 5,046 million in 2007 to SEK 5,256 million in 2008, an increase of SEK 210 million, or 4.2%, primarily due to an increase in the volume of flights outside of areas where SAS Ground Services maintains operations, incurring increased external costs for these services as a result, as well as higher prices for ground handling services in 2008. Technical aircraft maintenance costs increased from SEK 3,936 million in 2007 to SEK 4,741 million in 2008, an increase of SEK 805 million, or 20.5%, attributable to technical costs related to maintenance of Q400 aircraft previously subject to operating leases and repurchased in 2008 in preparation for the future sale of these aircraft, as well as an increase in prices charged by SAS Technical Services.

Operating expenses for Scandinavian Airlines Norge increased by 14.6% from 2007 to SEK 13,022 million in 2008, primarily due to higher jet fuel costs and higher technical maintenance costs. Technical maintenance costs increased due to price increases by SAS Technical Services for maintenance services in line with market levels. Payroll expenses for Scandinavian Airlines Norge increased in 2008 primarily as a result of general increases in salaries for personnel and higher pension costs. Pension costs increased as a result of an increase in the assumption used to calculate pension obligations relating to future increases in annual salaries for employees, in line with economic conditions in Norway. The assumption relating to future increases in annual salaries for employees increased from approximately 3% in 2007 to approximately 4% in 2008.

Scandinavian Airlines Danmark realized higher operating expenses in 2008 of SEK 11,691 million, an increase of 11.3% from 2007, attributable to higher jet fuel prices and higher capacity. Scandinavian Airlines Danmark also continued to be affected by the effects of the Q400 incidents in 2007, with replacement costs for the grounded Q400 aircraft also contributing to the increase in operating expenses from the prior period. Wet lease costs for Scandinavian Airlines Danmark amounted to SEK 423 million in 2008, compared to SEK 123 million in 2007, all of which were accounted for as other operating expenses.

Operating expenses for Scandinavian Airlines Sverige amounted to SEK 8,281 million in 2008, an increase of 8.7% from 2007, as a result of higher jet fuel prices and higher capacity. The Swedish market continued to be characterized by strong competition, and Scandinavian Airlines Sverige did not adjust total capacity to reflect declining demand until late in the year. Operating expenses for Scandinavian Airlines Sverige also increased in 2008 as a result of costs for wet leases of aircraft to replace Q400 aircraft that were grounded in late 2007. These costs amounted to SEK 122 million in 2008, compared to SEK 30 million in 2007, of which SEK 98 million and SEK 24 million constituted other operating expenses for Scandinavian Airlines Sverige in 2008 and 2007, respectively. The remainder of wet lease costs was accounted for as leasing costs for aircraft.

Operating expenses for Scandinavian Airlines International increased to SEK 7,524 million in 2008, an increase of 8.7% from 2007, principally due to higher jet fuel prices. Capacity for Scandinavian Airlines International increased during the year by 1%, while fuel costs increased by 23%.

• Leasing costs for aircraft

Leasing costs for SAS Scandinavian Airlines decreased during 2008 by SEK 24 million, or 1.1%, from the prior period. Leasing costs were lower in 2008 due to the repurchase of, and unwinding of sale and leaseback arrangements in relation to, 14 Q400 aircraft in preparation for the future sale of these aircraft.

• Depreciation, amortization and impairment

Depreciation, amortization and impairment charges for SAS Scandinavian Airlines increased during 2008 by SEK 105 million, or 10.7% from the prior period. See "—Results of operations for the Group—Depreciation, amortization and impairment" above.

• Operating income

For the reasons stated above, SAS Scandinavian Airlines recognized a loss of SEK 319 million in 2008, compared to income of SEK 1,974 million in 2007.

SAS Individually Branded Airlines

The following table sets out the components of operating income for SAS Individually Branded Airlines for the periods indicated:

	Year ended 31 December		
	2007	**2008**	**Change**
	(SEK millions)		**(%)**
Passenger revenue (scheduled)	3,783	3,953	4.5
Freight revenue	54	58	7.4
Charter revenue	21	11	(47.6)
Other traffic revenue	109	192	76.1
Other revenue	1,126	1,312	16.5
Revenue	5,093	5,526	8.5
Payroll expenses	(1,436)	(1,653)	15.1
Selling costs	(136)	(131)	(3.7)
Jet fuel	(622)	(790)	27.0
Government user fees	(582)	(627)	7.7
Catering costs	(108)	(106)	(1.9)
Handling costs	(417)	(462)	10.8
Technical aircraft maintenance	(256)	(238)	(7.0)
Computer and telecommunications costs	(52)	(67)	28.9
Other operating expenses	(792)	(1,049)	32.5
Operating expenses	(4,401)	(5,123)	16.4
Leasing costs for aircraft	(234)	(230)	(1.7)
Depreciation, amortization and impairment	(160)	(166)	3.8
Share of income (loss) in affiliated companies	57	(145)	—
Capital gains (losses)	12	14	16.7
Operating income (loss)	367	(124)	—

• Revenue

Revenues from SAS Individually Branded Airlines in 2007 and 2008 included Widerøe and Blue1, each of which are wholly-owned by the Group. Revenue for the segment increased from SEK 5,093 million in 2007 to SEK 5,526 million in 2008, an increase of SEK 433 million, or 8.5%.

Widerøe's revenues increased from SEK 3,051 million in 2007 to SEK 3,502 million in 2008, an increase of SEK 451 million, or 14.8%. Passenger revenue increased from SEK 2,000 million in 2007 to SEK 2,200 million in 2008, an increase of SEK 200 million, or 10.0%. The number of passengers increased by 3.6% from the prior period, totaling 2.0 million passengers in 2008, while RPK increased by 6.3%. ASK increased by 7.4% from 2007. Economic conditions in Norway, particularly the regions in which Widerøe operates, did not begin to decline until November 2008. Accordingly, demand remained strong for most of 2008, as reflected by the increases in revenues, passengers, RPK and ASK for Widerøe in 2008. Revenues for Widerøe were also higher in November and December 2008 compared with the comparable period in 2007 due to the Q400 aircraft grounded during these months in 2007, which were later replaced by wet leased aircraft.

Revenues from Blue1 decreased from SEK 2,019 million in 2007 to SEK 2,000 million in 2008, a decrease of SEK 19 million, or 1.0%. Passenger revenue for Blue1 decreased from SEK 1,784 million in 2007 to SEK 1,753 million in 2008, a decrease of SEK 31 million, or 1.8%. The number of passengers decreased by 10.1% from the prior period, while RPK decreased by 4.2%. The negative trend in passenger revenue and traffic reflected the worsening economic climate in the region in 2008, which led to lower demand, particularly among business travelers in the final quarter of the year. ASK decreased by 1.1% during the year due to efforts by the airline to adjust capacity in light of weakening demand, resulting in the closure of several routes, mainly within Europe.

- Expenses

Operating expenses for SAS Individually Branded Airlines increased from SEK 4,401 million in 2007 to SEK 5,123 million in 2008, an increase of SEK 722 million, or 16.4%. Operating expenses amounted to 86.4% of SAS Individually Branded Airlines' revenues in 2007 and 92.7% in 2008. The primary drivers of the increase in operating expenses for this segment in 2008 were higher jet fuel costs, payroll expenses and other operating expenses. Jet fuel costs increased from SEK 622 million in 2007 to SEK 790 million in 2008, an increase of SEK 168 million, or 27.0%, as a result of higher fuel prices during the period. Payroll expenses increased from SEK 1,436 million in 2007 to SEK 1,653 million in 2008, an increase of SEK 217 million, or 15.1%. The increase in other operating expenses of 32.5% in 2008 for SAS Individually Branded Airlines was primarily attributable to wet lease costs incurred by Widerøe to replace the Q400 aircraft that were grounded in late 2007.

Operating expenses for Widerøe increased by 22.1%, amounting to SEK 3,204 million in 2008, reflecting higher jet fuel prices, costs for replacing capacity for the grounded Q400 aircraft and higher costs for personnel, fuel and handling. Payroll expenses for Widerøe increased as a result of general salary increases and higher pension costs due to an increase in the assumption used to calculate pension obligations relating to future increases in annual salaries for employees, in line with economic conditions in Norway. The assumption relating to future increases in annual salaries for employees increased from approximately 3% in 2007 to approximately 4% in 2008. Operating expenses also increased due to wet lease costs for Widerøe to replace Q400 aircraft grounded in 2007, which amounted to SEK 165 million in 2008, compared to SEK 27 million in 2007. These costs were all accounted for as other operating expenses in 2007 and 2008. Widerøe also incurred increased costs in 2008 for overtime payments to employees as a result of the grounding of the Q400 aircraft in Widerøe's fleet in late 2007.

Blue1 also realized an increase in operating expenses from 2007, recognizing operating expenses of SEK 1,897 million in 2008, an increase of 7.7% from the prior year, primarily due to higher jet fuel prices and higher payroll expenses. The higher payroll expenses were primarily attributable to increases in salaries for all employees under new collective agreements with unions, particularly for pilots. Blue1 also incurred increased payroll costs in relation to the establishment of a voluntary pension fund for pilots, as required under the collective agreement with the pilots' union.

- Leasing costs for aircraft

Leasing costs for SAS Individually Branded Airlines marginally decreased by SEK 4 million, or 1.7% from the prior period.

- Operating income

For the reasons stated above, SAS Individually Branded Airlines recognized an operating loss of SEK 124 million in 2008, compared to operating income of SEK 367 million in 2007.

SAS Aviation Services

The following table sets out the components of operating income for SAS Aviation Services (comprising SAS Ground Services, SAS Technical Services and SAS Cargo) for the periods indicated:

	Year ended 31 December		
	2007	2008	Change
	(SEK millions)		(%)
Revenue	14,192	15,032	5.9
Payroll expenses	(6,380)	(6,731)	5.5
Handling costs	(998)	(1,029)	3.1
Technical aircraft maintenance	(2,769)	(2,718)	(1.8)
Computer and telecommunications costs	(472)	(469)	(0.6)
Other operating expenses	(3,897)	(4,205)	7.9
Operating expenses	(14,515)	(15,153)	4.4
Depreciation, amortization and impairment	(257)	(296)	15.2
Share of income (loss) in affiliated companies	6	5	(16.7)
Operating income (loss)	(575)	(412)	(28.3)

- Revenue

Revenue from SAS Aviation Services increased from SEK 14,192 million in 2007 to SEK 15,032 million in 2008, an increase of SEK 840 million, or 5.9%.

Revenue from SAS Ground Services increased from SEK 6,055 million in 2007 to SEK 6,322 million in 2008, an increase of SEK 267 million, or 4.4%. The increase principally reflects increases in the prices charged for ground handling services in line with market levels. In addition, in the fourth quarter of 2008, SAS Ground Services in Norway assumed ground handling services previously provided by Widerøe at four major stations in Norway. The increase in revenue primarily reflects increases in revenues from internal customers, as revenue for SAS Ground Services from external customers decreased by 13.1% in 2008, reflecting an increased focus by SAS Ground Services International on internal customers due to increased competition and lower demand by external customers. See "—Results of Operations for the Group—Revenue" above.

Revenue from SAS Technical Services increased from SEK 4,874 million in 2007 to SEK 5,329 million in 2008, an increase of SEK 455 million, or 9.3%, reflecting an increase in prices for technical and maintenance services in line with market levels.

SAS Cargo revenue increased from SEK 3,336 million in 2007 to SEK 3,437 million in 2008, an increase of SEK 101 million, or 3.0%. The increase in revenue was primarily due to fuel surcharges imposed by SAS Cargo in 2008, notwithstanding a decrease in the volume of cargo handled in 2008 compared with 2007. RTK and flown tonnes for SAS Cargo decreased by 1.8% and 9.7%, respectively, in 2008.

- Expenses

Operating expenses for SAS Aviation Services increased from SEK 14,515 million in 2007 to SEK 15,153 million in 2008, an increase of SEK 638 million, or 4.4%.

Operating expenses for SAS Ground Services amounted to SEK 6,323 million in 2008, an increase of 3.5% from the prior year, primarily due to higher payroll expenses. Higher payroll expenses in 2008 were attributable to an increased number of full time employees for SAS Ground Services in 2008 compared with 2007, as additional employees were hired to handle the increase in volume of services due to new customers and new products introduced during the year. General salary increases for personnel also contributed to the increase in payroll expenses in 2008 for SAS Ground Services.

SAS Technical Services operating expenses decreased from SEK 5,184 million in 2007 to SEK 5,101 million in 2008, a decrease of SEK 83 million, or 1.6%.

Operating expenses for SAS Cargo in 2008 amounted to SEK 3,635 million in 2008, an increase of 8.5% from 2007. The increase in operating expenses was primarily attributable to the impact of the settlement of the investigation by the U.S. Department of Justice into certain activities by SAS Cargo, which resulted in SEK 314 million in fines imposed in 2008 and legal expenses of SEK 43 million recognized as other operating expenses during the period. See "Legal Considerations and Supplementary Information."

- Depreciation, amortization and impairment

Depreciation, amortization and impairment charges for SAS Aviation Services increased during 2008 by 15.2%, primarily reflecting an impairment of goodwill in Novia Cargo (which is owned by the Group's affiliate Skyways Holding AB) and impairments of assets in SAS Technical Services relating to components for Q400 and MD-90 aircraft, which were recorded in 2007.

- Operating income (loss)

For the reasons stated above, SAS Aviation Services reported an operating loss of SEK 412 million in 2008, compared to an operating loss of SEK 575 million in 2007.

Years Ended 31 December 2006 and 31 December 2007

Results of operations for the Group

The following table sets forth the Group's results of operations for the periods indicated:

	Year ended 31 December		
	2006	**2007**	**Change**
	(SEK millions)		**(%)**
Revenue	48,952	50,598	3.4
Payroll expenses	(15,916)	(16,897)	6.2
Other operating expenses	(28,143)	(28,682)	1.9
Leasing costs for aircraft	(2,350)	(2,342)	(0.3)
Depreciation, amortization and impairment	(1,740)	(1,457)	(16.3)
Share of income (loss) in affiliated companies	111	32	(71.2)
Income from the sale of aircraft and buildings	76	41	(46.1)
Operating income	990	1,293	30.6
Other gains and losses	(46)	5	—
Financial income	587	787	34.1
Financial expenses	(1,362)	(1,041)	(23.6)
Income before tax	169	1,044	517.8
Tax	26	(273)	—
Net income for the year from continuing operations	195	771	295.4
Income from discontinued operations	4,545	(135)	—
Net income for the year	4,740	636	(86.6)
Minority interest	118	(1)	—
Earnings per share (SEK) (1)	28.10	3.87	(86.2)
Earnings per share from continuing operations (SEK)	1.19	4.69	294.1

(1) Earnings per share is calculated on the basis of 164,500,000 outstanding shares.

Revenue

Revenue for the Group increased from SEK 48,952 million in 2006 to SEK 50,598 million in 2007, an increase of SEK 1,646 million, or 3.4%. The number of passengers carried (scheduled) increased from 28.9 million passengers in 2006 to 29.2 million passengers in 2007, an increase of 302,000 passengers, or 1.0%. RPK (scheduled) remained stable in 2007, decreasing slightly from 29,545 million in 2006 to 29,365 million in 2007, a decrease of 180 million, or 0.6%. ASK (scheduled) also remained stable in 2007, decreasing slightly from 40,188 million in 2006 to 40,031 million in 2007, a decrease of 157 million, or 0.4%. RPK and ASK remained consistent with the prior year as the Group's airlines focused on maximizing revenues from existing routes and operations and capacity management.

Traffic revenue constitutes the largest portion of the Group's revenue, accounting for approximately 83% of revenue in both 2006 and 2007. Total traffic revenue increased from SEK 40,757 million in 2006 to SEK 41,736 million in 2007, an increase of SEK 979 million, or 2.4%. The breakdown of traffic revenue for the Group in 2006 and 2007 was as follows:

	Year ended 31 December		
	2006	2007	Change
	(SEK millions)		(%)
Traffic revenue:			
Passenger revenue	35,370	36,814	4.1
Charter	1,750	1,927	10.1
Mail and freight	2,076	1,700	(18.1)
Other traffic revenue	1,561	1,295	(17.0)
Total traffic revenue	40,757	41,736	2.4

Passenger revenue accounted for SEK 1,444 million of the increase in the Group's traffic revenue, increasing from SEK 35,370 million in 2006 to SEK 36,814 million in 2007, an increase of 4.1%, due to favorable demand, reflected by the increase in the number of passengers in 2007. Passenger yield increased from SEK 1.20 in 2006 to SEK 1.25, an increase of SEK 0.05, or 4.2%.

Revenue from charter traffic increased from SEK 1,750 million in 2006 to SEK 1,927 million in 2007, an increase of SEK 177 million, or 10.1%, reflecting primarily the increase in charter traffic for Scandinavian Airlines Danmark, enabled by greater aircraft utilization.

Revenue from mail and freight traffic decreased from SEK 2,076 million in 2006 to SEK 1,700 million in 2007, a decrease of SEK 376 million, or 18.1%, reflecting increased competition in the cargo market attributable to overcapacity that led to downward pressure on prices, a decrease in SAS Cargo's market share (primarily in the international cargo market) based on volume of cargo and the loss of a key cargo customer to a competitor. See "—Operating income by business segment—SAS Aviation Services—Revenue" below.

Other traffic revenue, which includes revenue from interlining agreements and revenue from unutilized tickets, decreased from SEK 1,561 million in 2006 to SEK 1,295 million in 2007, a decrease of SEK 266 million, or 17.0%. This decrease was primarily due to the effects of the ECA, after taking into account the effect on revenues of the Group's joint venture with Lufthansa, which had a negative effect on the Group's revenues of SEK 652 million in 2007, compared to a negative effect of SEK 310 million in 2006.

Other revenue, which accounted for 16.7% and 17.5% of the Group's revenue in 2006 and 2007, respectively, increased from SEK 8,195 million in 2006 to SEK 8,862 million in 2007, an increase of SEK 667 million, or 8.1%. The breakdown of other revenue in 2006 and 2007 was as follows:

	Year ended 31 December		
	2006	2007	Change
	(SEK millions)		(%)
Other revenue:			
In-flight sales	493	511	3.7
Ground services	1,246	1,455	16.8
Technical maintenance	1,143	973	(14.9)
Terminal and forwarding services	1,513	1,592	5.2
Sales commissions and charges	820	834	1.7
Other revenue	2,980	3,497	17.3
Total other revenue	8,195	8,862	8.1

Ground services and terminal and forwarding services constituted the largest portions of other revenue in both 2006 and 2007, accounting for 15.2% and 18.5% of other revenue, respectively, in 2006, and 16.4% and 18.0%, respectively, in 2007. Ground services increased from SEK 1,246 million in 2006 to SEK 1,455 million in 2007, an increase of SEK 209 million, or 16.8%, as a result of an increase in the volume of passengers and flights handled by SAS Ground Services. Terminal and forwarding services relating to ground cargo services provided by SAS Cargo increased from SEK 1,513 million in 2006 to SEK 1,592 million in 2007, an increase of SEK 79 million, or 5.2%, primarily attributable to an increase in services provided by Cubic Air Cargo, a business unit of SAS Cargo that provided cargo sales services to the Group and certain other airlines and which was divested by the Group in the first quarter of 2009. Since the Group acquired Cubic Air Cargo in 2006, the company increased its customer base and accordingly, its revenues. These increases were to some extent offset by a decrease in revenues from technical maintenance, which decreased from SEK 1,143 million in 2006 to SEK 973 million in 2007, a decrease of SEK 170 million, or 14.9%, primarily resulting from a decrease in external revenues, stiff competition and overcapacity in the technical services sector, which negatively impacted revenue for SAS Technical Services. Other sources of other revenue increased from SEK 2,980 million in 2006 to SEK 3,497 million in 2007, an increase of SEK 517 million, or 17.3%, largely due to SEK 300 million in compensation received by the Group for illegal strike activity in Denmark during 2007.

In accordance with its accounting policies and internal reporting to company management, the Group also provides a breakdown of revenues by geographic market. The breakdown of traffic revenue by geographic segment in 2006 and 2007 was as follows:

	Year ended 31 December		
	2006	2007	Change
	(SEK millions)		(%)
Domestic (1)	12,227	13,318	8.9
Intra-Scandinavian (2)	3,725	4,151	11.4
Europe (3)	17,022	16,900	(0.7)
Intercontinental (3)	7,783	7,367	(5.3)
Total traffic revenue	40,757	41,736	2.4

(1) "Domestic" is defined as traffic within each of Denmark, Norway and Sweden.

(2) "Intra-Scandinavian" is defined as traffic between Denmark, Norway and Sweden.

(3) Allocated on the basis of location of destination.

As described below in the discussion of the Group's revenue by business segment, the increase in domestic traffic revenue was primarily attributable to growth in domestic passenger traffic in Norway and Denmark, as a result of strong economic conditions in both countries during the year. The increase in intra-Scandinavian revenues was also attributable to strong economic conditions in the region. Overcapacity on unprofitable European routes negatively impacted European traffic revenue, which decreased by 0.7% from the prior period. Increased capacity and aggressive pricing on European routes by new and existing low-cost carriers, such as Sterling, Norwegian Air Shuttle, easyJet and Air Berlin, caused downward pressure on prices and passenger revenues. Traffic revenue from intercontinental routes decreased from the prior period by 5.3%, primarily as a result of reduced capacity, stiffening competition on routes over the North Atlantic, cancelled flights due to strikes by cabin crew on the Group's other airlines (which disrupted transfer passenger traffic) and disruptions in transfer passenger traffic due to the Q400 incidents in September and October 2007.

Expenses

The following table sets forth the Group's operating expenses for the periods indicated:

	Year ended 31 December		
	2006	2007	Change
	(SEK millions)	(SEK millions)	
Payroll expenses	15,916	16,897	6.2
Selling costs	603	660	9.5
Jet fuel	7,547	7,554	0.1
Government user fees	4,205	4,316	2.6
Catering costs	1,363	1,373	0.7
Handling costs	1,780	1,776	(0.2)
Technical aircraft maintenance	2,970	3,144	5.9
Computer and telecommunications costs	2,707	2,219	(18.0)
Other	6,968	7,640	9.6
Total operating expenses	44,059	45,579	3.5

Operating expenses for the Group increased from SEK 44,059 million in 2006 to SEK 45,579 million in 2007, an increase of SEK 1,520 million, or 3.5%. The increase in operating expenses from 2006 to 2007 was primarily due to increased payroll expenses, principally due to efforts to harmonize wages among employees, which resulted in increased salaries, as well as higher government user fees due to increased charges at Copenhagen airport, increased selling costs and higher costs for technical maintenance attributable to increased capacity. These increased costs were partially offset by decreases in handling costs and computer and telecommunications costs.

Payroll expenses increased from SEK 15,916 million in 2006 to SEK 16,897 million in 2007, an increase of SEK 981 million, or 6.2%, primarily due to efforts to harmonize wages among the Group's Norwegian employees as a result of cost inflation relating to rapid economic growth in Norway, which led to higher salaries and pension costs.

Costs for jet fuel slightly increased from SEK 7,547 million in 2006 to SEK 7,554 million in 2007, an increase of SEK 7 million, or 0.1%. Adjusted for the positive currency effect of a weaker USD in 2007, fuel costs increased by SEK 671 million.

Selling costs increased from SEK 603 million in 2006 to SEK 660 million in 2007, an increase of SEK 57 million, or 9.5%, principally as a result of increases in commission rates attributable to cost inflation, as well as an increase in the volume of sales made through agents.

Government user fees increased from SEK 4,205 million in 2006 to SEK 4,316 million in 2007, an increase of SEK 111 million, or 2.6%, primarily attributable to increased user fees charged at Copenhagen airport, one of the Group's hub airports.

Costs for technical aircraft maintenance increased from SEK 2,970 million in 2006 to SEK 3,144 million in 2007, an increase of 5.9%, due to the maturity profile of the Group's aircraft, the average age of which was 11.7 years as of 31 December 2007. Maintenance requirements for aircraft are cyclical based on the age of the aircraft. Heavy maintenance is required for aircraft at certain intervals during their useful lives and a significant number of the Group's aircraft in 2007 reached a point in their useful lives at which heavy maintenance was required. Most of the Group's long-haul aircraft required heavy maintenance at the beginning of 2007. Further, as aircraft are sold or redelivered at the end of lease terms, heavy maintenance is required before the delivery of the aircraft. For these reasons, the Group's costs for technical aircraft maintenance increased in 2007 from the prior period.

Computer and telecommunications costs decreased during the period under review, from SEK 2,707 million in 2006 to SEK 2,219 million in 2007, a decrease of SEK 488 million, or 18.0%, primarily as a result of a renegotiated agreement with the Group's telecommunications provider with better terms and a decrease in telephone and distribution costs largely due to a greater number of bookings over the internet.

Other operating expenses increased from SEK 6,968 million in 2006 to SEK 7,640 million in 2007, an increase of SEK 672 million, or 9.6%. The primary reason for the increase between 2006 and 2007 was due to wet leases entered into by the Group to replace the aircraft grounded following the Q400 incidents in September and October 2007. Total wet lease costs for the Group amounted to SEK 180 million in 2007, of which SEK 174 million was accounted for as other operating expenses (the remainder was accounted for as leasing costs for aircraft).

Leasing costs for aircraft

Leasing costs for aircraft decreased slightly from SEK 2,350 million in 2006 to SEK 2,342 million in 2007, a decrease of SEK 8 million, or 0.3%.

Depreciation, amortization and impairment

Depreciation, amortization and impairment charges decreased from SEK 1,740 million in 2006 to SEK 1,457 million in 2007, a decrease of SEK 283 million, or 16.3%. The decrease in depreciation, amortization and impairment charges reflected decreases in the amortization of certain intangible assets that were fully depreciated in 2006, as well as decreases in the depreciation of the fleet as a result of fewer aircraft and decreased book value of the Group's aircraft.

Share of income (loss) in affiliated companies

The Group's share of income in affiliated companies decreased from SEK 111 million in 2006 to SEK 32 million in 2007, a decrease of SEK 79 million, or 71.2%. Share of income in affiliated companies, by each affiliated company, in 2006 and 2007, was as follows:

	Level of Group Ownership	Year ended 31 December 2006	2007	Change
	(%)	(SEK millions)		(%)
British Midland PLC	20.0	60	33	(45.0)
Skyways Holding AB (1)	25.0	(22)	11	—
Air Greenland A/S	37.5	31	33	6.5
Go Now AS (2)	41.7	—	(18)	—
AS Estonian Air	49.0	(26)	(20)	(23.1)
Commercial Aviation Leasing Ltd.	49.0	20	(11)	—
Reversal of intra-group profit for Commercial Aviation Leasing Ltd. (3)	—	40	—	—
Malmö Flygfraktterminal AB	40.0	8	5	(37.5)
Other		—	(1)	—
Total		111	32	(71.2)

(1) The share of income for 2006 includes a goodwill impairment charge of SEK 25 million.

(2) Go Now AS was included as an affiliated company in the Group beginning March 2007 and consolidated as a subsidiary of the Group beginning 1 March 2008.

(3) This reversal relates to the sale of aircraft by the Group to Commercial Aviation Leasing pursuant to a sale and leaseback transaction and the release of a portion of the income from that transaction due to the Group's ownership interest in Commercial Aviation Leasing.

The decrease was principally due to losses posted by most of the Group's affiliates, primarily attributable to negative trends in the airline industry beginning in late 2007. These losses included a loss of SEK 20 million for Estonian Air, in which the Group owned 49% in 2007, although the airline showed a marginal improvement in its performance from the prior period. The Group's share of income in bmi decreased by 45%, reflecting a continuing negative trend in bmi's performance. The Group accounted for Go Now AS as an affiliated company beginning in March 2007, recognizing a loss of SEK 18 million attributable to its share in the company during the period. The decrease in income attributable to bmi and losses attributable to Go Now AS and Commercial Aviation Leasing Ltd. offset any income or decreases in losses from the prior period due to marginal improvements in the performance of the Group's other affiliates.

Income from the sale of aircraft and buildings

Income from the sale of aircraft and buildings decreased from SEK 76 million in 2006 to SEK 41 million in 2007, a decrease of SEK 35 million, or 46.1%. The income recognized by the Group in 2007 was primarily attributable to the sale of one de Havilland Q100 aircraft in 2007 and two Airbus 319/321 aircraft. The income received from these sales was partially offset by a loss recognized from the sale and leaseback of three Boeing 737 aircraft during the same period. In 2006, the Group's income from the sale of aircraft and buildings resulted from the sale and leaseback of twelve McDonnell Douglas MD-80 aircraft, four Airbus A321 aircraft, two Airbus 319 aircraft and three Boeing 767 aircraft. The Group also sold three McDonnell Douglas MD-80 aircraft, two Fokker F50 aircraft and properties in Bromma and Oslo during 2006.

Operating income

Operating income for the Group increased from SEK 990 million in 2006 to SEK 1,293 million in 2007, an increase of SEK 303 million, or 30.6%, for the reasons described above.

Other gains and losses

Other gains and losses include gains and losses from sales of shares and participations owned by the Group in relation to cooperation agreements and minority interests in companies related to the airline industry. Other gains and losses amounted to SEK 5 million in 2007, compared to a loss of SEK 46 million in 2006. The income in 2007 was attributable to capital gains from the sale of shares and participations amounting to SEK 5 million. The loss in 2006 was due to an impairment of shares in the amount of SEK 50 million, which exceeded capital gains from the sale of shares and participations of SEK 3 million and dividend income of SEK 1 million.

Financial income and expenses

Financial income increased from SEK 587 million in 2006 to SEK 787 million in 2007, an increase of SEK 200 million, or 34.1%. This increase was primarily attributable to interest income on financial assets measured at fair value, which amounted to SEK 746 million in 2007. The increase in financial income from financial assets was also due to income received from the sale of the Group's remaining securities in Rezidor Hotel Group in 2007. Interest income on financial assets not measured at fair value amounted to SEK 41 million in 2007.

Financial expenses decreased from SEK 1,362 million in 2006 to SEK 1,041 million in 2007, a decrease of SEK 321 million, or 23.6%. The decrease was primarily due to a decrease in interest on financial liabilities not measured at fair value. These liabilities are recognized on the balance sheet at amortized cost. Interest on financial liabilities not measured at fair value decreased from SEK 1,260 million in 2006 to SEK 847 million in 2007, a decrease of SEK 413 million, or 32.8%. Long-term liabilities for the Group were SEK 11,274 million as of 31 December 2007, compared to SEK 17,847 million as of 31 December 2006, a decrease of SEK 6,573 million, or 36.8%. The decrease in long-term liabilities primarily reflected prepayments of long-term liabilities and the portion of the Group's long-term liabilities that became current in 2007. Interest on financial liabilities measured at fair value, which include derivative instruments (all of which are measured at their fair value), decreased from SEK 258 million to SEK 236 million, a decrease of SEK 22 million, or 8.5%. Net profit on financial instruments held for trading decreased from SEK 172 million in 2006 to SEK 76 million in 2007, a decrease of SEK 96 million, or 55.8%, primarily as a result of decreases in the market values of these financial instruments, which are measured at fair value. The Group realized a net loss of SEK 8 million in 2007 on financial instruments categorized as other liabilities, compared to a net profit of SEK 38 million in 2006, reflecting net payments received in connection with the unwinding of interest rate swaps relating to prepayments of bonds and the early termination of interest rate swaps. The net loss reflected prepayments of interest in relation to the repurchase of outstanding bonds by the Group in 2007.

Tax

The Group's tax expenses in 2007 amounted to SEK 273 million, compared to a tax receivable of SEK 26 million in 2006. The Group's effective tax rate, which includes discontinued operations, in 2007 was 31.5%, and 4.0% in 2006. The Group's effective tax rate in 2006 was primarily due to a capital gain of SEK 4,254 million from the sale of the Group's shares in Rezidor Hotel Group during the year that was not taxable. The Group's effective tax rate in 2007 was impacted primarily by deferred tax assets that were not recognized during the period and non-deductible expenses, which were only partially offset by non-taxable income and a change in the tax rate.

Income from discontinued operations

The Group recognized a loss from discontinued operations of SEK 135 million in 2007, compared to income of SEK 4,545 million in 2006. The loss from discontinued operations in 2007 was primarily attributable to losses after tax and impairment of goodwill in Spanair and AeBal of SEK 713 million, which offset income and gains received in relation to other discontinued operations in 2007. The income from discontinued operations in 2006 primarily reflected a capital gain of SEK 4,254 million realized by the Group from the stock-exchange listing of, and sale of 91% of its shares in, Rezidor Hotel Group, which was offset in part by losses after tax and impairments in Spanair, AeBal, SAS Media and SAS Component.

Net income for the year

For the reasons described above, net income for the year decreased from SEK 4,740 million in 2006 to SEK 636 million in 2007.

Operating income by business segment

In accordance with its accounting policies and internal reporting to management, the Group provides a breakdown of operating income by business segment. See "—Overview—Presentation of Financial Information" above. The following discussion analyzes the Group's operating income by each business segment.

SAS Scandinavian Airlines

The following table sets out the components of operating income for SAS Scandinavian Airlines for the periods indicated:

	Year ended 31 December		
	2006	2007	Change
	(SEK millions)		(%)
Passenger revenue (scheduled)	31,603	33,031	4.5
Charter revenue	1,740	1,906	9.5
Other traffic revenue	2,532	2,025	(20.0)
Other revenue	2,757	3,193	15.8
Revenue	38,631	40,155	4.0
Payroll expenses	(7,844)	(8,510)	8.5
Selling costs	(473)	(512)	8.3
Jet fuel	(6,883)	(6,936)	0.8
Government user fees	(3,540)	(3,608)	1.9
Catering costs	(1,242)	(1,262)	1.6
Handling costs	(4,962)	(5,046)	1.7
Technical aircraft maintenance	(3,825)	(3,936)	2.9
Computer and telecommunications costs	(1,798)	(1,505)	(16.3)
Other operating expenses	(2,988)	(3,737)	25.0
Operating expenses	(33,554)	(35,051)	4.5
Leasing costs for aircraft	(2,102)	(2,156)	2.6
Depreciation, amortization and impairment	(1,187)	(984)	(17.1)
Share of income (loss) in affiliated companies	58	(31)	—
Capital gains	58	41	(29.3)
Operating income	1,903	1,974	3.7

- Revenue

SAS Scandinavian Airlines accounted for SEK 38,631 million and SEK 40,155 million of the Group's revenue in 2006 and 2007, respectively, or approximately 79% in both years. The number of passengers overall for this business segment increased by 1.2%, from 25.1 million passengers in 2006 to 25.4 million passengers in 2007. Passenger revenue for the segment increased from SEK 31,603 million in 2006 to SEK 33,031 million in 2007, an increase of SEK 1,428 million, or 4.5%, reflecting higher average prices paid by customers during the period and improvements by the Group's airlines in allocating the highest prices to seats on flights and routes that prevailing demand will bear. Strong passenger yield in the first half of 2007 was only partially offset by weakening passenger yield in the second half, as demand for air travel decreased in line with the economic downturn that began in the same period, resulting in an overall increase in passenger yield for the year of 6.5%.

While both the overall number of passengers and passenger revenue increased, overall passenger traffic, or RPK, for the segment fell by 0.7%, attributable to less kilometers flown in 2007 as a result of reduced capacity. Overall capacity, or ASK, decreased by 0.3%, primarily due to reduced capacity on a number of routes. Although SAS Scandinavian Airlines increased its route network by 18 additional routes during 2007, 11 of these routes were seasonal and the business reduced its overall number of flights flown by 1%. The grounding of the Q400 aircraft following the incidents in September and October 2007 required the business to obtain replacement aircraft through wet leases. The replacement aircraft were larger capacity aircraft than required to meet demand on the relevant routes, as smaller capacity aircraft were not available, offsetting to some extent the other capacity decreases within the Group.

Revenue for Scandinavian Airlines Norge, which accounted for the largest portion of the segment's revenues in both years, increased from SEK 12,579 million in 2006 to SEK 13,411 million in 2007, an increase of SEK 832 million, or 6.6%. While overcapacity on certain unprofitable routes from Norway to destinations in continental Europe negatively impacted revenue for this segment in the beginning of 2007, this was offset to some extent by the reallocation of capacity to more profitable and growing Norwegian domestic routes, traffic on which increased by 3.8%, as well as an increase in the number of passengers of 1.0%, from 9.6 million passengers in 2006 to 9.7 million passengers in 2007 reflecting a favorable Norwegian economy in 2007, which also led to an increase in business travel.

Revenue for Scandinavian Airlines Danmark increased from SEK 10,924 million in 2006 to SEK 11,659 million in 2007, an increase of SEK 735 million, or 6.7%. The increase in revenue for 2007 was largely due to an increase in revenue from charter traffic, which expanded in 2007 enabled by greater aircraft utilization. The number of scheduled passengers decreased by 1.2%, from 8.2 million passengers in 2006 to 8.1 million passengers in 2007, and RPK decreased by 1.4%, both as a result of blizzards in the first half of the year, which resulted in 469 cancelled flights, and strike activity in March and April of 2007, which resulted in 702 cancelled flights. ASK increased by 1.5% due to two new routes opened to Greenland, which in turn resulted in an increase of 9% in Danish domestic passenger traffic, and Pristina.

Revenue from Scandinavian Airlines Sverige increased from SEK 8,273 million in 2006 to SEK 8,779 million in 2007, an increase of SEK 506 million, or 6.1%. The number of passengers increased by 5.1%, from 5.9 million passengers in 2006 to 6.2 million passengers in 2007, and RPK increased by 10.2%, reflecting the launch of 12 new nonstop routes from Sweden to destinations in continental Europe, which were well received. ASK increased by 9%, as a result of the new European routes, and while overcapacity in the Swedish market weighed on revenue in the first part of 2007, this diminished in the latter half of the year as a result of capacity adjustments.

Revenue from Scandinavian Airlines International decreased from SEK 7,805 million in 2006 to SEK 7,625 million in 2007, a decrease of SEK 180 million, or 2.3%. This decrease was primarily due to reduced capacity as a result of fewer flights and lower freight revenue, as well as stiffening competition on routes over the North Atlantic, cancelled flights due to strikes by cabin crew on Scandinavian Airlines Danmark and Scandinavian Airlines Sverige (on which Scandinavian Airlines International depends for transfer passenger traffic), disruptions in heavy maintenance and the Q400 incidents leading to decreased transfer passenger traffic. The closure of the Copenhagen-Shanghai route, which was a profitable route for freight, led to the decrease in freight revenue for the business. The number of passengers decreased from 1.4 million passengers in 2006 to 1.3 million passengers in 2007, a decrease of 7.1%, and RPK decreased by 5.6%. ASK decreased by 5.7% due in part to increased technical maintenance and aircraft reconfiguration and in part due to reduced capacity to Asia with the closure of the Copenhagen-Shanghai route, which was replaced by the shorter Stockholm-Beijing route.

- Expenses

Operating expenses for SAS Scandinavian Airlines increased from SEK 33,554 million in 2006 to SEK 35,051 million in 2007, an increase of SEK 1,497 million, or 4.5%. The increase in operating expenses was primarily attributable to higher capacity and the impact of the permanent grounding of the Q400 aircraft in the fleet following the incidents in 2007. Expressed as a percentage of the segment's revenues, operating expenses amounted to 86.9% of SAS Scandinavian Airlines' revenues in 2006 and 87.3% in 2007.

Payroll expenses for the segment increased from SEK 7,844 million in 2006 to SEK 8,510 million in 2007, an increase of SEK 666 million, or 8.5%, principally due to efforts to harmonize wages among the segment's Norwegian employees, which resulted in increased salaries. Costs for jet fuel increased from SEK 6,883 million in 2006 to SEK 6,936 million in 2007, an increase of SEK 53 million, or 0.8%, as a result of higher fuel prices and increased fuel usage. Government user fees increased from SEK 3,540 million in 2006 to SEK 3,608 million in 2007, an increase of SEK 68 million, or 1.9%, largely due to increases in fees at Copenhagen airport. Handling costs increased from SEK 4,962 million in 2006 to SEK 5,046 million in 2007, an increase of SEK 84 million, or 1.7%, as a result of non-recurring expenses relating to rescheduling passengers and customer service costs arising out of the Q400 incidents and strike activity. Technical aircraft maintenance costs increased from SEK 3,825 million in 2006 to SEK 3,936 million in 2007, an increase of SEK 111 million, or 2.9%, attributable to investments in heavy maintenance of aircraft in 2007 necessitated by the age of the aircraft fleet. Computer and telecommunications costs decreased from SEK 1,798 million in 2006 to SEK 1,505 million in 2007, a decrease of SEK 293 million, or 16.3%, as a result of an improved agreement with the Group's telecommunications provider, decreases in telephone costs and a greater number of bookings over the Internet.

Operating expenses for Scandinavian Airlines Norge increased by 1.8% from 2006 to SEK 11,366 million in 2007, primarily due to higher technical maintenance costs and salaries and pension costs. Technical maintenance costs increased due to higher prices for component and line maintenance services. Payroll expenses for Scandinavian Airlines Norge increased in 2007 primarily as a result of cost inflation relating to rapid economic growth in Norway and efforts to harmonize wages among Norwegian employees, which led to higher salaries and pension costs. Scandinavian Airlines Danmark realized higher operating expenses in 2007 of SEK 10,506 million, an increase of 5.6% from 2006, attributable to higher jet fuel prices and higher capacity, as well as costs for wet leases entered into in 2007 to replace grounded Q400 aircraft. These costs amounted to SEK 123 million in 2007, which were accounted for as other operating expenses for Scandinavian Airlines

Danmark. Operating expenses for Scandinavian Airlines Sverige amounted to SEK 7,621 million in 2007, an increase of 7.8% from 2006, as a result of higher capacity, higher jet fuel prices and wet lease costs to replace grounded Q400 aircraft. Wet lease costs totaled SEK 30 million in 2007, of which SEK 24 million was accounted for as other operating expenses by Scandinavian Airlines Sverige (the remainder was accounted for as leasing costs for aircraft). Operating expenses for Scandinavian Airlines International marginally increased to SEK 6,923 million in 2007, an increase of 0.1% from 2006, principally due to higher technical maintenance costs, as most of the Group's long-haul aircraft required heavy maintenance at the beginning of 2007.

- Leasing costs for aircraft

Leasing costs for SAS Scandinavian Airlines increased by SEK 54 million, or 2.6%, from the prior period primarily as a result of the permanent grounding of the Q400 aircraft following the incidents in September and October 2007. The grounded aircraft were replaced by wet leases of aircraft in order not to overly disrupt service for customers.

- Depreciation, amortization and impairment

Depreciation, amortization and impairment charges for SAS Scandinavian Airlines decreased by 17.1% from the prior period. See "—Results of operations for the Group—Depreciation, amortization and impairment" above.

- Operating income

For the reasons stated above, operating income for SAS Scandinavian Airlines increased by SEK 71 million, or 3.7%, from 2006 to 2007.

SAS Individually Branded Airlines

The following table sets out the components of operating income for SAS Individually Branded Airlines for the periods indicated:

	Year ended 31 December		
	2006	**2007**	**Change**
	(SEK millions)		**(%)**
Passenger revenue (scheduled)	3,767	3,783	0.4
Freight revenue	55	54	(1.8)
Charter revenue	10	21	110.0
Other traffic revenue	107	109	1.9
Other revenue	1,042	1,126	8.1
Revenue	4,981	5,093	2.3
Payroll expenses	(1,431)	(1,436)	0.4
Selling costs	(124)	(136)	9.7
Jet fuel	(669)	(622)	(7.0)
Government user fees	(581)	(582)	(0.2)
Catering costs	(116)	(108)	(6.9)
Handling costs	(452)	(417)	(7.8)
Technical aircraft maintenance	(277)	(256)	(7.6)
Computer and telecommunications costs	(63)	(52)	(17.5)
Other operating expenses	(811)	(792)	(2.3)
Operating expenses	(4,524)	(4,401)	(2.7)
Leasing costs for aircraft	(266)	(234)	(12.0)
Depreciation, amortization and impairment	(164)	(160)	(2.4)
Share of income (loss) in affiliated companies	43	57	32.6
Capital gains (losses)	—	12	—
Operating income	70	367	424.3

- Revenue

Revenue from SAS Individually Branded Airlines, which in 2006 and 2007 included Widerøe and Blue1, each of which are wholly-owned by the Group, and which accounted for SEK 4,981 million, or 10.2%, and SEK 5,093 million, or 10.1%, of the Group's revenue in 2006 and 2007, respectively. The number of passengers for this segment decreased by 0.1% and RPK increased by 1%.

Widerøe revenue increased from SEK 2,941 million in 2006 to SEK 3,051 million in 2007, an increase of SEK 110 million, or 3.7%. The number of passengers increased from 1.9 million passengers in 2006 to 2.0 million passengers in 2007, an increase of 5.3%, and RPK increased by 0.9%, reflecting an increase in Norwegian domestic traffic, which increased by 6.1% during the year, as a result of a strong Norwegian economy in 2007 and increased demand as a result. ASK reduced by 4.6% as a result of the closure of certain unprofitable routes from Norway to destinations in the United Kingdom, which also contributed to the positive traffic performance.

Revenue from Blue1 remained stable, marginally increasing from SEK 2,018 million in 2006 to SEK 2,019 million in 2007, an increase of 0.05%. The number of passengers decreased by 2.7%, while RPK increased by 1%. Passenger volume decreased due to capacity adjustments on routes between Finland and Scandinavia. ASK increased by 0.5% during the year due to an increased focus on Finnish domestic and European routes, on which traffic increased by 8% and 13.5%, respectively, but which was partially offset by a decrease in traffic on routes to and from Scandinavia of 13.8%. Larger aircraft were also used for these routes—the MD-90 aircraft—which also contributed to the increase in capacity.

- Expenses

Operating expenses for SAS Individually Branded Airlines decreased from SEK 4,524 million in 2006 to SEK 4,401 million in 2007, a decrease of SEK 123 million, or 2.7%. Expressed as a percentage of the segment's revenues, operating expenses amounted to 90.8% of SAS Individually Branded Airlines' revenues in 2006 and 86.4% in 2007. Excluding payroll expenses (which increased only slightly from the prior period) and selling costs, all operating expenses for SAS Individually Branded Airlines decreased compared to 2006.

Operating expenses for Widerøe decreased by 0.9% from 2006, amounting to SEK 2,625 million in 2007. The decrease was primarily attributable to lower handling costs and lower technical maintenance costs. Handling costs decreased largely as a result of the reduction in capacity by Widerøe in 2007 with the closure of certain routes. Technical maintenance costs decreased primarily due to cost reduction programs implemented by Widerøe in 2007.

Blue1 also realized a decrease in operating expenses from 2006, recognizing operating expenses of SEK 1,762 million in 2007, a decrease of 5.5% from the prior year. The decrease was primarily attributable to lower fuel costs, which benefited from a favorable average exchange rate against the USD during the year, and lower ground handling costs, primarily due to the decrease in passenger volume.

- Leasing costs for aircraft

Leasing costs for SAS Individually Branded Airlines decreased by SEK 32 million, or 12.0% from the prior period, primarily reflecting capacity adjustments by Widerøe and Blue1 in 2008 to focus on more profitable routes.

- Operating income

For the reasons stated above, operating income for SAS Individually Branded Airlines increased from SEK 70 million in 2006 to SEK 367 million in 2007, an increase of SEK 297 million.

SAS Aviation Services

The following table sets out the components of operating income for SAS Aviation Services for the periods indicated:

	Year ended 31 December		
	2006	2007	Change
	(SEK millions)		(%)
Revenue	14,308	14,192	(0.8)
Payroll expenses	(6,197)	(6,380)	3.0
Handling costs	(1,063)	(998)	(6.1)
Technical aircraft maintenance	(2,551)	(2,769)	8.5
Computer and telecommunications costs	(532)	(472)	(11.3)
Other operating expenses	(4,073)	(3,897)	(4.3)
Operating expenses	(14,417)	(14,515)	0.7
Depreciation, amortization and impairment	(316)	(257)	(18.7)
Share of income (loss) in affiliated companies	(40)	6	—
Capital gains (losses)	—	—	—
Operating income	(466)	(575)	23.4

• Revenue

Revenue from SAS Aviation Services decreased from SEK 14,308 million in 2006 to SEK 14,192 million in 2007, a decrease of SEK 116 million, or 0.8%, principally due to a decrease in revenue for SAS Cargo as a result of decreased volume due to increasing competition and overcapacity in the cargo market, which in turn led to downward pressure on prices and a loss of market share in the cargo market for SAS Cargo.

Revenue from SAS Ground Services increased from SEK 5,866 million in 2006 to SEK 6,055 million in 2007, an increase of SEK 189 million, or 3.2%, primarily due to an increase in volume of passengers, which increased by 3.8%, and flights handled, which increased by 2.3% from 488,000 flights in 2006 to 499,000 flights in 2007. The increase in services provided was largely attributable to services provided by SAS Ground Services to the Group's airlines. An increase in external customers and new products ordered by SAS Scandinavian Airlines also contributed to the increase in revenue.

Revenue from SAS Technical Services decreased from SEK 4,895 million in 2006 to SEK 4,874 million in 2007, a decrease of SEK 21 million, or 0.4%. Lower prices as a result of stiff competition and overcapacity in the sector negatively impacted revenue and external revenues decreased by 2.5 percentage points.

SAS Cargo revenue decreased from SEK 3,645 million in 2006 to SEK 3,336 million in 2007, a decrease of SEK 309 million, or 8.5%, reflecting increased competition in the sector and a decrease in market share based on volume of cargo, primarily in the international cargo market, as a result of the increase in both competition and capacity in the cargo market. While RTK increased from 5,676 million tonne km to 5,727 million tonne km, revenue decreased primarily as a result of the loss of Posten Norge as a customer to a competitor. The amount of flown tonnes decreased from 294,000 tonnes in 2006 to 279,000 tonnes in 2007, a decrease of 5.1%. The amount of freight and mail cargo decreased from 1,082 million tonne km in 2006 to 1,024 million tonne km in 2007, a decrease of 58 million tonne km, or 5.4%. Overcapacity in the cargo market also led to downward pressure on prices, also contributing to the decrease in revenue compared to the prior period. Overcapacity in the first eight months of the year, particularly in the cargo market to and from Asia, also negatively affected revenue in 2007. Industry capacity increased on routes to and from Scandinavia. However, SAS Cargo's capacity on these routes, particularly intercontinental cargo routes, decreased, resulting in a loss of market share. SAS Cargo's estimated share of intercontinental cargo capacity decreased from approximately 70% in 2006 to approximately 55% on routes to and from North America and decreased from approximately 35% in 2006 to approximately 27% on routes to and from Asia.

• Expenses

Operating expenses for SAS Aviation Services increased from SEK 14,417 million in 2006 to SEK 14,515 million in 2007, an increase of SEK 98 million, or 0.7%. Operating expenses exceeded revenues for the segment by SEK 109 million in 2006 and SEK 323 million in 2007. Increases in payroll expenses and costs for technical aircraft maintenance caused the increase in expenses from the prior year, as all other operating expenses for the segment decreased compared to the prior period. Payroll expenses increased from SEK 6,197 million in 2006 to SEK 6,380 million in 2007, an increase of SEK 183 million, or 3.0%, primarily due to an increase in the number of employees for SAS Ground Services needed to handle an increased number of passengers during the year. Costs for technical aircraft maintenance increased from SEK 2,551 million in 2006 to SEK 2,769 million in 2007, an increase of SEK 218 million, or 8.6%, principally as a result of investments in heavy maintenance of aircraft in 2007 necessitated by the age of the aircraft. The average age of the Group's aircraft as of 31 December 2007 was 11.7 years. The business implemented cost-cutting measures totaling SEK 37 million in 2007, which related primarily to reducing capacity and changes to existing agreements that led to lower prices for services, as well as a reduction in headcount for terminal and forwarding services.

Operating expenses for SAS Ground Services amounted to SEK 6,112 million in 2007, an increase of 4.4% from the prior year, primarily due to increased payroll expenses due to a higher number of employees hired in 2007 in line with the increased number of passengers and flights handled by the segment during the year.

SAS Technical Services operating expenses increased by 1.9% from 2006, amounting to SEK 5,184 million in 2007, largely as a result of increases in wages for additional skilled personnel hired to handle the increase in maintenance services for the Group's fleet.

Operating expenses for SAS Cargo decreased from 2006 by 6.3%, amounting to SEK 3,349 million in 2007. Operating expenses decreased principally due to lower volumes of cargo handled, primarily as a result of the loss of Posten Norge as a customer, the closure of the Copenhagen-Shanghai route by Scandinavian Airlines International, which led to lower costs for cargo transported in the belly of the aircraft (belly cargo), and the closure of the business' operations in Osaka, which eliminated costs payable to Lufthansa as the operating airline for the route to Osaka.

• Depreciation, amortization and impairment

Depreciation, amortization and impairment charges for SAS Aviation Services decreased by 18.7% from the prior period primarily reflecting an impairment charge of SEK 51 million taken in 2006 in relation to an intangible asset in the Group's subsidiary, RampSnake A/S.

• Operating income

For the reasons stated above, SAS Aviation Services reported an operating loss of SEK 575 million in 2007, compared to an operating loss of SEK 466 million in 2006, an increase of SEK 109 million, or 23.4%.

Liquidity and Capital Resources

Overview

The Group's principal sources of liquidity used to finance its capital and cash flow requirements have been a combination of cash flows from operations, commercial paper, bank loans, bond issues, subordinated loans, lease financings of aircraft, sale and leaseback transactions of aircraft and proceeds from the disposal of other fixed assets and divestitures of non-core businesses. Following the completion of the Rights Offering, these items, together with the proceeds of the Rights Offering, will continue to be the principal sources of liquidity for the Group.

The Group continually assesses whether its principal sources of liquidity will be sufficient to satisfy its projected cash flow and capital requirements, particularly in light of developing market conditions. The Group's cash flow and capital requirements are dependent on various factors, including (but not limited to) anticipated working capital needs, scheduled interest and principal repayments on its borrowings, costs associated with Core SAS, proceeds from planned divestitures and committed aircraft purchases.

Cash Flows

The following table sets forth the Group's consolidated cash flows for the periods indicated:

	Year ended 31 December		
	2006	2007	2008
	(SEK millions)		
Operating activities:			
Income before tax	169	1,044	(1,044)
Depreciation, amortization and impairment	1,740	1,457	1,591
Income from the sale of aircraft, buildings and shares	(79)	(46)	(4)
Income before tax in discontinued operations, excl. capital gain	522	(710)	(4,113)
Depreciation and impairments in discontinued operations	406	485	1,804
Other non-cash adjustments.	(149)	(15)	(64)
Income taxes paid	(65)	(38)	(19)
Cash flow from operating activities before changes in working capital	2,544	2,177	(1,849)
Change in:			
Expendable spare parts and inventories	(51)	11	42
Operating receivables	(439)	(397)	177
Operating liabilities	48	1,075	(1,021)
Cash flow from changes in working capital	(442)	689	(802)
Cash flow from operating activities	2,102	2,866	(2,651)
Investing activities:			
Purchase of tangible fixed assets	(2,056)	(2,219)	(3,721)
Shares and affiliates, intangible assets	(118)	(171)	(69)
Prepayments for flight equipment	(125)	(293)	(665)
Acquisition of non-controlling interests.	—	(225)	7
Total investments	(2,299)	(2,908)	(4,448)
Disposal of subsidiaries and affiliated companies	5,725	549	103
Sale of aircraft, buildings and shares	546	652	655
Proceeds from sale and leaseback transactions	3,472	1,387	1,166
Sale of other fixed assets, etc.	41	107	(389)
Cash flow from (used in) investing activities	7,485	(213)	(2,913)

	Year ended 31 December		
	2006	2007	2008
	(SEK millions)		
Financing activities:			
Proceeds from borrowings	1,900	—	6,500
Repayment of borrowings	(9,900)	(4,700)	(4,260)
Change in interest-bearing receivables and liabilities	562	208	240
Cash flow from financing activities	(7,438)	(4,492)	2,480
Net (decrease) / increase in cash and cash equivalents	2,149	(1,839)	(3,084)
Effect of foreign exchange rate on cash held in foreign currencies	(30)	29	(18)
Cash and cash equivalents reclassified to assets held for sale	—	(102)	(6)
Cash and cash equivalents at beginning of year	8,684	10,803	8,891
Cash and cash equivalents at end of year	10,803	8,891	5,783

Operating activities

Cash flow from operating activities was SEK 2,102 million in 2006 and SEK 2,866 million in 2007. Cash flow used in operating activities was SEK 2,651 million in 2008. The Group defines working capital as the difference between non-interest bearing assets (excluding intangible and tangible fixed assets) and non-interest bearing liabilities. As the Group's non-interest bearing liabilities exceed its non-interest bearing assets, working capital amounted to negative SEK 8,426 million as of 31 December 2008, compared to negative SEK 9,178 million as of 31 December 2007.

The cash outflow associated with the Group's working capital was SEK 802 million in 2008. This cash outflow was primarily due to a decrease in operating liabilities of SEK 1,021 million, reflecting fewer tickets sold during the period due to lower demand, particularly by business travelers – the Group's key customer segment, resulting in a corresponding decrease in unutilized ticket revenue. The decrease in operating liabilities was partially offset by a corresponding decrease in operating receivables of SEK 177 million, primarily reflecting lower customer receivables as fewer tickets were purchased in advance due to declining demand for air travel. The decrease in operating liabilities was further offset by cash inflows relating to a decrease in expendable spare parts and inventories of SEK 42 million in 2008.

In 2007, the cash inflow associated with the Group's working capital was SEK 689 million. The cash inflow was primarily attributable to an increase in operating liabilities of SEK 1,075 million, which was largely a result of higher unutilized ticket revenue in 2007, reflecting a greater number of tickets sold due to a period of stronger economic growth and demand in the Group's principal markets. The increase in operating liabilities was offset in part by a corresponding increase in operating receivables of SEK 397 million, attributable to more tickets purchased in advance by customers.

In 2006, the cash outflow associated with the Group's working capital was SEK 442 million. The cash outflow primarily resulted from an increase in operating receivables amounting to SEK 439 million as a result of higher customer receivables in 2006, reflecting more tickets purchased in advance amidst a period of stronger economic growth and demand for air travel. The cash outflow was also attributable to an increase in expendable spare parts and inventories of SEK 51 million in 2006. These cash outflows were offset in part by an increase in operating liabilities of SEK 48 million.

Investing activities

The Group's investing activities consist primarily of capital expenditures for the acquisition of aircraft and related equipment and expenses. In 2008, investment for the year amounted to SEK 4,448 million, compared to SEK 2,908 million in 2007 and SEK 2,299 million in 2006.

For 2008, cash flow used in investing activities was SEK 2,913 million, compared to cash flow used in investing activities of SEK 213 million in 2007, an increase of SEK 2,700 million. Total cash outflows for investment activities amounted to SEK 4,448 million in 2008, of which SEK 3,721 million related to purchases of tangible fixed assets, such as aircraft (including the repurchase of 14 Q400 aircraft in preparation for the future sale of these aircraft), and SEK 665 million related to prepayments for flight equipment. See "—Capital Expenditures" below. The Group received cash inflows of SEK 103 million from the sale of subsidiaries and ownership interests in affiliated companies during the period, which included the sale of airBaltic. The Group also received cash inflows of SEK 1,166 million from the sale and leaseback of five Boeing 737 aircraft during 2008.

For 2007, cash flow used in investing activities was SEK 213 million. Total cash outflow for investment activities amounted to SEK 2,908 million in 2007. Purchases of tangible fixed assets, including purchases of aircraft, represented the greatest cash outflows for investing activities in 2007, totaling SEK 2,219 million, as further described under "—Capital Expenditures" below. The Group experienced a cash outflow of SEK 225 million in 2007, relating to the acquisition of the remaining minority interests in Spanair and AeBal, making these companies wholly owned subsidiaries of the Group. These cash outflows were offset by sales of aircraft, buildings and shares and the proceeds of sale and leaseback transactions in 2007, which generated cash inflows of SEK 652 million and SEK 1,387 million, respectively. See "—Results of Operations—Years Ended 31 December 2006 and 31 December 2007—Income from the sale of aircraft and buildings" above for a description of the assets sold in 2007. The Group also generated cash inflows from the disposal of subsidiaries, relating to the sale of SAS Flight Academy and Newco, of SEK 549 million in 2007.

For 2006, cash flow from investing activities amounted to SEK 7,485 million. Total cash outflows for investment activities amounted to SEK 2,299 million. Purchases of tangible fixed assets, including aircraft, represented the greatest portion of investments in 2006, amounting to SEK 2,056 million. See "—Capital Expenditures" below for a description of these investments. The Group generated SEK 5,725 million in cash from the disposal of subsidiaries in 2006, primarily attributable to the listing and sale of 91% of the Group's interest in Rezidor Hotel Group, as well as the sale of Norwegian Aviation College. The Group received SEK 3,472 million in proceeds from sale and leaseback transactions, and cash inflows from the sale of aircraft, buildings and shares amounted to SEK 546 million in 2006. See "—Results of Operations—Years Ended 31 December 2006 and 31 December 2007—Income from the sale of aircraft and buildings" for a description of the assets sold in 2006.

Financing activities

Financing activities resulted in cash inflows totaling SEK 2,480 million in 2008. Financing activities used cash totaling SEK 4,492 million in 2007 and SEK 7,438 million in 2006. In 2008, the cash inflows from financing activities resulted from proceeds of borrowings of SEK 6,500 million. These cash inflows from borrowings were offset in part by repayments of borrowings in 2008 amounting to SEK 4,260 million, resulting in a decrease in cash. The cash used in 2007 largely reflects repayments of the Group's long-term and short-term borrowings of SEK 4,700 million. The cash used in 2006 principally reflects repayments of SEK 9,900 million in relation to borrowings, primarily attributable to the repayment of loans in connection with the sale of aircraft. The change in interest-bearing receivables and liabilities of SEK 562 million in 2006 was primarily attributable to the decrease in interest-bearing liabilities as a result of the repayment of a short-term loan in the amount of SEK 1,048 million in relation to the disposal of SAS Component Group in 2005.

See "—Borrowings" below for additional information as to the Group's financing activities.

Capital Expenditures

The Group incurred capital expenditures in its investments in aircraft, buildings, equipment and other tangible fixed assets of SEK 4,448 million in 2008, SEK 2,908 million in 2007 and SEK 2,299 million in 2006.

In 2008, capital expenditures included SEK 2,995 million in investments in aircraft, reflecting the repurchase of 14 Q400 aircraft, which had been previously sold in sale and leaseback transactions, in preparation for their later sale as this model is to be discontinued in the Group's fleet. The Group further purchased seven Boeing 737 aircraft, five MD87 aircraft and one CRJ-900 aircraft. Prepayments for future deliveries of aircraft amounted to SEK 665 million in 2008.

In 2007, capital expenditures included SEK 1,310 million in investments in aircraft, reflecting the purchase of three Boeing 737 aircraft (one of which was previously leased pursuant to an operating lease contract), two Airbus A319 aircraft and one Airbus 321 aircraft. Five of these aircraft were included in sale and leaseback transactions.

The Group spent SEK 846 million on investments in aircraft in 2006, purchasing two Airbus 319 aircraft and four Douglas MD-80 aircraft. A Boeing 737 aircraft previously leased under an operating lease contract was also purchased.

The Group expects to incur a total of approximately SEK 5,000 million in capital expenditures during 2009 and 2010, the majority of which reflects investments in aircraft. In connection with Core SAS, the Group expects to limit capital expenditures on its fleet through 2013. The Group believes that the age and cycles (estimated by the number of landings) of its aircraft will not require the Group to renew its fleet significantly until the year 2020. Additionally, approximately 70% of the Group's fleet is leased, and almost 100 of those aircraft leases will expire before the end of 2011. The Group currently has 21 firm orders for new aircraft, which primarily relate to the replacement of the Q400 aircraft that were grounded in 2007, and the Group has already secured financing for a large portion of these orders. See "Business Overview—Core SAS—Strengthen the Group's Capital Structure."

Borrowings

The Group's total indebtedness (including the current portion of long-term loans and excluding liabilities associated with assets held for sale) as of 31 December 2008 was SEK 15,761 million, compared to SEK 8,744 million as of 31 December 2007 and SEK 16,420 million as of 31 December 2006. The increase in indebtedness of 80.3% from 31 December 2007 was primarily due to an increase in other loans of SEK 6,599 million and an increase in short-term liabilities of SEK 768 million. The increase in other loans primarily reflected the utilization of available credit facilities (see "—Other available borrowing facilities") by the Group in 2008 to finance current operations. Short-term liabilities increased primarily due to issuances of commercial paper by the Group in 2008, as well as the utilization of available overdraft facilities and other short-term loans. Liabilities attributable to assets held for sale decreased by SEK 2,858 million from the prior period, primarily reflecting higher liabilities attributable to assets held for sale in 2007 related to Spanair. As the terms of the divestiture agreed upon in 2008 provide that the purchasers will acquire a majority interest in Spanair without assuming its liabilities, Spanair's liabilities were not included in liabilities attributable to assets held for sale in 2008 (and are thus included in other loans).

The Group's indebtedness comprises primarily subordinated loans, bond issues under the Group's EUR 1,000,000,000 medium-term notes program ("**EMTN Program**"), other loans and short-term loans. The Group's loans and bonds are denominated in various currencies, including SEK, USD, EUR, NOK and Swiss francs (CHF). To manage both the interest rate risk and currency risk of its indebtedness, the Group uses derivative instruments as part of its risk management policies. See "—Risk Management Policy" below. The following table sets out the Group's indebtedness as of the periods indicated:

	As of 31 December		
	2006	2007	2008
	(SEK millions)		
Subordinated loans	716	693	953
Bond issues	7,135	2,079	2,212
Other loans	5,685	3,936	10,535
Current portion of long-term loans	841	1,615	872
Short-term liabilities	2,043	421	1,189
Total borrowings	16,420	8,744	15,761

Subordinated loans

The Group has subordinated debt securities originally issued in the amount of CHF 200 million during the 1985-86 fiscal year. There is no set maturity date for these securities. The interest rate on the securities is fixed for 10-year periods and amounts to 2.375% from January 2006. The Group has the exclusive right to call the securities every fifth year. When the securities are called in connection with an interest rate reset, the Group is entitled to repurchase the bonds at 100% of their nominal value. If the securities are called within five years after an interest rate reset date, the repurchase price for the bonds is 102.5% of their nominal value. The Group repurchased CHF 73 million of the securities in prior years and the current outstanding balance of the securities is CHF 127 million, or SEK 934 million.

The interest rate on the bonds has been swapped from a fixed rate to a floating rate through an interest rate swap, the maturity date of which is ten years from the date of the last interest reset date on the bonds (January 2006). The interest rate portion of the bonds is hedged against changes in the fair value of the bonds pursuant to a fair value hedge under IAS 39, and the fair value, with respect only to the interest rate of the bonds, amounted to SEK 953 million as of 31 December 2008.

The subordinated debt securities are listed on the Basel Stock Exchange, the Geneva Stock Exchange and the Swiss Stock Exchange and as of 31 December 2008, the total market value for the securities was CHF 42 million, or SEK 308 million.

Bond issues

The following table sets forth the Group's outstanding bonds as of 31 December 2008:

Outstanding Issued Amount (millions)	Interest Rate (%)	Issue Date/Maturity	Outstanding Debt Currency (millions)	Book Value in SEK millions (1)
EUR 108.0	7.725 (2)	2003/2010	EUR 104.1	1,139
SEK 200.0	8.068 (2)	2005/2010	SEK 199.8	200
NOK 454.0	9.860 (2)	2005/2010	NOK 452.6	499
NOK 265.5 (3)	7.000	2005/2010	NOK 265.5	294
NOK 50.0 (3)	7.000	2005/2010	NOK 49.6	55
NOK 17.0 (3)	7.000	2005/2010	NOK 16.9	19
NOK 213.0	9.856 (2)	2006/2010	NOK 5.9	6
Total				**2,212**

(1) Converted to SEK on the basis of the applicable exchange rate on 31 December 2008. The bonds are carried at book value calculated as amortized costs, except those designated as fair value hedges (see note 3 below), which are carried at fair value. Book value reflects current amortized cost of the bonds, the value of which will accrete to the full principal amount of the bonds over the term of the bonds.

(2) Interest rate on 31 December 2008. The floating interest rate on the bonds resets every three months.

(3) The bonds comprise part of a fair value hedge and are carried at fair value with respect to the hedged risk.

The bonds listed in the table above were issued under the EMTN Program. The SAS Consortium is the issuer under the EMTN Program and the terms of the program allow the SAS Consortium to issue bonds with fixed or floating interest rates or no interest, and denominated in any currency. The bonds are governed by English law. The terms of the bonds include an undertaking by the SAS Consortium not to create or have outstanding any mortgage, charge, pledge, lien or other security interest on any of its present or future assets, revenues or uncalled capital to secure present or future debt securities issued by the SAS Consortium, unless such security interest is extended equally and rateably to all amounts payable by the SAS Consortium under the notes issued under the EMTN Program or such security interest is approved by the holders of the notes. The terms of the bonds also include certain events of default, including a cross-default provision in the event of a default by the SAS Consortium under the terms, or in the performance, of any indebtedness in excess of EUR 50,000,000. As of 31 December 2008, the aggregate principal amount of bonds outstanding under the EMTN Program was SEK 2,212 million.

Other loans

Other loans include finance leases for aircraft and the utilized portions of available credit facilities for the Group (see "—Other available borrowing facilities" below). The total book value of finance leases (before amortization and including liabilities attributable to assets held for sale) as of 31 December 2008 was SEK 4,210 million, compared to SEK 3,818 million as of 31 December 2007 and SEK 4,470 million as of 31 December 2006. As all finance leases are denominated in USD, the increase in finance leases from 2007 was primarily attributable to the SEK-USD exchange rate at period end, which was SEK 7.75 per USD as of 31 December 2008, compared to SEK 6.47 per USD as of 31 December 2007.

Short-term liabilities

The Group's short-term liabilities include commercial paper, bank loans and overdraft facilities. As of 31 December 2008, the Group had issued commercial paper totaling SEK 646 million, compared to none as of 31 December 2007 and SEK 1,108 million as of 31 December 2006.

Other available borrowing facilities

As of 31 December 2008, the Group had revolving credit facilities and bilateral bank facilities totaling SEK 9,737 million, and had a total of SEK 6,695 million drawn under these facilities. The following table sets forth the Group's available credit facilities as of 31 December 2008:

Facility	**Total facility**	**Utilized facility**	**Unutilized facility**	**Maturity date**
		(SEK millions)		
Revolving credit facility (EUR 366 million) (1), (2)	4,002	4,002	—	2010
Revolving credit facility (NOK 90 million) (1), (3)	99	99	—	2011
Revolving credit facility (USD 156 million) (1), (2), (3)	1,209	1,157	52	2011
Revolving credit facility (USD 125 million) (1), (3)	969	929	40	2013
Credit facility (USD 213 million) (1), (3), (4)	1,648	165	1,483	2009
Bilateral bank facilities (2)	500	—	500	2011
Bilateral bank facilities (2)	500	—	500	2009
Bilateral bank facilities (2)	250	—	250	2010
Other facilities (1), (5)	560	343	217	2009
Total	9,737	6,695	3,042	

(1) Amounts for non-SEK credit facilities in the table above were converted at the exchange rate for the relevant currency against SEK as of 31 December 2008.

(2) The Group has negotiated with the lenders to amend the terms of the facility, subject to completion of the Rights Offering, to extend the maturity date and amend the terms of financial covenants included in the facility agreement.

(3) Secured facility.

(4) Since 31 December 2008, the Group has drawn down an additional SEK 44 million under this facility.

(5) Includes credit lines to Spanair for which the Group has provided a guarantee of a total facility amount of SEK 131 million, of which SEK 77 million was utilized and SEK 54 million remained unutilized as of 31 December 2008.

The Group has entered into the facilities listed in the table above for the purposes of funding general corporate activities and financing aircraft purchases and other commitments. Under certain agreements entered into for the financing of aircraft purchases, aircraft are subject to a security interest to secure the obligations of the borrower. Approximately SEK 3,925 million of the credit facilities listed in the table above is secured by security interests over certain aircraft. The Group has also provided guarantees and irrevocable undertakings for the performance and financing activities (including leasing activities) of the borrowing entities under the credit facilities listed in the table above, as the Group is not the direct borrower under these facilities.

The agreements governing these facilities include customary representations and warranties, covenants, notice provisions and events of default, including change of control and cross-defaults to other debt. The facility agreements also contain certain financial covenants that require the Group to maintain a certain level of liquid assets and maintain certain financial ratios (such as the ratio of the Group's equity to its total assets and the ratio of the Group's adjusted financial net debt to its adjusted EBITDAR) at levels specified in the agreements. These financial covenants are tested on a quarterly basis. To address the difficulties posed by current market conditions, the Group recently negotiated with its lenders to amend the terms of certain of the credit facilities listed in the table above to extend the maturity dates of these facilities and amend the terms of financial covenants included in the facility agreements, including the definition of liquid assets and required levels for certain financial ratios. These amendments are subject to the completion of the Rights Offering.

If the Group fails to maintain these financial covenants, or otherwise defaults under these agreements, any undrawn amounts under these facilities may become immediately due and payable and the facilities terminated. See "Risk Factors—Risks related to the Group—Any default of obligations under, or breach of the financial covenants in, the Group's loan agreements would have a material adverse effect on the Group's business, financial condition and results of operations."

Schedule of Obligations

The following table shows the Group's contractual obligations as of 31 December 2008 (in SEK millions):

	Total	Payments due by period		
		Less than 1 year	1-5 years	More than 5 years
Subordinated loans (1)	1,112	22	89	1,001
Bond issues (1)	2,560	153	2,407	—
Other loans (1)	12,844	1,235	10,679	930
Short-term debt (1), (2)	770	770	—	—
Derivatives	792	768	19	5
Aircraft operating leases	11,457	2,352	5,392	3,713
Other operating leases	9,713	1,075	3,812	4,826
Order commitment for aircraft incl. advance payments	3,411	3,010	401	—
Restructuring payments	298	113	185	—
Other	49	49	—	—
Total (3), (4)	43,006	9,547	22,984	10,475

(1) These borrowings include interest costs. Certain of these borrowings require the Group to comply with restrictive debt covenants. While the Group does not anticipate a violation of these covenants, any violation of such covenants could result in the acceleration of these payments.

(2) Includes current portion of long-term debt, issued commercial paper and overdraft facilities.

(3) This table does not reflect: (i) outstanding purchase orders for products or services entered into in the normal course of business and (ii) pension obligations due to the unpredictability of the timing of the payment.

(4) Certain of these obligations are denominated in currencies other than SEK, and have been translated from foreign currencies into SEK based on the rate in effect as of 31 December 2008. As a result, the actual payments will vary based on any change in exchange rate.

The table above does not include additional borrowings entered into by the Group between 1 January 2009 and 13 March 2009 totaling SEK 1,003 million, which reflect an additional issuance of commercial paper by the Group amounting to SEK 663 million and an additional SEK 340 million drawn down under the Group's available borrowing facilities. Between 1 January 2009 and 13 March 2009, the Group has also repaid SEK 779 million in relation to its issued commercial paper.

Working Capital

As described above, the Group has historically managed its liquidity needs through a combination of operating cash flows and long term borrowings. To fund its working capital needs, the Group had cash and short-term investments amounting to SEK 5,783 million and and undrawn available borrowings facilities of SEK 3,042 million as of 31 December 2008. The Group's working capital and its capital resources are, in the opinion of the Group, sufficient for the Group's requirements for a period of twelve months from the date of this Offering Memorandum.

Off-Balance Sheet Arrangements

The Group uses certain off-balance sheet arrangements with unconsolidated third parties in the ordinary course of business, including guarantees and indemnification agreements.

As of 31 December 2008, the Group had guarantees of SEK 623 million, consisting primarily of guarantees for aircraft leases of SEK 213 million, as well as SEK 410 million in relation to guarantees for credit arrangements with suppliers and other arrangements with respect to operating activities. Of these guarantees, SEK 448 million represented contingent liabilities of the Group in relation to Spanair as of 31 December 2008. These guarantees include SEK 378 million in guarantees for credit arrangements of Spanair with suppliers and other arrangements with respect to its operating activities (such as credit arrangements with respect to the payment of government user fees) and SEK 70 million in guarantees for leases for aircraft.

Risk Management Policy

The nature of the Group's business operations exposes it to foreign exchange, interest rate, credit and liquidity and jet fuel price risks. All risk management is handled centrally and in accordance with the financial policy established by the Group's Board of Directors.

The Group uses derivative instruments as part of its risk management to limit its exposure to certain market risks, including fluctuations in currency exchange rates, interest rate volatility and changes in jet fuel prices.

As described below, the Group uses derivatives instruments to limit its exposure to certain market risks in accordance with its risk management policy. Derivative instruments are initially recorded at fair value, and the changes in fair value are either recorded in the income statement or shareholders' equity, depending on whether or not the instrument is designated as a hedge for accounting purposes.

If a derivative is designated as a cash flow hedge, which include derivative transactions entered into to hedge risk relating to jet fuel costs, currency exchange rate fluctuations in relation to aircraft purchasing obligations and commercial cash flows and exposure to variable interest rate swap transactions, changes in the fair value of the derivative are recognized in a hedging reserve in shareholders' equity. As the derivative matures, the amount of any deferred gains or losses is recorded in the income statement in the same line item as the corresponding hedged item.

If a derivative is designated as a fair value hedge, which include derivatives that convert the Group's fixed rate interest exposure to floating rate, the change in fair value is recorded directly in the income statement. The impact on the income statement is recorded in financial income and expenses, together with the change in the fair value of the hedged borrowings. Hedges of net investments are accounted for similarly to cash flow hedges. Changes in the fair value of a derivative instrument not designated as a hedge for accounting purposes are recorded directly in the income statement. In addition, the ineffective portion of cash flow hedges is recorded directly in the income statement.

Currency Risk

The Group has currency exposure to both transaction risk and translation risk.

Transaction risk arises on net cash flows denominated in currencies other than SEK. This exposure primarily relates to future sales of aircraft and cash flows associated with commercial flows and indebtedness. The principal foreign currencies to which the Group is exposed to currency rate fluctuations are USD, NOK and DKK. To manage the transaction risk, projected cash flows in foreign currencies are hedged by the use of currency derivatives. According to the Group's risk management policy, the Group hedges between 60% and 90% of its projected cash requirements for the following twelve months for its commercial operations and hedges the currency risk associated with the cash flows in connection with future aircraft sales by entering into foreign currency derivatives with a nominal value of between 20% and 80% of the book value of its current aircraft fleet. In addition, the Group may hedge up to 80% of the purchase price of new aircraft under purchase agreements that are denominated in USD.

Translation risk arises due to the conversion of balance sheet items denominated in foreign currencies to SEK, the Group's reporting currency. To limit translation risk, the Group aims to maintain financial net debt (interest-bearing assets and liabilities) in the reporting currency of the respective subsidiary for reporting purposes. The Group hedges its net investment in foreign subsidiaries through borrowings and derivative instruments.

The Group has a net deficit between its revenue and costs denominated in certain currencies, mainly in USD and DKK. The Group's largest deficit currency is USD, as major expenses such as jet fuel costs and leasing charges are paid in USD. In 2008, the USD weakened, while the EUR strengthened, against the Group's largest surplus currencies: SEK and NOK. In December 2008, the Group had hedged approximately 66% of the projected 2008 USD deficit with forward contracts and options that mature in 2009. The following table sets forth the currency breakdown for the Group in 2008:

Currency	Net deficit / surplus
	(SEK millions)
USD	(12,467)
DKK	(1,613)
NOK	7,124
SEK	4,082
EUR	252
British pounds sterling (GBP)	931
Other	1,967

The Group's operating income and income before tax are significantly affected by fluctuations in exchange rates. The following table illustrates the change in the Group's income before tax in 2008 and 2007 from the prior year assuming constant exchange rates from the prior year:

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

The following table illustrates the net currency effect on net income based on sensitivity of the Group's revenues and expenses to fluctuations in the exchange rate between SEK and the following currencies (excluding the effect of any hedging arrangements). The figures in the table below were determined on the basis of the Group's net cash flows in 2008 in each currency.

Currency	Group total
	(SEK millions)
1% weakening of SEK against USD	(120)
1% weakening of SEK against NOK	70
1% weakening of SEK against DKK	(15)
1% weakening of SEK against EUR	< 1

As of 31 December 2008, the outstanding nominal amount of currency derivatives used by the Group totaled SEK 29,747 million, compared to SEK 25,836 million as of 31 December 2007. As of 31 December 2008, the accumulated effect of these cash flow-hedged currency derivatives recognized in equity was SEK 814 million, compared to negative SEK 159 million as of 31 December 2007 in relation to currency derivatives for projected commercial cash flows, and SEK 207 million, compared to SEK 952 million in relation to currency derivatives for cash-flow hedged loans and derivatives relating to future aircraft sales.

Interest Rate Risk

The Group is exposed to interest rate risk on its financial net debt (interest-bearing assets and liabilities). The Group's borrowings include borrowings that bear interest at both fixed and floating rates. The Group's policy is to manage interest rate risk based on current market conditions and, where appropriate, the Group enters into interest rate derivatives to limit the risk. Historically, based on the percentage of the Group's borrowings that bore interest at fixed rates, the Group's policy was for the average fixed interest term of the financial net debt to correspond to 3.5 years. However in late 2008, the Group significantly increased its percentage of borrowings under its available revolving credit facilities that bear interest at floating rates. Based on the revolving nature of these borrowings, and on prevailing market interest rates, the Group has not entered into any interest rate derivatives associated with these borrowings. As a result, the average fixed interest term during 2008 was approximately 2.6 years, compared to 3.8 years during 2007. At the end of 2008, the fixed interest term was 0.4 years, compared to 2.5 years at the end of 2007, reflecting the greater percentage of the Group's borrowings at year-end 2008 bearing interest at floating rates.

Illustrating the Group's sensitivity to changes in interest rates, a 1% increase in market interest rates would have a negative effect of SEK 19 million on the Group's net income (calculated on the basis of the Group's net debt at the end of 2008). Conversely, a 1% decline in market interest rates would have a positive effect of SEK 20 million on the Group's earnings (calculated on the basis of the Group's net debt at the end of 2008).

The Group uses different types of interest rate derivative instruments to manage interest rate exposure, such as forward rate agreements, futures, interest rate swap contracts and currency interest swap contracts. As of

31 December 2008, the Group had an outstanding nominal amount of interest rate derivatives of SEK 12,875 million, compared to SEK 10,309 million as of 31 December 2007. As of 31 December 2008, the accumulated effect of these cash flow-hedged interest derivatives recognized in equity was negative SEK 18 million, compared to SEK 1 million as of 31 December 2007.

Credit Risk

The Group's financial transactions give rise to exposure to credit risk vis-à-vis its financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations. The Group's financial policy prescribes that transactions may be entered into only with counterparties with high creditworthiness, defined as those counterparties with a Moody's long-term/short-term credit rating of A3/P-1 or better.

Limits are set for each individual counterparty and the aggregate exposure to counterparties by each rating category are continually revised. To further reduce counterparty risk, ISDA swap agreements (netting agreements) are entered into with most counterparties, which net the aggregate amounts payable to or due from each counterparty under the Group's various swap agreements with that counterparty in the event of the bankruptcy of the counterparty. The Group also seeks to manage its exposure to the creditworthiness of counterparties on the basis of geographical concentration. As of 31 December 2008, approximately 86% of the Group's credit-related exposure was geographically concentrated in the Nordic region. The breakdown of the remaining credit exposure was 7% in the rest of Europe and 7% in the rest of the world.

The maximum credit exposure for derivative instruments is matched by book value. For short-term investments, the size of the credit risk is measured at its book value. The following table illustrates the distribution of the Group's counterparty risk for its short-term investments in 2008:

Rating (Moody's)	Book value (SEK millions)
Aaa/P-1	—
Aa1/P-1	3,459
Aa2/P-1	213
Aa3/P-1	—
A1/P-1	100
A2/P-1	100
A3/P-1	—
Total	3,872

The credit risk with respect to the Group's accounts receivables is distributed 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 Risk

Liquidity and borrowing risk refers to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic. The Group's goal is to maintain financial preparedness at a level equal to no less than 20% of revenues in order to meet current liquidity needs, of which at least half is to be held in cash and short-term investments. Financial preparedness is comprised of cash and short-term investments, plus the total amount of unutilized credit facilities. The Group's short-term investments are held in instruments with good liquidity or short maturity with a Moody's credit rating no lower than A3/P-1. As of 31 December 2008, financial preparedness amounted to SEK 8,825 million, with cash and short-term investments amounting to SEK 5,783 million and total unutilized credit facilities amounting to SEK 3,042 million. This provides a level of financial preparedness of 16.6%.

The following table sets forth the Group's borrowings as of 31 December 2008, in SEK millions:

	Payments due by period			
	Up to 3 months	3-12 months	1-5 years	Over 5 years
	(SEK millions)			
Subordinated loans	22	—	89	1,001
Bond issues	39	114	2,407	—
Other loans	198	459	7,322	156
Finance leases	111	467	3,357	774
Short-term loans	770	—	—	—
Total	**1,140**	**1,040**	**13,175**	**1,931**

The amounts disclosed above are the remaining contractual undiscounted cash flows for the Group's financial liabilities, based on the earliest date on which they could become payable by the Group. The above table includes both interest and nominal amounts.

Jet Fuel Pricing Risk

A principal operating expense for the Group is the cost of jet fuel, and the Group is exposed to fluctuations in jet fuel prices, which have experienced a high degree of volatility during the past three years. See "—Factors Affecting the Group's Financial Condition and Results of Operations—Volatility in Jet Fuel Costs." To manage this risk, the Group enters into long-term contracts for the purchase of jet fuel, however certain of these contracts are based upon the current market price for jet fuel. The Group uses fuel derivatives, such as options and swaps, to manage the remaining price risk relating to jet fuel. According to the Group's risk management policy, the Group hedges between 40% and 60% of its anticipated consumption of fuel in the coming 12-month period. The Group has entered into derivative contracts covering approximately 45% of the Group's projected fuel needs for 2009. In 2008, jet fuel accounted for approximately 19.3% of the Group's operating expenses, compared to slightly more than 17% in 2007. The Group's exposure to changes in jet fuel prices has increased primarily as a result of higher jet fuel prices in recent years and increased volatility in the global oil market, as the price of jet fuel follows the price of crude oil. In 2008, the Group's outlay for jet fuel amounted to SEK 9,637 million, compared to SEK 7,554 million in 2007. Adjusted for positive currency effects owing to a weaker USD for most of 2008, fuel costs rose by SEK 2,323 million due to higher prices and increased volume of fuel consumed.

By hedging the price of jet fuel, the Group is able to conduct its operations with more predictability and mitigate the effects of sudden price movements. Illustrating the sensitivity of the Group to changes in the price of jet fuel associated with its jet fuel derivatives, a 10% increase in the price of jet fuel as of 31 December 2008, all other factors being equal, would have had a positive effect on equity of SEK 166 million, compared to SEK 260 million as of 31 December 2007, while a 10% decrease in the price of jet fuel would have had a negative effect on the Group's equity of SEK 161 million as of 31 December 2008, compared to SEK 305 million as of 31 December 2007. As of 31 December 2008, the Group had an outstanding nominal amount of fuel derivatives totaling SEK 7,033 million, compared to SEK 5,835 million as of 31 December 2007. As of 31 December 2008, the accumulated effect of these cash flow-hedged jet fuel derivatives recognized in equity was negative SEK 1,662 million, compared to SEK 393 million as of 31 December 2007. The effect of these derivatives upon completion of the underlying transaction is recorded in the income statement under costs for jet fuel. As a result of the significant decrease in jet fuel prices during late 2008, the Group's hedging reserve in shareholders' equity as of 31 December 2008 included accumulated fair value losses (excluding discontinued operations) relating to cash flow hedges for fuel derivatives of SEK 1,759 million, which will affect the Group's income statement in 2009.

The Group, like many other European airlines, has imposed fuel surcharges on ticket costs to help defer the significant increases in fuel prices in recent years. However, due to the one to two month time lag between any increase in the price of jet fuel and the corresponding increase in fares, surcharges do not fully protect against sudden changes in fuel prices. Further, such surcharges may also have a negative effect on passenger revenues if higher surcharges cause demand for air travel to decline.

Recent Developments and Current Market and Industry Trends

Developments after Full Year 2008

In January 2009, the Group entered into amended collective bargaining agreements with the unions representing the Group's cabin crew, pilots and ground staff. See "Business Overview—Core SAS—Improve the Group's Cost Base" and "Business Overview—Employees."

The Group entered into a definitive agreement regarding the sale of Spanair to a group of investors based in Catalonia, Spain, on 30 January 2009. The sale is expected to be completed in the first quarter of 2009 and is subject to certain conditions, such as the receipt of regulatory approvals. See "—Summary of Divestitures" above.

On 1 February 2009, the Group completed the divestiture of Cubic Air Cargo, which the Group sold to NordicGSA ApS for a purchase price of SEK 5 million. The sale of Cubic Air Cargo, which includes Cubic Air Cargo's staff and cargo sales activities in the Nordic and Baltic regions, is in accordance with the implementation of Core SAS and the Group's strategy to focus on core airline operations.

In February 2009, the Group is in discussions with ISS A/S, a Danish business services company, in relation to the potential sale of SAS Ground Services Finland, one of the Group's wholly-owned subsidiaries. The Group and ISS executed a letter of intent concerning the commercial terms of the potential sale. Before a final agreement can be entered into, a due diligence process has to be completed by both parties. This process is expected to be finalized in May 2009.

Estonian Air, in which the Group owns 49% of the shares, has resolved to conduct a rights offering of approximately EUR 7.3 million in order to provide for additional liquidity to fund the future cash flow and capital requirements of the company. The Group will, in order to seek to protect the value of its ownership stake in Estonian Air, participate in the rights offering and subscribe for its pro rata portion of the shares to be issued in the rights offering, by converting EUR 2.4 million of outstanding loans to Estonian Air into equity in the company and by a cash payment of EUR 1.2 million. The other shareholders of Estonian Air, the Estonian state (34%) and AS Cresco (17%), have undertaken to participate in the rights offering and subscribe for their respective pro rata portions of the shares to be issued in the rights offering. The Group intends to proceed with its plans to divest its interest in Estonian Air in accordance with Core SAS.

Current Market and Industry Trends

The airline market in January and February 2009 was characterized by lower demand due to declining macroeconomic conditions, both in the Nordic region and worldwide. The Group's business is seasonal in nature, and the Group has historically experienced lower demand in the period from December to February. The Group's total passengers and RPK in January 2009 declined by approximately 18% and 15%, respectively, compared to January 2008. Total passengers and RPK in February 2009 both declined by approximately 20% compared to the comparable period in 2008. In response to this declining market demand and weaker economic environment, the Group adjusted capacity on its routes, and ASK decreased as a result by 10% in January 2009 and 12% in February 2009, compared to the same months in 2008. As a result of these developments, the Group's passenger load factor declined from 63.1% in January 2008, to 60.7% in January 2009, and from 68.0% in February 2008, to 61.9% in February 2009.

Adjusted for currency exchange rate fluctuations by assuming a constant exchange rate in order to provide greater comparability with the prior period, passenger yield for SAS Scandinavian Airlines improved by 1% in January 2009 compared to January 2008. The Group expects passenger yield to be slightly more positive in February 2009 compared to the comparable prior period. The Group will report passenger yield for February 2009 in its traffic figures for March 2009. Notwithstanding the challenging market environment and weakening demand during these months, the Group has been able to improve passenger yield by reducing capacity on, or eliminating, unprofitable leisure routes and focusing capacity on business-oriented routes, which tend to generate more purchases of higher-yielding tickets, such as business class and Economy Extra tickets.

The Group expects a number of factors to continue to have a negative impact on the Group's results of operations in 2009, primarily the weakening trend in GDP, which will continue to impact demand for air travel, and the risk of higher oil prices, combined with a stronger USD in 2009. The Group expects that economic growth in 2009 will be negative, as official forecasts have been revised to reflect a downward economic trend in both the Nordic region and in the global economy. Accordingly, the Group anticipates that the number of passengers traveling by air to, from and within the Nordic region will decline in 2009 compared to 2008. The Group also anticipates continued uncertainty with respect to jet fuel prices, although prices have fallen substantially in line with the weakening of the global economy. Although the Group can make no assurances that the measures under Core SAS will be fully successful, the Group believes that the measures being implemented in connection with Core SAS will help to alleviate these trends.

Recently Issued Accounting Pronouncements

The IASB and the International Financial Reporting Interpretations Committee ("**IFRIC**") issued the following standards and interpretations, which will become effective after the date of the Group's financial statements included in this Offering Memorandum and which Group Management believe will have a significant effect on the presentation of its financial statements.

IFRIC 13 'Customer Loyalty Programs'

IFRIC 13 addresses accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. IFRIC 13 applies to sales transactions in which an entity grants its customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The interpretation requires that an entity recognize credits that it awards to customers as a separately identifiable component of revenue, which would be deferred as of the date of the initial sale. IFRIC 13 is effective for annual periods beginning after 1 July 2008. The portion of the ticket price allocated to award points is required to be measured at fair value and recognized against revenue in the period in which the program member redeems bonus points for rewards. The fair value of the future reward flights is based on the lowest price offered to paying passengers.

As a result of the adoption of IFRIC 13, the Group's reserve in relation to the EuroBonus program as of 1 January 2009 increased to SEK 1,883 million, compared to a provision of SEK 507 million as of 31 December 2008. In accordance with IAS 8, the Group will restate its comparative financial information to present the financial statements on a consistent basis of accounting. Accordingly, the effect of the adoption of IFRIC 13 will be reflected cumulatively as of 1 January 2008 directly in shareholders' equity. In terms of the impact of the adoption of IFRIC 13 on the Group's operating income in 2009, points earned by EuroBonus members in 2009 will be reflected in the reserve at a higher cost, but these higher costs will be offset by revenues recognized by the Group in subsequent periods at the higher price under IFRIC 13. Assuming the same volumes of points will be earned and redeemed by EuroBonus members in 2009 as in 2008, the Group estimates that the net effect of the adoption of IFRIC 13 on operating income in 2009 will be SEK 25 million.

IFRS 8 'Operating Segments'

IFRS 8, which is effective for financial years beginning on or after 1 January 2009 (subject to EU endorsement), requires a "management approach" to financial reporting by operating segments, under which segment information is presented on the same basis as that used for internal reporting purposes. As part of Core SAS, the Group will reorganize its business segments and its business segment financial reporting structure. Accordingly, IFRS 8 will require that the Group present financial information for each business segment based on internal reporting for management purposes as reorganized under Core SAS.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

Share Information

The Company is a Swedish public limited liability company (*publikt aktiebolag*) incorporated on 30 January 2001 and registered with the Swedish Companies Registration Office (*Bolagsverket*) on 23 February 2001. The Company's current name, SAS AB, was registered on 15 May 2001. The Company's corporate registration number is 556606-8499. The business is conducted in accordance with the Swedish Companies Act (*aktiebolagslagen (2005:551)*).

Under its current Articles of Association, the Company's share capital shall be not less than SEK 600,000,000 and not more than SEK 2,400,000,000, divided into not fewer than 60,000,000 shares and not more than 240,000,000 shares. The Company may issue two classes of shares: ordinary shares (i.e. Shares) and/or subordinated shares. The Shares may be redeemed and subordinated shares may be issued and redeemed in order to maintain a minimum level of Scandinavian ownership and thus safeguard the Group's air traffic rights (see "—Protection of the Group's Air Traffic Rights in the Company's Articles of Association"). Each of the two classes of shares can be issued up to the Company's maximum share capital as set forth in the Articles of Association.

The Company's registered share capital as of the date of this Offering Memorandum is SEK 1,645,000,000, represented by 164,500,000 Shares outstanding with a quota value of SEK 10 per Share. No subordinated shares have been issued. The Shares have been, and the New Shares will be, issued in accordance with Swedish law. The rights associated with shares issued by the Company, including those set out in the Articles of Association, can only be changed in accordance with the procedures set forth in the Swedish Companies Act.

Reduction of the Share Capital and Amendments to the Articles of Association

In order to enable and facilitate the Rights Offering, the Extraordinary General Meeting on 13 March 2009 resolved, in accordance with a proposal from the Board of Directors, to reduce the Company's share capital by SEK 1,233,750,000, without redemption of Shares, for transfer of the reduction amount to a fund to be used pursuant to a resolution by a General Meeting. The reduction of the share capital requires that the share capital limits in the Company's Articles of Association be changed. Accordingly, the Extraordinary General Meeting on 13 March 2009 also resolved to amend Article 5, first paragraph, of the Articles of Association to the effect that the Company's share capital limits are changed from not less than SEK 600,000,000 and not more than SEK 2,400,000,000 to not less than SEK 411,250,000 and not more than SEK 1,645,000,000.

Following the reduction of the share capital, the Company's share capital will amount to SEK 411,250,000, divided into a total of 164,500,000 Shares with a quota value of SEK 2.50 per Share.

The share capital reduction can be implemented without authorization from the Swedish Companies Registration Office or from an ordinary court, since the Company will carry out the Rights Offering simultaneously, as a consequence of which neither the Company's restricted equity nor its share capital will be reduced. The Rights Offering will require additional amendments to the Company's Articles of Association. Therefore, in order to enable the Rights Offering, the Extraordinary General Meeting on 13 March 2009 resolved to further amend Article 5, first paragraph, of the Articles of Association to the effect that (i) the share capital limits are changed from not less than SEK 411,250,000 and not more than SEK 1,645,000,000 to not less than SEK 1,645,000,000 and not more than SEK 6,580,000,000, and (ii) the limits regarding the number of shares are changed from not fewer than 60,000,000 and not more than 240,000,000 to not fewer than 658,000,000 and not more than 2,632,000,000.

See "Articles of Association—Article 5."

Protection of the Group's Air Traffic Rights in the Company's Articles of Association

To ensure that the Company remains substantially owned and effectively controlled by Scandinavian shareholders as long as this is required pursuant to bilateral civil aviation agreements, laws or regulations, the Articles of Association enable the Board of Directors to resolve to reduce the Company's share capital, though not below the minimum share capital, by redemption of Shares held by non-Scandinavians. If such redemption is not possible or deemed insufficient in the judgment of the Board of Directors, subscription for subordinated shares may be made by virtue of warrants issued by the Company in 2001. A precondition for these actions is that there is a direct threat to any of the Group's air traffic rights as a result of a violation, or risk of violation, by the Company or its subsidiaries of relevant provisions concerning ownership and control of the Company or its subsidiaries in any bilateral civil aviation agreement that Denmark, Norway or Sweden has entered into with another country or equivalent provisions in laws or regulations concerning conditions for air traffic within the EEA (see "Regulatory Framework—International Regulatory Framework—Bilateral Air Transport Agreements" and "Regulatory Framework—EU Regulatory Framework—Operating License and Air Operator Certificate; Business and Ownership Requirements"). Moreover, the foregoing measures may only be taken to the extent that the aforementioned threat is, in the judgment of the Board of Directors, eliminated as a result of such measures.

Under the aforementioned conditions, the Board of Directors may resolve to mandatorily redeem a sufficient number of Shares held by shareholders domiciled outside Denmark, Norway or Sweden as well as Shares held by legal entities domiciled in Scandinavia, but controlled, directly or indirectly, by persons or legal entities outside Denmark, Norway and Sweden. In such circumstance, Shares held or controlled by persons or legal entities outside the EEA would be redeemed before any Shares held or controlled by persons or entities within the EEA (excluding Scandinavia). Shares acquired last are to be redeemed first. Before any redemption takes place, the shareholders concerned have the opportunity to reduce their holdings voluntarily within a prescribed period. Redemptions are subsequently made without refund to the relevant shareholders as the reduction amount will be transferred to the Company's statutory reserves.

Should it not be possible to redeem Shares or should such redemption, in the judgment of the Board of Directors, be insufficient, subscription for subordinated shares may be made by virtue of warrants issued by the Company, subject to shareholder approval at a General Meeting by a resolution supported by at least half the votes cast at the meeting. For this purpose, an Extraordinary General Meeting in the Company on 8 May 2001 resolved to issue a promissory note with 75,000 detachable warrants for subscription of a total of 75,000,000 redeemable subordinated shares to the wholly-owned subsidiary Scandinavian Airlines System AB. If required in order to eliminate the aforementioned threat to the Group's air traffic rights, the warrants shall, upon the Company's instruction, be transferred by Scandinavian Airlines System AB to one or more appropriate entities domiciled in Denmark, Norway or Sweden as designated by the Company. The warrants are exercisable until 31 December 2020 at a price per subordinated share equal to the quota value of the shares of the Company. If all the warrants were exercised prior to the Rights Offering and the reduction of the share capital, the Company's share capital would be increased by SEK 750,000,000. Under the terms and conditions of the warrants, the number of subordinated shares that may be subscribed for by virtue thereof will be recalculated as a result of the Rights Offering. Provided that the Rights Offering is fully subscribed, each warrant will after such recalculation entitle to subscription for 15,000 subordinated shares.

Promptly after subscription for subordinated shares by virtue of warrants, the Board of Directors shall resolve to redeem any issued subordinated shares provided that the aforementioned threat to any of the Group's air traffic rights does not reoccur after such redemption. If not all outstanding subordinated shares are redeemed, subordinated shares will be redeemed from their holders in proportion to the number of subordinated shares they hold and, to the extent this cannot take place, by drawing of lots. In the event subordinated shares are redeemed, shareholders will be refunded an amount equal to the quota value of the subordinated shares plus interest calculated from the first day such subordinated shares were registered up until the date the refund for the redemption is paid, applying an interest rate corresponding to two percentage points over the 90-day Stockholm Interbank Offered Rate ("**STIBOR**").

See "Articles of Association—Article 15."

Certain Rights Attached to the Shares

Voting Rights

At General Meetings of shareholders, each share (Shares or subordinated shares, as the case may be) carries one vote. Each shareholder is entitled to vote the number of shares such shareholder holds in the Company. See also "Board of Directors, Group Management and Auditor—Corporate Governance—General Meeting—Right to Attend General Meetings."

Preferential Right to New Shares, etc.

If the Company issues both new Shares and subordinated shares in a cash issue or a set-off issue (*kvittningsemission*), the holders of Shares and subordinated shares, as the case may be, have preferential right to subscribe for new shares of the same class in proportion to the number of shares held prior to the new share issue (primary preferential right). Shares not subscribed for by virtue of such primary preferential right are offered to all shareholders for subscription (subsidiary preferential right). If the shares so offered are insufficient to cover the subscription by virtue of subsidiary preferential right, the shares are distributed among the subscribers in proportion to the number of shares they already own, and, to the extent this cannot be done, by drawing of lots.

If the Company decides, through a cash issue or a set-off issue, to issue shares of one class only, the holders of such class of share have the preferential right to subscribe for shares in proportion to the number of shares held by such holders (primary preferential right). Shares not subscribed for by virtue of primary preferential right are offered to all shareholders for subscription (subsidiary preferential right). If the shares so offered are insufficient to cover the subscription by virtue of subsidiary preferential right, the shares are distributed among the subscribers in proportion to the number of shares they already own, and, to the extent this cannot be done, by drawing of lots.

If the Company issues warrants or convertibles pertaining to ordinary shares or subordinated shares or shares of both classes through a cash issue or a set-off issue, the shareholders have the same preferential right to subscribe for warrants or convertibles as if the underlying shares were issued.

Nothing in the Company's Articles of Association restricts the Company's ability to issue new shares, warrants or convertibles with deviation from the shareholders' preferential right as provided for in the Swedish Companies Act.

If the Company's share capital is increased by way of a bonus issue (*fondemission*), subordinated shares will not entitle holders to participation.

See "Articles of Association—Article 16."

Right to Dividend and Liquidation Proceeds

All Shares carry equal rights to dividends as well as to the Company's assets and potential surplus in the event of liquidation.

Subordinated shares do not entitle holders to dividends. If the Company is liquidated, subordinated shares entitle the holder to a share of the Company's assets up to an amount equal to that of holders of Shares, however limited to an amount equal to the quota value of the subordinated shares plus interest, calculated from the first day such subordinated shares were registered up until the date of the distribution, applying an interest rate equal to two percentage points over the 90-day STIBOR.

See "Articles of Association—Article 15."

Share Capital History

Prior to the Rights Offering and the reduction of the share capital, the Company's share capital amounts to SEK 1,645,000,000, represented by 164,500,000 Shares, each with a quota value of SEK 10. The Shares are denominated in SEK. The table below summarizes the history of the Company's share capital.

		Change in number of shares		Total number of shares				
Year	**Event**	**Ordinary shares**	**Subordinated shares**	**Ordinary shares**	**Subordinated shares**	**Change in share capital, SEK**	**Share capital, SEK**	**Quota value, SEK**
2001	Incorporation	—	—	1,000	—	—	100,000	100
2001	Split	9,000	—	10,000	—	—	100,000	10
2001	New share issue	40,000	—	50,000	—	400,000	500,000	10
2001	Non-cash issue (1)	155,272,395	—	155,322,395	—	1,552,723,950	1,553,223,950	10
2001	Non-cash issue (1)	6,494,001	—	161,816,396	—	64,940,010	1,618,163,960	10
2002	New share issue	2,683,604	—	164,500,000	—	26,836,040	1,645,000,000	10
2009	*Share capital reduction*	—	—	*164,500,000*	—	*(1,233,750,000)*	*411,250,000*	*2.50*
2009	*Rights Offering* (2)	*2,303,000,000*	—	*2,467,500,000*	—	*5,757,500,000*	*6,168,750,000*	*2.50*

(1) Shares issued in exchange for shares in SAS Danmark A/S, SAS Norge AS and SAS Sverige AB.

(2) Provided that the Rights Offering is fully subscribed.

Central Securities Depository Affiliation

The Company and the Shares are cleared through the electronic securities system operated by Euroclear Sweden, the Swedish central securities depository (Euroclear Sweden AB, Box 7822, SE-103 97 Stockholm, Sweden). No share certificates have been issued with respect to the Shares or will be issued with respect to the New Shares. Those Shares that are traded on NASDAQ OMX Copenhagen are also registered on the electronic securities system of VP Securities, the Danish central securities depository (VP Securities A/S, Helgeshøj Allé 61, DK-2630 Taastrup, Denmark) while Shares traded on Oslo Børs are also registered on the electronic securities system of the Norwegian central securities depository, VPS (Verdipapirsentralen ASA, Postboks 4, NO-0051 Oslo, Norway). See "The Scandinavian Securities Markets."

Trading in the Shares

Since 2001, the Shares are listed primarily on NASDAQ OMX Stockholm (Mid Cap) with secondary listings on NASDAQ OMX Copenhagen (Mid Cap) and Oslo Børs (OB Match). During 2008, a total of 275.4 million Shares were traded. Of the total volume of Shares traded in 2008, 183.5 million (66.6%) were traded in Stockholm, 84.0 million (30.5%) in Copenhagen and 7.9 million (2.9%) in Oslo. On all three exchanges, the ISIN code for the Shares is SE0000805574, The ticker symbol is "SAS" on NASDAQ OMX Stockholm and NASDAQ OMX Copenhagen, and "SAS NOK" on Oslo Børs. See "The Scandinavian Securities Markets."

The Company will apply for listing of the New Shares on NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen and Oslo Børs, as the case may be, in connection with the completion of the Rights Offering. The first day of trading in the New Shares will be on or about 20 April 2009.

Major Shareholders

The table below sets forth the Company's ten largest shareholders as of 31 January 2009.

Shareholder	Number of ordinary shares (1)	Number of subordinated shares	Percentage of shares and votes
The Swedish Government	35,250,000	—	21.4%
The Danish Government	23,500,000	—	14.3%
The Norwegian Government	23,500,000	—	14.3%
Knut and Alice Wallenberg Foundation	12,427,980	—	7.6%
Unionen	3,518,200	—	2.1%
National Bank of Denmark	2,289,294	—	1.4%
Second Swedish National Pension Fund AP2	1,765,745	—	1.1%
First Swedish National Pension Fund AP1	1,676,259	—	1.0%
State of New Jersey	1,201,000	—	0.7%
Livförsäkringsaktiebolaget	1,021,914	—	0.6%
Other shareholders	58,349,608	—	35.5%
Total	**164,500,000**	**—**	**100.0%**

Source: Euroclear Sweden, VP Securities and VPS.

(1) Under Danish law, disclosure is required by the shareholder only when the stake exceeds 5%.

The Principal Shareholders (i.e., the governments of Sweden, Denmark and Norway) and KAW are expected to maintain the same level of ownership following the Rights Offering. See "Invitation to Subscribe for New Shares—Statements by Principal Shareholders."

The table below sets forth the distribution of Shares as of 31 January 2009, by size of shareholding.

Shareholding	Number of shareholders	Percentage of all shareholders	Number of Shares and votes	Percentage of all Shares and votes
1 – 500	23,405	65.6%	4,618,020	2.8%
501 – 1,000	6,023	16.9%	4,696,726	2.9%
1,001 – 10,000	5,809	16.3%	15,141,635	9.2%
10,001 – 50,000	328	0.9%	6,673,415	4.1%
50,001 – 100,000	54	0.2%	3,946,123	2.4%
100,001 –	79	0.2%	125,217,217	76.1%
Unknown owners (1)	—	—	4,206,864	2.6%
Total	**35,698**	**100.0%**	**164,500,000**	**100.0%**

Source: Euroclear Sweden, VP Securities and VPS.

(1) Under Danish law, disclosure is required by the shareholder only when the stake exceeds 5%.

The table below sets forth ownership of the Company by country as of 31 January 2009.

Country	
Sweden	42.4%
Denmark	32.3%
Norway	15.2%
United Kingdom	2.7%
United States	2.7%
Other countries	4.7%
Total	**100.0%**

Source: Euroclear Sweden, VP Securities and VPS.

Shareholder Agreements

To the knowledge of the Board of Directors, there are no shareholder agreements or similar agreements or arrangements between shareholders of the Company that intend to establish joint decision-making with respect to shareholder voting or other shareholder rights in the Company. Furthermore, the Board of Directors is not aware of any agreements or equivalent arrangements that may lead to a change in control of the Company.

HISTORICAL SHARE PRICE MOVEMENT

The table below sets forth the high and low closing prices of the Shares on NASDAQ OMX Stockholm for the indicated periods since 1 January 2006.

Year	Period	High price, SEK	Low price, SEK
2006	Full year	116.50	72.25
	1st quarter	111.50	100.00
	2nd quarter	112.00	72.50
	3rd quarter	98.00	72.25
	4th quarter	116.50	96.75
2007	Full year	167.50	83.00
	1st quarter	139.50	117.00
	2nd quarter	167.50	134.50
	3rd quarter	166.50	110.50
	4th quarter	126.00	83.00
2008	Full year	82.50	26.70
	1st quarter	82.25	48.50
	2nd quarter	62.25	30.70
	3rd quarter	60.50	30.00
	4th quarter	48.90	26.70
	October	48.90	31.00
	November	42.50	26.70
	December	38.50	28.70
2009	January	49.00	42.00
	February	43.10	25.40

Source: NASDAQ OMX Stockholm.

The closing Share price on NASDAQ OMX Stockholm on 12 March 2009 was SEK 22.00.

DIVIDENDS AND DIVIDEND POLICY

Dividend Policy

Any proposal by the Board of Directors in respect of a dividend is determined by taking into account the Group's earnings, financial position, capital requirements and relevant macroeconomic conditions. The Group's policy is that dividends, over a business cycle, are intended to be in the region of 30-40% of the Group's income after standard tax. To protect the Group's financial position, no dividends are as a rule paid in any year in which the Group realizes a net loss.

By reason of, among other things, the Group's financial position and market developments, no dividends have been paid by the Company since 2001. The Board of Directors is proposing to the 2009 Annual General Meeting that no dividend be paid to the Company's shareholders for the financial year 2008. The Board of Directors' proposal is motivated by the Group's weak financial position and cash flow, a consequence of which financial flexibility will be essential in managing future restructuring measures and investments.

Dividends under Swedish Law

Declaration of dividends by Swedish companies are decided upon by the General Meeting of shareholders. Dividends may only be declared to the extent that there will be full coverage for the Company's restricted equity (*bundet eget kapital*) after the dividend distribution and only to the extent that such declaration is prudent, taking into consideration the demands with respect to the size of the equity which are imposed by the nature, scope and risks associated with the operations of the Company and the Group as well as the need to strengthen the balance sheet, liquidity and financial position of the Company and the Group (the so-called prudence rule). The shareholders may, as a general rule, not declare dividends in an amount higher than the Board of Directors has proposed or approved.

Under the Swedish Companies Act, minority shareholders that together represent at least 10% of all outstanding shares of the Company have the right to request a payment of dividend (to all shareholders) from the Company's profits. Following such a request, the Annual General Meeting is required to resolve to distribute 50% of the remaining profit for the relevant year pursuant to the balance sheet adopted at the Annual General Meeting, following deductions made for (i) losses carried forward that exceed unrestricted reserves (*fria fonder*), (ii) amounts which, by law or the Articles of Association, must be transferred to restricted equity, and (iii) amounts which, pursuant to the Articles of Association, are to be used for any purpose other than distribution to the shareholders. However, the General Meeting of shareholders is not obliged to declare dividends in excess of 5% of the Company's shareholders' equity. Moreover, the General Meeting of shareholders may never declare dividends in excess of distributable funds or in violation of the prudence rule described above.

Payment of Dividends

Dividends are normally paid to shareholders in cash on a per share basis through Euroclear Sweden, but may also be paid in kind (a property dividend). Payment of dividends in respect of Shares traded on NASDAQ OMX Copenhagen and Oslo Børs are subsequently made through VP Securities and VPS, respectively. On the record date established by the General Meeting of shareholders, holders recorded as owners of Shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends.

If a shareholder cannot be contacted through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, which claim remains against the Company subject to a statutory limitation of 10 years. Should the claim become barred by the statue of limitations, the dividend amount is forfeited to the Company. Neither the Swedish Companies Act nor the Company's Articles of Association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. For a discussion of withholding taxes on the payment of dividends, see "Tax Issues."

BOARD OF DIRECTORS, GROUP MANAGEMENT AND AUDITOR

Board of Directors

According to the Company's Articles of Association, the Board of Directors shall consist of six to eight members elected by the shareholders at a General Meeting. The Board of Directors currently consists of ten Board members, seven of whom were elected by the 2008 Annual General Meeting for the period until the end of the 2009 Annual General Meeting. Pursuant to the Swedish Act on Board Representation for Private Sector Employees (*lagen (1987:1245) om styrelserepresentation för privatanställda*) and special agreements between the Company and the trade unions empowered in accordance with the aforementioned Act, the employees in Denmark, Norway and Sweden have the right to appoint one Board member each, a so-called employee representative, and two deputies for each such Board member, in addition to the Board members elected by the General Meeting. Accordingly, the employees or the trade unions (as the case may be) in Denmark, Norway and Sweden have appointed three ordinary Board members (employee representatives) and six deputy employee representatives, for whom different terms of office apply. Deputy employee representatives attend Board meetings only in the absence of an ordinary employee representative: the first deputy attends the Board meeting in the absence of the ordinary representative and the second deputy attends in the absence of both the ordinary representative and the first deputy. The General Counsel of the Group, Mats Lönnkvist, serves as the secretary of the Board of Directors.

Pursuant to requirements by NASDAQ OMX Stockholm's Rule Book for Issuers (the "**Rule Book**") and the Swedish Code of Corporate Governance (the "**Code**") more than half of the members of the Board of Directors elected by the General Meeting must be independent of the Company and its management (the "**Group Management**"). This requirement does not apply to employee representatives. There is no defined standard as to what is meant by "independent," but the independence of a Board member may be questioned in cases where the Board member, directly or indirectly, has extensive business contacts or other extensive financial dealings with the Company. An overall assessment of a Board member's relationship to the Company shall be made in each individual case. As regards the composition of the Company's Board of Directors, except for employee representatives, no Board member is employed by the Company or any other company in the Group. All Board members elected by the General Meeting are, in the opinion of the Company's nomination committee, considered independent of the Company and Group Management.

Another requirement of the Rule Book and the Code in respect of the Board of Directors' independence, is that at least two of the Board members elected by the General Meeting must be independent of the Company's principal shareholders. Principal shareholders, as defined in the Rule Book and the Code, are shareholders who directly or indirectly control 10% or more of the shares or voting capital in the Company. See "Share Capital and Ownership Structure—Major Shareholders." Such Board members must also be independent of the Company and the Group Management as described above. Furthermore, at least one of these two must be experienced in the requirements applicable to listed companies. A Board member is not deemed independent of principal shareholders if he or she represents a principal shareholder, is employed by or serves as a Board member of a company that is a principal shareholder. When deciding whether a Board member is independent of a principal shareholder or not, the extent of the Board member's direct and indirect relations with the principal shareholder is taken into consideration. Except for one Board member (Dag Mejdell), all Board members elected by the Annual General Meeting are, in the opinion of the nomination committee, considered to be independent of the Company's principal shareholders. Thus, the Company meets the requirements of the Rule Book and the Code regarding Board independency vis-à-vis the Company, Group Management and the Company's principal shareholders.

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

The members of the Board of Directors, their year of birth, the year of their initial election, their position, whether or not they are considered to be independent as defined in the Rule Book and the Code in relation to the Company and the Group Management as well as in relation to principal shareholders and their shareholdings in the Company as of 31 January 2009 (and known changes thereafter), are set forth in the table below.

Name	Year of birth	Board member since	Position	Independent of the Company and Group Management	Independent of principal shareholders	Shareholding in the Company
Fritz H. Schur	1951	2001	Chairman	Yes	Yes	20,000 Shares
Jacob Wallenberg	1956	2001	Vice Chairman	Yes	Yes	5,000 Shares
Jens Erik Christensen	1950	2006	Member	Yes	Yes	0
Berit Kjøll	1955	2001	Member	Yes	Yes	1,600 Shares
Dag Mejdell	1957	2008	Member	Yes	No	0
Timo Peltola	1946	2005	Member	Yes	Yes	0
Anitra Steen	1949	2001	Member	Yes	Yes	0
Carsten Nielsen	1957	2008	Employee Representative	N/A	N/A	1,481 Shares
Ulla Gröntvedt	1948	2001	Employee Representative	N/A	N/A	300 Shares
Asbjørn Wikestad	1948	2008	Employee Representative	N/A	N/A	0
Nicolas E. Fischer	1951	2005	First Deputy Employee Representative	N/A	N/A	30,100 Shares
Pär-Anders Gustafsson	1954	2008	First Deputy Employee Representative	N/A	N/A	0
Tore Hansen	1953	2008	First Deputy Employee Representative	N/A	N/A	0
Brian Daugaard	1968	2008	Second Deputy Employee Representative	N/A	N/A	0
Bo Nilsson	1955	2008	Second Deputy Employee Representative	N/A	N/A	0
Trygve Skogseide	1971	2008	Second Deputy Employee Representative	N/A	N/A	0

Board Members Elected by the General Meeting

Fritz H. Schur
Born 1951.
Chairman of the Board of Directors since 2008.
Member of the Board since 2001.
Other assignments/positions: Chairman of the Board 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 advising committee in WEPA Papierfabrik P. Klingel GmbH & Co. KG.
Member of the Board of Directors and/or CEO of Schur & Co. A/S, Fritz Schur A/S, FSS MID ApS, FS 1 ApS, Havnefrontens Selskabslages 909 ApS, FS 11 ApS and FS 12 ApS.
Principal education: Handelshøjskolens Afgangseksamen (HA).
Previous assignments/positions in the past five years: Chairman of the Board of Det Danske Klasselotteri A/S. Member of the Board of Byrum Labflex A/S, De Post NV / La Poste SA, Belgium, and A/S FH. Universitetsbogbinder D.L. Clements EFTF. CEO of F.L.B. International AsP.
Shareholding in the Company: 20,000 Shares.

Jacob Wallenberg
Born 1956.
Vice Chairman of the Board of Directors since 2001.
Other assignments/positions: Chairman of Investor AB. Vice Chairman of Atlas Copco and Skandinaviska Enskilda Banken AB (SEB). Member of the Board of ABB Ltd, the Knut and Alice Wallenberg Foundation, Stockholm School of Economics, the Nobel Foundation and the Coca-Cola Company.
Principal education: B.Sc. in Economics and MBA, Wharton School, University of Pennsylvania.
Previous assignments/positions in the past five years: Vice Chairman of the Stockholm Chamber of Commerce Service AB, Electrolux AB and Member of the Board of Confederation of Swedish Enterprise.
Shareholding in the Company: 5,000 Shares.

Jens Erik Christensen
Born 1950.
Member of the Board of Directors since 2006.
Other assignments/positions: Chairman of the Board of Scandinavian Private Equity A/S, Dansk Merchant Capital A/S, Tower Group A/S, Alpha Holding A/S, Your Pension Management A/S, Nordisk Kontoforsikring AS, Copenhagen Multiarena A/S and EcsAct A/S. Vice chairman of P/F Føroya Banki. Member of the Board of Falck Holding A/S, Hugin Expert A/S, mBox A/S, Amrop Hever A/S, Andersen & Martini A/S and Nordic Corporate Investments A/S. Member of the Danish Government's infrastructure commission.
Principal education: Cand. act. degree from the University of Copenhagen.
Previous assignments/positions in the past five years: CEO of Codan A/S, Codan Insurance AS and Trygg-Hansa AB. Member of the Executive Committee of Royal & Sun Alliance plc during 1999-2006 and previously various Board assignments and business development within the financial sector.
Shareholding in the Company: None.

Berit Kjøll
Born 1955.
Member of the Board of Directors since 2001.
Other assignments/positions: Member of the Board of InterOil Exploration & Production ASA, Aker Holding A/S, Hurtigruten ASA, Claus Helberg Foundation and Student's Association at Handelshøyskolen BI in Oslo.
Principal education: College degree in Tourism, Oppland University College. Market economist degree, Norwegian School of Marketing, Oslo. AMP, Harvard Business School and INSEAD, Paris.
Previous assignments/positions in the past five years: Member of the Board of OnB NOR ASA, TusenFryd ASA, Telenor Mobil AS and Division Director in Telenor ASA during 2004-2008.
Shareholding in the Company: 1,600 Shares.

Dag Mejdell
Born 1957.
Member of the Board of Directors since 2008.
Other assignments/positions: President and CEO of Posten Norge AS. Member of the Board of IK Investment Partners Advisory Board, Arbeidsgiverforeningen Spekter. Member of the Corporate Assembly of Orkla ASA.
Principal education: MBA, Norway's Handeshøyskole.
Previous assignments/positions in the past five years: President and CEO of Dyno Nobel ASA. Chairman of the Board of Svenska Handelsbanken, Norwegian region. Member of the Board of DYWIDAG System International GmbH.
Shareholding in the Company: None.

Timo Peltola
Born 1946.
Member of the Board of Directors since 2005.
Other assignments/positions: Chairman of AW Energy Oy and Neste Oil. Advisor to Cap Man Public Market fund and Svenfastigheter.Vice Chairman of Nordea. Member of the Board of TeliaSonera and CVC Capital Partners Advisory Board.
Principal education: MBA, Åbo School of Economics and Business Administration. Studied at IMI, Geneva. Honorary doctorate in economics, Swedish School of Economics and Business Administration in Helsinki and Åbo School of Economics and Business Administration.
Previous assignments/positions in the past five years: Chairman of the Board of Pensionsför jökringsbolaget Ilmarinen, Member of the Board of Huhtamaki Oyj, CEO of Huhtamaki Oyj 2004.
Shareholding in the Company: None.

Anitra Steen
Born 1949.
Member of the Board of Directors since 2001.
Other assignments/positions: President of Systembolaget AB (until 30 April 2009). Chairman of Lagena Distribution AB, IQ-initiativet AB and K14 Näckströmsgatan AB. Member of the Board of Svensk Handel AB, Södersjukhuset AB and Kungsträdgården Park & Evenemang AB.
Principal education: Cand. phil. degree with a concentration in the behavioral and social sciences, Uppsala University.
Previous assignments/positions in the past five years: Member of the Board of Almega Tjänsteförbundst 2001-2008 and VOSS of Norway ASA 2006-2007.
Shareholding in the Company: None.

Board Members Representing Trade Unions (Employee Representatives)

Ordinary representatives

Carsten Nielsen
Born 1957.
Representative member of the Board of Directors since 2008.
Member of Dansk Metal.
Employed by SAS Technical Service (STS) Denmark.
Other assignments/positions: None.
Previous assignments/positions in the past five years: None.
Shareholding in the Company: 1,481 Shares.

Ulla Gröntvedt
Born 1948.
Representative member of the Board of Directors since 2001.
Member of Unionen.
Employed by SAS Scandinavian Airlines Sverige.
Other assignments/positions: None.
Previous assignments/positions in the past five years: None.
Shareholding in the Company: 300 Shares.

Asbjørn Wikestad
Born 1948.
Representative member of the Board of Directors since 2008.
Member of LFF.
Employed by SAS Ground Services Norway.
Other assignments/positions: None.
Previous assignments/positions in the past five years: None.
Shareholding in the Company: None.

First deputy representatives

Nicolas E. Fischer
Born 1951.
First deputy representative member of the Board of Directors since 2005.
Member of LFF.
Employed by SAS Scandinavian Airlines Danmark.
Other assignments/positions: None.
Previous assignments/positions in the past five years: None.
Shareholding in the Company: 30,100.

Pär-Anders Gustafsson
Born 1954.
First deputy representative member of the Board of Directors since 2008.
Member of SCCA.
Employed by SAS Scandinavian Airlines Sverige.
Other assignments/positions: None.
Previous assignments/positions in the past five years: None.
Shareholding in the Company: None.

Tore Hansen
Born 1953.
First deputy representative member of the Board of Directors since 2008.
Member of Widerøes Flygerforening.
Employed by SAS Scandinavian Airlines Norge.
Other assignments/positions: None.
Previous assignments/positions in the past five years: None.
Shareholding in the Company: None.

Second deputy representatives

Brian Daugaard
Born 1968.
Second deputy representative member of the Board of Directors since 2008.
Member of AFS Danmark and SCCA.
Employed by SAS Scandinavian Airlines Danmark.
Other assignments/positions: None.
Previous assignments/positions in the past five years: None.
Shareholding in the Company: None.

Bo Nilsson
Born 1955.
Second deputy representative member of the Board of Directors since 2008.
Member of Swedish Transport Workers Union.
Employed by SAS Ground Services Sweden AB.
Other assignments/positions: None.
Previous assignments/positions in the past five years: None.
Shareholding in the Company: None.

Trygve Skogseide
Born 1971.
Second deputy representative member of the Board of Directors since 2008.
Member of SAS Workshop club Fellesforbundet LO.
Employed by SAS Ground Services Norge.
Other assignments/positions: None.
Previous assignments/positions in the past five years: None.
Shareholding in the Company: None.

Group Management

The table below sets forth the name, year of birth, current position, the year each person became a member of the Group Management and the number of Shares in the Company held by each member of Group Management as of 31 January 2009 (and known changes thereafter).

Name	Year of birth	Member of Group Management since	Position	Shareholding in the Company
Mats Jansson	1951	2007	President and CEO	46,000 Shares
John S. Dueholm	1951	2002	Deputy President and CEO	14,888 Shares
Mats Lönnqvist	1954	2009	Deputy President and CFO	18,000 Shares
Benny Zakrisson	1959	2007	Executive Vice President, SAS Individual Holdings	0
Mats Lönnkvist	1955	2009	Senior Vice President & General Counsel	0

Mats Jansson
Born 1951.
President and CEO as of January 1, 2007.
Other assignments/positions: Member of the Board of Danske Bank A/S.
Principal education: Studies in cultural geography, economic history and sociology at Örebro University.

Previous assignments/positions: President and CEO of Axel Johnson AB 2005-2006. President and CEO of Axfood AB 2000-2005 and Chairman 2005-2006. CEO and Group Manager of the Fazer Group 1999-2000 and Catena/Bilia 1994-1999. Various senior positions at ICA 1973-1994.
Shareholding in the Company: 46,000 Shares.

John S. Dueholm
Born 1951.
Deputy President and CEO.
Member of Group Management since 2002.
Responsible for the business segment SAS Scandinavian Airlines.
Other assignments/positions: None.
Principal education: Cand.merc. degree in Business Administration, at Copenhagen School of Economics.
Previous assignments/positions: Executive Vice President Airline Support and Airline Related Businesses, SAS Group 2002-2005. Senior Vice President of Group4Falck 1998-2002. CEO of SAS Data and Senior Vice President of SAS Technical Division 1996-1998.
Shareholding in the Company: 14,888 Shares.

Mats Lönnqvist
Born 1954.
Deputy President and CFO.
Member of Group Management since 1 January 2009.
Responsible for corporate functions in the areas of economy and finance, asset management, purchasing and the shared service entities Accounting, Revenue Information and Facility Management.
Other assignments/positions: President and Board member of Resolvator AB. Chairman of Intellecta AB and Ovacon AB. Board member of Bordsjö Skogar AB, Förvaltningsaktiebolaget Värde Invest, Spendrups Bryggeriaktiebolag, Ledstiernan AB, Camfil AB, TelgeKraft AB, Telge Krafthandel AB and Det Østasiatiske Kompagni A/S.
Principal education: MSc Econ and Business Administration at Stockholm School of Economics.
Previous assignments/positions: CFO of Eniro AB, 2008 and 2004. Senior Investment Manager in Ratos AB, 2000-2004. Group Controller and CFO in Securum AB 1995-1996. Vice President and CFO of Esselte AB 1997-2000 and Biacore AB, 1996-1997.
Shareholding in the Company: 18,000 Shares.

Benny Zakrisson
Born 1959.
Executive Vice President, SAS Individual Holdings.
Member of Group Management since 2007.
Responsible for Group structural and strategic issues as well as for SAS Ground Services UK and SAS Ground Services Finland as well as SAS Cargo.
Other assignments/positions: Board member of Rezidor Hotel Group AB.
Principal education: Jur.kand. degree from Stockholm University.
Previous assignments/positions: 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.
Shareholding in the Company: None.

Mats Lönnkvist
Born 1955.
Senior Vice President and General Counsel
Member of Group Management since 2009.
Responsible for Legal Affairs and Corporate Secretariat and Secretary of the Board of SAS AB.
Other assignments/positions: Member of the Board of Telia Sonera Mobile Networks AB.
Principal education: Jur.kand. degree from UppsalaUniversity.
Previous assignments/positions: Various legal positions in SAS Group, 1988-2005, law firm Mannheimer & Zetterlöf 1984-1988.
Shareholding in the Company: None.

Other information on the Board of Directors and Group Management

The office address for all members of the Board of Directors and Group Management is SAS AB, SE-195 87 Stockholm, Sweden.

No member of the Board of Directors or Group Management has been involved in bankruptcy, liquidation or bankruptcy administration in the past five years in their respective capacity as Board member or senior executive. No member of the Board of Directors or Group Management has been convicted in any case relating to fraud in the past five years. There are no allegations and/or sanctions on the part of any authority against any of these persons and none of these persons has in the past five years been banned by any court from membership of a company's administrative, management or control bodies, or from holding management or general positions within a company. No member of the Board of Directors or Group Management has any private interest that might conflict with the Company's interests. There are no family ties between members of the Board of Directors or Group Management.

External Auditor

The most recent auditor election was at the 2005 Annual General Meeting, when Deloitte AB, with Peter Gustafsson as principal auditor, was re-elected for the period until the end of the 2009 Annual General Meeting. Peter Gustafsson has headed audit services for Deloitte since 2003.

Peter Gustafsson
Deloitte AB.
Born 1956.
Authorized Public Accountant and member of FAR SRS.
Principal auditor from and including 2003.
Other major auditing assignments: Audit engagements for SAAB Automobile AB, Specialfastigheter AB, Ledstiernan AB, Nexus AB, Teleca AB, Rezidor Hotel Group AB, Semcon AB, Akademiska Hus AB, Göteborgs Hamn AB and Göteborgs kommunala Förvaltning AB.
Shareholdings: None.
Address: Deloitte AB, Box 1329, SE-111 83 Stockholm, Sweden.

The external audit of the accounts of the Company and a majority of its subsidiaries as well as the management by the Board of Directors and Group Management is conducted in accordance with generally accepted accounting standards in Sweden. The external auditor attends at least two Board meetings per year at which the auditor goes through the audit for the year and discusses the audit with the members of the Board of Directors, without the President or any member of the Group Management being present at one of these meetings. In the past four years, in addition to its auditing work, Deloitte has performed advising services for the Group companies in audit-related areas, such as tax consulting and the transition to IFRS, for a total invoiced amount of SEK 61 million, of which SEK 23 million pertains to 2008. The auditor receives compensation for its work in accordance with a decision of the Annual General Meeting. For information about the auditor's compensation, see the consolidated financial statements included in this Offering Memorandum.

Corporate Governance

The corporate governance of the Company is based upon Swedish law, the Rule Book, the Code and internal rules and regulations. The Code is based on the on the principle "comply or explain," meaning that a company that applies the Code may deviate from individual provisions of the Code, provided that the reason for each deviation is explained in the company's Corporate Governance Report, which is included in the Annual Report. The Company complies with the Code, apart from clause 1.5, which requires that the General Meetings are conducted, and the material presented at such meetings is drafted, in the Swedish language. The Articles of Association of the Company state that General Meetings shall be conducted in Swedish, Danish or Norwegian, and, if the Board of Directors so decides, any other language. The reason for the Company's deviation from the aforementioned provision of the Code is the Group's strong Scandinavian character with a majority of the number of shareholders being domiciled in Denmark, the Board of Directors and Group Management comprising persons from all three Scandinavian countries and a system for remote attendance of General Meetings from Copenhagen and Oslo. Meeting deliberations are conducted primarily in the Swedish language, but contributions and speeches are regularly made in Norwegian and Danish. Also, certain material presented at General Meetings is drafted in Danish or Norwegian. In view of the foregoing, the Board of Directors believes that any of the Scandinavian languages may be freely used at General Meetings held in the Company. It is also the Board of Directors's view that there is no reason for simultaneous interpretation due to the similarity of the three Scandinavian languages.

General Meetings

Pursuant to the Swedish Companies Act, the General Meeting is the Company's supreme decision-making body and shareholders exercise their voting rights at such meetings. In addition to the Annual General Meeting, Extraordinary General Meetings can be convened. According to the Company's Articles of Association, the Company's Annual General Meeting shall be held in Stockholm or Solna, Sweden, every calendar year before the end of June. Shareholders can also attend General Meetings from locations in Copenhagen and Oslo via a telecommunications link. Such shareholders have the same rights, including voting rights, as the shareholders attending General Meetings in Stockholm or Solna.

Pursuant to the Articles of Association, notices of Annual and Extraordinary General Meetings are published in Swedish in Post- och Inrikes Tidningar (the Swedish Gazette) and Svenska Dagbladet, and, if the Board of Directors so decides, in Danish in Berlingske Tidende or any other nationwide Danish daily newspaper, as well as in Norwegian in Aftenposten or any other nationwide Norwegian daily newspaper. Such notices are also announced in a press release and published in its entirety on the Company's website in Swedish, Danish, Norwegian and English. Although not a requirement of its Articles of Association or law, the Company usually also sends notices to those shareholders whose addresses are known to it.

The languages used at General Meetings shall, pursuant to the Articles of Association, be Swedish, Danish or Norwegian and, if the Board of Directors so decides, any other language. The material released prior to or in connection with General Meetings is drafted in Swedish and translated into English. Such material is also made available on the Company's website.

Right to attend General Meetings

All shareholders who are directly recorded in the share register maintained by Euroclear Sweden five weekdays prior to the General Meeting and who have notified the Company of their intention to participate in the General Meeting not later than the date and time indicated in the notice of the General Meeting, are entitled to attend the General Meeting and vote for the number of shares they hold. Shareholders who have their shares registered in the central securities depository in Denmark (VP Securities) or Norway (VPS) shall, in order to be entitled to attend the General Meeting, request that their shares be temporarily reregistered in their names with Euroclear Sweden. Such request along with notification of attendance at the General Meeting must then be submitted to the relevant central securities depository or bank as indicated in the notice of the General Meeting not later than the date and time indicated in such notice.

Shareholders may attend General Meetings in person or by proxy and may be accompanied by a maximum of two assistants. It is normally possible for shareholders to register for the General Meeting in several different ways, as indicated in the notice of the meeting.

Shareholder initiatives

Shareholders who wish to have an issue brought before the General Meeting must submit a request in writing to the Board of Directors. The request must normally be received by the Board of Directors not later than seven weeks prior to the General Meeting.

Nomination Committee

Under the Code, the Company shall have a nomination committee, the purpose of which is to make proposals in respect of Board member candidates, including the post of chairman, fees and other remuneration to each Board member and election of and remuneration to the external auditor. Pursuant to the Articles of Association, the nomination committee shall be elected by the Annual General Meeting and shall reflect the Company's shareholder composition. The Articles of Association further stipulate that the nomination committee shall recommend a suitable representative composition of the Board of Directors as well as prepare and lay a proper foundation for discussion on the issues designated to it by the Annual General Meeting, upon which issues the Annual General Meeting shall decide. The Annual General Meeting in 2008 resolved on instructions to the nomination committee, which instructions are valid until the end of the Annual General Meeting in 2009. Pursuant to the resolution by the 2008 Annual General Meeting and subsequent changes in accordance with the above-mentioned instructions, the nomination committee of the Company currently consists of the Chairman Björn Mikkelsen (Swedish Ministry of Enterprise, Energy and Communications, representing the Swedish Government), Peter Brixen (Danish Ministry of Finance, representing the Danish Government), Knut J. Utvik (Norwegian Ministry of Trade and Industry, representing the Norwegian Government), Peter Wallenberg Jr (representing the Knut and Alice Wallenbergs Foundation) and Anders Rydin (representing the SEB Funds).

The Board of Directors' Responsibility and Work

Pursuant to the Swedish Companies Act, the Board of Directors 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 of Directors's work is governed by the Swedish Companies Act, the Company's Articles of Association, the Code and a formal work plan adopted by the Board of Directors each year, which regulates the division of the Board of Directors's work between the Board of Directors and its committees and between the Board of Directors, its Chairman and the President. The work plan also contains provisions for meeting the Board of Directors's needs for information and financial reporting on an ongoing basis and instructions for the President and the Company's Board committees. The Board of Directors' tasks are setting the overarching objectives and strategies of the Group, adapting a budget and business plan, discussing and approving the year-end and interim reports, and setting important policies and regulations. The Board of Directors is also required to 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 of Directors. Finally, the Board of Directors decides on major investments and changes in the organization and activities of the Group. The Chairman, in close collaboration with the President, monitors the Company's performance, plans and chairs Board meetings. The Chairman is also responsible for securing that the Board of Directors evaluates its work each year and ensuring that the Board of Directors always receives the information necessary to perform its work effectively. The Chairman represents the Company in relation to its shareholders.

Board Committees and Committee Work

To streamline and enhance the work of the Board of Directors on remuneration and audit matters, the Board of Directors annually appoints a remuneration committee and an audit committee consisting of persons among its own members. The main duty of the committees is to prepare issues for the Board of Directors' decision.

The principal responsibility of the remuneration committee's is to make recommendations for the Board of Directors regarding the terms of the President's salary, terms of employment and pension, and to deal with issues related to the Group's overall remuneration policies for senior executives. Salary and other remuneration matters regarding supervisors reporting directly to the President are regularly approved by the remuneration committee. At present, the remuneration committee has three members: Fritz H. Schur (Chairman), Dag Mejdell and Jacob Wallenberg.

The principal responsibility of the audit committee is to support the Board of Directors in certain audit issues such as monitoring and assessing the internal and external auditing process, monitoring and maintaining the quality of the Company's financial reporting according to standards set by the Board of Directors, meeting regularly with the Company's external auditor, and studying and evaluating reports from the external auditor. At present, the audit committee has four members: Timo Peltola (Chairman), Jens Erik Christensen, Berit Kjøll and Anitra Steen.

The work of the remuneration committee and the audit committee is preparatory in nature and does not constitute a delegation of the liability under Swedish law of the Board of Directors or its members for these matters. Reports to the Board of Directors on issues discussed at committee meetings are either in writing or given orally at the following Board meeting. The work of each committee is performed in accordance with written instructions and a work plan stipulated by the Board of Directors. The General Counsel of the Group and secretary of the Board of Directors, Mats Lönnkvist, serves as the secretary of these committees as well. Minutes of committee meetings are provided to all Board members. Remuneration for the work of the Board members on Board committees in 2008 was paid in accordance with the decision of the Annual General Meeting.

Compensation to the members of the Board of Directors and Board Committees

The 2008 Annual General Meeting determined the following compensation amounts for the current Board of Directors for the period beginning immediately after the 2008 Annual General Meeting until the end of the 2009 Annual General Meeting: SEK 625,000 to be distributed to the Chairman of the Board of Directors, SEK 415,000 to the Vice Chairman and SEK 315,000 to each of the other Board members elected by a General Meeting and to the Board of Directors' ordinary employee representatives. It was also resolved that each deputy employee representative is entitled to receive a preparation fee of SEK 1,000 per Board meeting and an attendance fee of SEK 3,750 for each Board meeting attended. In addition to this compensation, the 2008 Annual General Meeting resolved that compensation shall be paid to members of the Board of Directors' remuneration committee in the amount of SEK 75,000 to the committee chairman and SEK 25,000 to the committee's other members, as well as to members of the Board of Directors' audit committee, in the amount of SEK 100,000 to the committee chairman and SEK 50,000 to each of the committee's other members. The Board of Directors and committee members were appointed for the period up to and including the 2009 Annual General Meeting and the aforementioned fees refer to this period. However, in order to contribute to the Group's ongoing cost savings programs, the Board members have voluntarily decided to reduce their fees by 6% beginning as from 1 January 2009. The following table sets out the fees and the allocation thereof between members of the Board of Directors for the period indicated.

	Total compensation for the period from the 2008 AGM to the 2009 AGM (including compensation for committee work), SEK	Compensation for committee work for the period from the 2008 AGM to the 2009 AGM, SEK
Board Members		
Fritz H. Schur, chairman	673,875	73,875
Jacob Wallenberg, vice chairman	423,025	24,625
Jens Erik Christensen	351,650	49,250
Berit Kjøll	351,650	49,250
Dag Mejdell	327,025	24,625
Timo Peltola	400,900	98,500
Anitra Steen	351,650	49,250
Carsten Bardrup Nielsen	302,400	—
Ulla Grönvedt	302,400	—
Asbjørn Wikestad	302,400	—
Deputy Employee Representatives		
Nicolas E. Fischer	10,000	—
Pär A. Gustavsson	10,000	—
Tore Hansen	10,000	—
Brian Daugaard	10,000	—
Bo Nilsson	10,000	—
Tryggve Skogseide	5,000	—

Group Management

Guidelines for Remuneration of the President and Group Management

Pursuant to the Swedish Companies Act, the Board of Directors is required to propose to the Annual General Meeting guidelines for remuneration of the President and of other senior executives, for resolution by the Annual General Meeting. Such guidelines adopted by the Annual General Meeting are only applicable to new employment agreements entered into between the Company and the respective senior executive, and therefore there may exist employment agreements that are not in full conformity with the guidelines currently in force. Pursuant to the resolution by the 2008 Annual General Meeting, the following guidelines apply for remuneration and other terms of employment for senior executives, which include the President and the other members of Group Management.

The guidelines are founded on the principle that the total remuneration should be competitive, on market terms and bear a relation to responsibilities and authority. The remuneration shall consist of a fixed salary, variable salary, pension and other benefits. At present there shall be no share-related incentive programs. The total salary shall consist of a fixed annual base salary and a variable annual salary, which shall be capped at 50% of the fixed base salary. Furthermore, the variable salary shall be based on the Group's results in relation to predetermined targets as well as individual performance. A minimum of 20% and a maximum of 60% of the total variable salary shall be related to the Group's earnings. No earning-based salary shall be paid if the Group's earnings are negative. Other benefits, which may include a company car and health insurance, shall be on market terms, and constitute only a limited portion of total remuneration. Pension benefits shall be based on a defined contribution plan, with premiums not exceeding 35% of the fixed annual salary. Existing employment agreements not in accordance with the current remuneration guidelines remain valid until the date of termination or renegotiation.

For the President and other members of Group Management, the notice period for termination shall be six months on the part of the senior executive, and a maximum of 12 months on the part of the Company. In the event of termination of employment by the Company, and in certain specific cases by the senior executive, severance pay may be paid in an amount no higher than one year's fixed salary reduced by any amount the executive receives in remuneration from a new employer or principal. Nevertheless, there are agreements in place with two senior executives that pre-date the current guidelines, stipulating a right to severance pay equal to two years' fixed salary and a maximum of one year's deduction. Although these agreements are not in accordance with the current remuneration guidelines, they shall remain valid.

Finally, it is stated in the guidelines that the Board of Directors may deviate from these guidelines, if there is specific reason to do so in a particular case. Pursuant to the Swedish Companies Act, the external auditor is required to, before each Annual General Meeting, provide the Board of Directors with a written statement as to whether the guidelines applied since the previous Annual General Meeting have been complied with or not. Where, in the auditor's opinion, the guidelines have not been complied with, the aforementioned statement shall also include the reasons for the auditor's conclusion.

Current Terms of Employment for the President and Group Management

Remuneration

Remuneration of the President is decided within the framework of policies approved by the Board of Directors based on the recommendation of the remuneration committee. Remuneration of other members of Group Management is decided by the President within the framework of approved remuneration policies and after consultation with the remuneration committee. The Group does not currently have any share-based incentive programs for employees. The following table sets out the remuneration and benefits paid to the President and the members of the Group Management in 2008.

Renumeration 2008, SEK in thousands

Name	Fixed salary	Variable salary	Other benefits	Pensions	Insurances	Total
Mats Jansson	10,000	—	310	3,500	26	13,836
John S. Dueholm	6,057	—	302	2,100	10	8,469
Mats Lönnqvist (1)	—	—	—	—	—	—
Other	4,556	—	178	1,894	7	6,635
Total	**20,613**	**—**	**790**	**7,494**	**43**	**28,940**

(1) Mats Lönnqvist became a member of the Group Management in 2009.

The President and the other members of Goup Management will refrain from salary increases in 2009 and their fixed salaries will also be reduced by 6% in 2009. This does not apply to persons becoming members of the Group Management during 2009. In addition, members of Group Management will not be paid any variable salary for 2008.

Pensions

Pension benefits for the President are based on a defined contribution plan (35% of the fixed base salary). Other members of Group Management, excluding one member who currently has a defined benefit pension plan, have defined contribution pension plans, in which a fixed percentage (15-35%) of the pensionable salary is paid into the pension plan.

In addition to the foregoing, the President and John S. Dueholm are entitled to pension premiums of SEK 8,000,000 and DKK 5,000,000 respectively, which amounts shall be paid as lump sums by the Company in the event that the President and John S. Dueholm remain in their respective positions on 31 December 2011 and 30 June 2011 respectively.

Notice of Termination

The period of notice for resignation or termination, as the case may be, for the President and the rest of Group Management is six months on the part of members of Group Managment and 12 months on the Company's part. If a senior executive is dismissed by the Company, severance pay may be paid to such executive, equal to no more than the executive's total base salary over a 12-month period. The severance pay can further be invoked by the senior executive if he/she is made redundant by change of control (or other changes such as organizational) and is not offered a new position at similar level or scope. If the senior executive obtains a new position, the severance pay will be reduced by any amount of remuneration received by the executive in such new position. However, as mentioned under "—Guidelines for Remuneration of the President and Group Management" above, there are agreements in place with two current members of Group Management (John S. Dueholm and Benny Zakrisson) stipulating a right to severance pay equal to two years' fixed salary and a maximum of one year's deduction of any amount of remuneration received in the executive's new position, as the case may be. Although these agreements are not in accordance with the current remuneration guidelines as set by the 2008 Annual Geneneral Meeting, these agreements, which pre-date the current guidelines, remain valid. Other benefits, such as a company car and health insurance are provided in accordance with market standards.

ARTICLES OF ASSOCIATION

The following is an unofficial translation of the Company's Articles of Association currently registered with the Swedish Companies Registration Office (adopted at the 2006 Annual General Meeting). See "Share Capital and Ownership Structure—Reduction of the Share Capital and Amendments to the Articles of Association" for a description of changes to the Articles of Association resolved upon by the Extraordinary General Meeting on 13 March 2009.

Article 1

The name of the Company is SAS AB. The company is public (publ).

Article 2

The objects of the Company's business shall be directly or indirectly to conduct air traffic operations chiefly through the Scandinavian Airlines System (SAS) Consortium, other transport and travel related business as well as any business compatible therewith.

Article 3

Questions of amending or terminating the Consortium Agreement between SAS Danmark A/S, SAS Norge AS and SAS Sverige AB regarding SAS, as amended on May 8, 2001, shall be dealt with by the Company's General Meeting and decisions in this regard require the consent of shareholders with two-thirds of the votes cast as well as of the shares represented at the General Meeting.

Article 4

The Company's Board of Directors has its registered office in Stockholm.

Article 5

The share capital shall be not less than SEK 600,000,000 and not more than 2,400,000,000, divided into no fewer than 60,000,000 shares and no more than 240,000,000 shares.

Shareholders' preferential rights in relation to the issue of shares, warrants or convertibles are defined in Article 16.

Article 6

The Board of Directors shall have six (6) to eight (8) members elected by the Annual General Meeting. The Board shall have the composition that may be required at any given time for the Company and its subsidiaries to retain their traffic rights for civil aviation, including citizenship and domicile requirements. Furthermore the Board shall as a whole be representative of and have the knowledge of and experience in the social, business and cultural life prevailing in the Scandinavian countries necessary for their work. With the support of applicable laws regarding Board representation for private employees and special agreements between the Company and the employee organizations empowered in accordance with the aforementioned laws, the SAS Group's employee groups in Denmark, Norway and Sweden respectively each have the right to name one (1) member and two (2) deputies, in addition to the aforementioned number of Board members chosen by the General Meeting.

Article 7

The company shall have two auditors and two deputy auditors or one or two registered accounting firms to examine the management of the Board of Directors and the President as well as the Company's financial statements and accounting records.

Article 8

The financial year of the Company shall be the calendar year.

Article 9

The Company's Annual General Shareholders' Meeting shall be held in Stockholm or Solna every calendar year before the end of June.

Article 10

Shareholders have the right to attend the General Meeting in addition to the meeting site in Stockholm or Solna, at sites in Oslo and Copenhagen via a telecommunications link and if the Board so decides, also at sites in other locations.

The languages at the General Meeting shall be Swedish, Danish or Norwegian and, if the Board so decides, other languages as well.

Article 11

Notice of a Shareholders' Meeting shall be made by an announcement:

- in Sweden in Swedish in Post- och Inrikes Tidningar as well as in Svenska Dagbladet,

and if the Board so decides

- in Denmark in Danish in Berlingske Tidende or another nationwide Danish daily newspaper,
- in Norway in Norwegian in Aftenposten or another nationwide Norwegian daily newspaper.

To be able to attend the Shareholders' Meeting, shareholders must be included in the transcript of the entire share register as per five working days prior to the meeting, as well as notify the Company no later than 4:00 P.M. of the day given in the notice of the meeting. This day may not be a Sunday, any other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve nor fall any earlier than five working days before the meeting.

Article 12

At the General Meeting business is conducted by a open voting, unless the General Meeting decides on a ballot vote.

Article 13

At the Company's Annual General Shareholders' Meeting the following business is to be conducted:

a) election of a meeting Chairman

b) drawing up and verification of the voters' roll

c) approval of the agenda

d) election of two persons, in addition to the Chairman, to verify the minutes

e) deciding the question of whether the meeting has been called in proper order

f) presentation of the financial statements and the consolidated financial statements

g) presentation of the auditors' report and the consolidated auditors' report

h) decision concerning approval of the income statement and balance sheet as well as the consolidated income statement and consolidated balance sheet

i) decision on the disposal of Company's profits or loss in accordance with the approved balance sheet

j) decision concerning discharges of the Directors and President from liability

k) determination of the number of Board members

l) determination of Directors' fees

m) determination of fees for auditors

n) election of the Board of Directors

o) election of a Chairman of the Board

p) if applicable, election of auditors and deputy auditors

q) election of a nomination committee. The nomination committee shall be representative of the company's shareholder composition and have the purpose of bringing about a suitable representative composition of the Board of Directors and in other respects lay a proper foundation for the Meeting's discussion and decisions on various issues that the Annual General Shareholders' Meeting decides that the nomination committee is to prepare for each year.

r) any other business in the power of the Meeting in accordance with the Articles of Association.

Article 14

The Company shall be a CSD (central securities depository)-registered company and the Company's shares shall be registered in a CSD register pursuant to the Financial Instruments Accounts Act (SFS 1998:1479).

Article 15

If there is a direct threat to the Company's or its subsidiaries' air traffic rights owing to the Company or its subsidiaries violating or running the risk of violating provisions concerning ownership and control in bilateral civil aviation agreements or in laws or regulations concerning the conditions for air traffic within the EEA, the Board of Directors shall be able to decide to redeem shares in accordance with clause A below. If such a redemption is not possible or, in the judgment of the Board, insufficient, a subscription for new subordinated shares with the rights that appear from clause B below shall be made by virtue of warrants issued, though only after the approval at a General Meeting by a decision supported by at least half the votes cast at the meeting.

Redemption of shares in accordance with clause A below and the subscription for new subordinated shares supported by warrants issued shall take place only to the extent that the aforementioned threat in the judgment of the Board of Directors is eliminated. The Board shall thereafter decide as soon as possible to redeem subordinated shares in accordance with clause B below to the extent possible that would eliminate the aforementioned threat after such a redemption.

A. Redemption

A reduction of the share capital, though not below the minimum, shall take place through the redemption of shares for the following reasons.

The Board of Directors shall resolve to redeem the shares held by persons not domiciled in Denmark, Norway or Sweden and shares held by corporations so domiciled that neither directly nor indirectly are controlled by persons or corporations domiciled in Denmark, Norway or Sweden. Shares shall in the first place be redeemed from persons or corporations that are not domiciled or are not controlled by persons or corporations domiciled in countries within the EEA.

To enable the Company to determine domicile in accordance with this Article 15, shareholders whose shares are registered in the Danish Securities Centre (VP) shall register their name, address and shareholding in a special register maintained by Unibank A/S, Selskabsservice/HH, Helgeshøjs Allé 33, DK-2630 Tåstrup. Such a register shall be maintained in accordance with the provisions valid at any given time of the Danish Companies Act concerning the keeping of share register. In the event of redemption, shall shares that according to transcripts of the share register/nominee register kept by VPC AB in Sweden, of the share register kept by the Norwegian Central Securities Depository (VPS) and of the register kept by Unibank A/S in Denmark as specified above (jointly called the Register Transcript), that were acquired last be redeemed first. For cases in which the date of acquisition cannot be determined, this date shall be regarded as the date of the decision to redeem, and the shares shall be redeemed in proportion to the affected shareholders' holdings. If the required number of shares cannot be redeemed from persons or corporations not domiciled or not controlled by persons or corporations domiciled in countries within the EEA, shares shall be redeemed from other persons or corporations not domiciled in Denmark, Norway or Sweden. In this instance, shares acquired last according to the Register Transcript shall be redeemed first. For cases in which the date of acquisition cannot be determined, this date shall be regarded as the date of the decision to redeem shares, and the shares shall be redeemed in proportion to the affected shareholders' holdings. It is incumbent upon each shareholder to see to it that his domicile appears on the Register Transcript at all times or otherwise to prove his domicile when so requested by the Company. It is also incumbent upon each shareholder that is a corporation, when so requested by the Company, to prove who, directly or indirectly, controls said corporation. Shareholders whose domicile cannot be determined from the Register Transcript as well as shareholders who when so requested by the company do not prove direct or indirect control are in the event of a redemption considered to be domiciled outside the EEA.

Shareholders, whose shares may be redeemed in accordance with this provision, shall be notified by the Company in writing stating the number of shares that may be redeemed from said shareholders (the Number of Redeemable Shares). Shareholders are able within ten business days after notification to prove their domicile to the Company, and if applicable, the direct or indirect control of a corporation, that may result in said shareholders not being covered by the redemption. If a shareholder has reduced his holdings by the Number of Redeemable Shares according to the Register Transcript that can be obtained immediately after the fortieth business day after the notification has been sent out, no shares of this shareholder will be redeemed. However, if this shareholder has not reduced his holdings by the Number of Redeemable Shares according to such a Register Transcript, this number of shares can be redeemed immediately, or the number of shares required for the holding to be reduced by the Number of Redeemed Shares, if lower.

Shares will be redeemed without any refund to the shareholder. The reduction amount shall be transferred to statutory reserves.

B. Subordinated shares

Besides ordinary shares, the Company shall be able to issue subordinated shares. Each of these two classes of shares, ordinary shares as well as subordinated shares, can be issued up to the Company's maximum share capital given in Article 5.

Subordinated shares shall be redeemable. If not all outstanding subordinated shares are redeemed, subordinated shares shall be redeemed from their owners in proportion to the number of shares they already own and to the extent this cannot take place by drawing lots. In the event of redemption, redeemed shares shall be refunded with an amount corresponding to the share's nominal value plus interest calculated from the first day the subordinated shares were registered up until the date the amount of redemption was paid, with an interest rate corresponding to two percentage points over the 90-day STIBOR rate.

A subordinated share does not entitle a holder to dividends or participation in bonus issues. If the Company is dissolved, a subordinated share entitles the holder to a share of the Company's assets equal to that of other shares, though not exceeding an amount corresponding to the share's nominal value plus interest calculated from the first day the subordinated share was registered up until the day of the distribution, with an interest rate factor corresponding to two percentage points over the 90-day STIBOR rate.

Article 16

If the Company issues new ordinary shares and subordinated shares in a cash issue or issue set off a claim, the holder of ordinary shares and subordinated shares shall have the preferential right to subscribe for new shares in the same class in proportion to the number of shares the holder already owns (primary preferential right). Shares not subscribed for through a primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). If the shares so offered are insufficient to cover the subscription taking place through a subsidiary preferential right, the shares shall be distributed among the shareholders in proportion to the number of shares they already own, and if this cannot be done, by drawing lots.

If the company decides, through a cash issue or an issue setting off claims, to issue only ordinary shares or only subordinated shares, only the owners of the shares in that class have the preferential right to subscribe to shares in proportion to the number of shares the owners already own (primary preferential right). Shares not subscribed for through a primary preferential right shall be offered to all shareholders for subscription (subsidiary preferential right). If the shares so offered are insufficient to cover the subscription taking place through a subsidiary preferential right, the shares shall be distributed among the subscribers in proportion to the number of shares they already own, and if this cannot be done, by drawing lots.

If the company decides to issue warrants or convertibles pertaining to ordinary shares or subordinated shares or shares of both types through a cash issue or an issue to set off claims, shareholders have preferential rights to subscribe for warrants as if the issue applied to the shares of either or both types that could be subscribed for as a result of options or preferential rights to subscribe for convertibles, as if the issue had applied to the shares of either or both types for which the convertibles carry the right of receipt in exchange.

What is stated above shall not imply any limitation in the Company's ability to decide on cash issues or issues setting off claims that deviate from the shareholders' preferential rights.

If the share capital is increased through a bonus issue, new shares of each existing share type shall be issued in relation to the number of shares of the same type that already exist. Accordingly, old shares of a certain type shall carry entitlement to new shares of the same type. What is stated above shall not imply any limitation on the Company's ability to issue shares of a new type through a bonus issue following the appropriate changes to the Articles of Association.

The Articles of Association were adopted at the Annual General Shareholders' Meeting on 20 April 2006.

Material Contracts

The following is a summary of material contracts (other than contracts entered into in the ordinary course of business) into which either the Company or its subsidiaries has entered within the two years immediately preceding the date of this Offering Memorandum, as well as a summary of any other contract (not being a contract entered into in the ordinary course of business) that either the Company or its subsidiaries has entered into that contain obligations or entitlements that are material to the Group as of the date of this Offering Memorandum.

Star Alliance

The Group is a member of the Star Alliance, which is the cornerstone of the Group's global partner and network strategy. The Star Alliance is structured as a network of bilateral or multilateral agreements between its individual members. See "Business Overview—Alliances and Strategic Cooperation Arrangements—Star Alliance."

Cooperation with Lufthansa

Since 1996, SAS Scandinavian Airlines has cooperated with Lufthansa within an alliance, structured as a joint venture. The alliance with Lufthansa involves cooperation on routes between Scandinavia and Germany, as well as joint sales and marketing activities. See "Business Overview—Alliances and Strategic Cooperation Arrangements—Cooperation with Lufthansa and Other Airlines."

Collective Bargaining Agreements

The Group is bound by collective bargaining agreements with 39 trade unions in Denmark, Norway and Sweden. The main occupational categories that fall within the scope of the collective bargaining agreements are ground staff, cabin crew and pilots. Between November 2008 and January 2009, the Company and relevant trade unions conducted extraordinary collective bargaining agreement negotiations resulting in a cost reduction in relation to such agreements of approximately 12%, of which about one third is related to salaries and two thirds to working hours, per diem expenses, pensions and insurance. The total estimated cost savings are approximately SEK 1.3 billion. The extraordinary collective bargaining agreement negotiations have primarily been conducted on a local level and do not affect the terms of the underlying collective bargaining agreements.

Acquisitions and Divestitures

During the past two years, the Group has divested various subsidiaries and holdings in affiliates. See "Operating and Financial Review—Overview—Summary of Divestitures." During the past two years, the Company and certain of its subsidiaries have made two divestments of significant importance to the Group.

Agreement relating to the Sale of airBaltic

On 16 December 2008, the SAS Consortium signed an agreement to sell its 47.2% interest in airBaltic to the management of airBaltic for LVL 14 million (approximately SEK 216 million). Latvian law governs the transaction. The Company announced on 30 January 2009 that the transaction was completed. In addition, on 29 January 2009, the Group consolidated the existing loans it had made to airBaltic prior to its sale under the terms of a single agreement. Pursuant to the terms of such agreement, the Group had made two loans to airBaltic for a total principal amount of approximately USD 60 million (approximately SEK 525 million), which are expected to mature on 31 March 2009. However, airBaltic may, upon written notice no later than 15 March 2009, extend the maturity of these loans to 30 April 2009, if it is unable to repay such loans upon their expected maturity.

Agreement relating to the Sale of Spanair

On 30 January 2009, the Company and its subsidiary Spanair Holding, S.L. (together, the "**Sellers**") reached a definitive agreement with Iniciatives Empresarials Aeronàutiques, S.A. (the "**Purchaser**") pursuant to which the Purchaser will acquire a majority stake in Spanair for EUR 1. The Company will retain a 19.9% minority share ownership in Spanair. The transaction is expected to close in the first quarter of 2009 and is subject to customary regulatory approvals, including merger control clearance. The Group cannot give any assurance that the sale will be completed within the anticipated time schedule or at all. The sale agreement contains customary representations and warranties. Any warranty claim by the Purchaser must be brought within eighteen months following the closing date, and the maximum liability of the Sellers in respect of all and any breaches of warranty may not exceed EUR 10 million. Spanish law governs the agreement.

The agreement is based on a contingent financing package of up to EUR 235 million that has been or will be provided or arranged by Spanair, the Sellers and the Purchaser, comprising the following:

- The Company has provided a capital contribution in the amount of EUR 20 million via conversion of the profit sharing loans and/or financing facilities granted by the Company to Spanair since 1 November 2008, carried out by means of a capital increase in Spanair.
- The Company has agreed to provide a vendor loan to Spanair consisting of three tranches of financing:

  (a) in order to finance Spanair's operational cash needs and restructuring costs from 1 November 2008 to 31 March 2009, as well as stamp duty costs derived from the capitalization of certain loans, the Company provided a EUR 99 million loan to Spanair in 2008 ("**Tranche A**"). Tranche A matures in January 2014, but may be extended for successive periods of one year if repayment would render Spanair insolvent;

  (b) Spanair has undertaken to use its best efforts to raise external financing of up to EUR 50 million and the Company has agreed to guarantee this financing. However, in the event that Spanair is unable to raise this amount in whole or in part, the Company has undertaken to provide a loan of up to EUR 50 million directly to Spanair ("**Tranche B**"). Tranche B is available until 31 December 2011, and matures in January 2014, but may be extended for successive periods of one year if repayment would render Spanair insolvent; and

  (c) existing operational guarantees provided by the Company for the benefit of Spanair may be replaced or substituted by new guarantees by the Company for operational undertakings by Spanair (such as agreements with suppliers) up to EUR 36 million ("**Tranche C**"). Tranche C is available until 31 December 2009. The terms of the new guarantees, including maturity date, will match the existing guarantees that they replace, although the guarantees will in no event be maintained after 30 January 2014.

  Spanish law will govern the vendor loan.

- The Purchaser has agreed to provide a share capital contribution to Spanair at closing in the amount of EUR 80 million (the "**Purchaser Contribution**"). In the event that there is any shortfall in the Purchaser Contribution, the Company has agreed to provide a bridge loan facility to the Purchaser of up to a maximum of EUR 30 million. A term sheet has been agreed upon outlining the key terms of the bridge loan, which include provisions for the payment of interest on the loan and a security interest in favor of the Company over shares in Spanair. The facility will be available from the closing date of the transaction until 1 December 2009 and, should the bridge loan be provided, will mature for repayment on 31 December 2009. The prinicpal amount and any outstanding interest shall be paid in full at maturity. Spanish law will govern the bridge loan.
- The Company has undertaken to use its best efforts to raise external interim financing for any shortfall amount should Spanair's financing requirements (including operational guarantees) as contemplated in the current cash flow projections exceed certain levels before the date when the Purchaser's Contribution becomes available.

In addition, the Company has agreed to provide certain indemnities to the Purchaser and Spanair with respect to certain future claims against Spanair and losses by Spanair in connection with the sale by the Company of AeBal.

Amendments to Credit Facilities

In February 2009, the Group renegotiated the terms of five credit facilities, representing SEK 6,461 million of the Group's facilities as of 31 December 2008, to extend the maturities of those arrangements to between 2012 and 2013. See "Operating and Financial Review—Liquidity and Capital Resources—Borrowings."

Legal and Arbitration Proceedings

The Group is involved in disputes, some of which will be settled in court. Reserves are made in the Group's accounts in cases where a probable and quantifiable risk of liability is deemed to exist. The following is a summary of the disputes deemed to be of significant importance to the Group, and an adverse outcome of which could have a substantial negative financial impact on the Group.

Air Cargo Industry Investigations and Lawsuits

On 14 February 2006, the European Commission and the U.S. Department of Justice announced the initiation of their investigations into possible price fixing with respect to certain surcharges in the air cargo industry. SAS Cargo was one of several air cargo carriers involved in the investigations. On 21 July 2008, SAS Cargo entered a plea of guilty to violation of U.S. antitrust laws, and agreed to pay a fine of USD 52 million in installments over four years in settlement of the investigation by the U.S. Department of Justice. This concluded, and resolved all liability in connection with, the investigation by the U.S. authorities. SAS Cargo continues to cooperate with U.S. authorities in relation to its investigation in relation to other carriers.

With respect to the separate investigation initiated by the European Commission, a Statement of Objections was issued on 20 December 2007, in which the European Commission alleged that certain investigated practices in the air cargo sector constituted infringements of EC competition rules. The relevant companies within the Group provided written responses to the Statement of Objections in April 2008 and made oral submissions addressing the allegations at a hearing held during the week of 30 June 2008. The European Commission's decision is expected during 2009 (and could be published as early as the second quarter of 2009), though the Group is unable to predict the precise timing of the release of the decision. Group Management believes it is likely that the European Commission will impose a fine on the Group. The ultimate size of the fine may be influenced by several different factors, including, among other things, defenses raised by the Group. Taking the nature of the allegations into account, an adverse outcome is likely to have a substantial negative financial impact on the Group. Since this potential liability is impossible to quantify, the Group has not made a reserve for any potential liabilities arising from this investigation.

The Group is cooperating with authorities in other jurisdictions, such as Switzerland and Korea, in relation to investigations by these authorities into alleged price-fixing activities in the cargo market. Authorities in these jurisdictions have requested certain information from the Group, but have not initiated any formal investigation or raised any claim against the Group. The Group cannot provide any assurance that authorities in these jurisdictions or other jurisdictions will not initiate formal investigations or raise claims against the Group in the future.

In addition, a number of class-action civil lawsuits brought against SAS Cargo Group and other air cargo carriers in the United States are pending in a consolidated civil case in New York, alleging civil damages and seeking monetary compensation. The Group is continuing its settlement negotiations in relation to this litigation. A related claim is also pending in Canada, and the risk of additional claims in other jurisdictions and with respect to other markets cannot be excluded. Since the potential liability arising out of the lawsuits in New York and Canada, and potential additional claims in other jurisdictions, is impossible to quantify, the Group has not made reserves for any liabilities arising from these lawsuits.

Allegations by Norwegian Air Shuttle

Norwegian Air Shuttle has sued the Company and Scandinavian Airlines Norge in a Norwegian court for alleged underpricing and improper use of information that Norwegian Air Shuttle deems to be business secrets. On 19 May 2008, Norwegian Air Shuttle was awarded damages of a total amount of NOK 132 million, plus legal costs of NOK 7 million, by the first instance court. The total amount has been deposited by the Company on a blocked bank account, but no reservations have been made in the Company's accounts. The case has been appealed by the Company and the hearing is expected to take place during the fall of 2009.

Claim by NKF

A gender discrimination case involving Scandinavian Airlines Norge as defendant has been initiated in Norway. The plaintiff, NKF (a Norwegian labour union) has claimed damages due to alleged gender discrimination of cabin crew compared to pilots. NKF lost in the first instance but has appealed the case and a ruling is expected during 2009. It is not possible at this time for the Company to predict the outcome of the case, but the Group's exposure could potentially amount to approximately NOK 50 million. No reserves have been made in the Company's accounts.

Cabin Crew Lawsuit

In January 2008, Scandinavian Airlines Sverige was sued by approximately 190 cabin crew employees claiming that the court shall declare Scandinavian Airlines Sverige obligated to reimburse the employees for certain salary waivers. Allegedly, the employees had in 1974 waived their right to salary increases in return for a right to early retirement pension, which pension right subsequently ceased to exist without any compensation.

The claim does not specify any amounts, but should correspond to the total amount of the waivers made during the years 1974 – 2004. Scandinavian Airlines Sverige has denied the claim due to among other things statutory limitation. The Company predicts that the risk of a negative outcome of the case is limited and no reservers have been made in the Company's accounts.

Pilot Law Suit

In October, 2008, Scandinavian Airlines Sverige was sued for damages by approximately 30 pilots, claiming that the termination of their employment shall be declared invalid. Certain employment agreements had been terminated by Scandinavian Airlines Sverige due to redundancy, in accordance with an agreement between the Group and the pilot trade unions. In a parallel case in Norway, approximately 10 pilots have sued Scandinavian Airlines Norge based on the same grounds. A negative outcome could result in an exposure of about SEK 60 million. However, The Company predicts that the risk of a negative outcome of the case is limited and no reserves have been made in the Company's accounts.

Related Party Transactions

When Group companies deliver products or provide services to other Group companies, any such agreement or arrangement is performed at market price and on market terms. All intra-Group transactions, balance sheet items, revenues and expenses are eliminated upon consolidation of the Group's financial statements and are therefore not included in the Group's consolidated balance sheet or results of operations. For information about the Group's revenues from affiliated companies, see Note 36 in "Financial Statements."

See "—Material Contracts—Acquisitions and Divestitures—Agreement relating to the Sale of Spanair" for information about loans and guarantees that the Company has provided to Spanair.

No member of the Board of Directors, nor any member of Group Management, currently, or during the period that is covered in the historical financial information in this Offering Memorandum (i.e., the from 2006 to 2008), has participated directly or indirectly in any transaction with the Company that is, or would have been, unusual or made under unusual conditions. During such period, the Company has not granted any loans, provided any guarantees or entered into a guarantee undertaking, to or for the benefit of any member of the Board of Directors or any member of Group Management.

Significant Subsidiaries

The Company is the ultimate parent company of the Group. The following table sets forth the Company's significant subsidiaries:

Subsidiary	Country of Incorporation	Percentage of shares and votes
SAS Danmark A/S	Denmark	100%
SAS Norge AS	Norway	100%
SAS Sverige AB	Sweden	100%
SAS Scandinavian Airlines Danmark A/S	Denmark	100%
SAS Scandinavian Airlines Norge AS	Norway	100%
SAS Scandinavian Airlines Sverige AB	Sweden	100%
SAS Ground Services AB	Sweden	100%
SAS Technical Services AB	Sweden	100%
SAS Cargo Group A/S	Denmark	100%
Widerøe Flyveselskap AS	Norway	100%
Oy Blue1	Finland	100%

Documents on Display

Copies of the following documents will be on display during the Subscription Period during ordinary office hours on weekdays at the Company's offices at Frösundaviks Allé 1 in Solna, Sweden:

- the Company's Articles of Association;
- the Company's Annual Reports for the financial years 2008, 2007 and 2006; and
- the Company's Year-end Report for the financial year 2008.

The documents will also be available electronically on the Company's website, www.sasgroup.net.

THE SCANDINAVIAN SECURITIES MARKETS

The Shares are listed on NASDAQ OMX Stockholm and secondary listed on NASDAQ OMX Copenhagen and Oslo Børs. See "Share Capital and Ownership Structure—Trading in the Company's Shares." The following is a description of the Swedish, Danish and Norwegian securities markets, including a brief summary of certain provisions of law and securities market regulations of the respective country in effect on the date of this Offering Memorandum. The summary is not intended to provide a comprehensive description of all such regulatory matters and should not be considered exhaustive. Moreover, the laws, rules, regulations and procedures summarized below may be amended or reinterpreted.

NOREX and SAXESS

NASDAQ OMX Stockholm, NASDAQ OMX Copenhagen and Oslo Børs are members of NOREX, an alliance between the Nordic and Baltic exchanges intended to create a common Nordic and Baltic securities market. For the purposes thereof, a common fully electronic cross-border trading system, SAXESS, with harmonized trading rules and membership requirements (the "**NOREX Member Rules**") has been implemented. Financial instruments admitted to trading on participating exchanges therefore can be traded in the same system. In SAXESS, bids and offers are entered in the relevant order book and automatically matched to trades when price, volume and other order conditions are met. SAXESS continuously broadcasts all trading information. The information is displayed in real time in the form of order books, market summaries, concluded trades, index information and different kinds of reports. A three day settlement schedule applies to share trading. Currently, clearing and settlement of trades takes place through separate systems for trades effected on the respective exchanges.

The Swedish Securities Market

NASDAQ OMX Stockholm

NASDAQ OMX Stockholm is a regulated market in Sweden, operated by NASDAQ OMX Stockholm AB, and the principal Swedish market on which shares, bonds, derivatives and other securities are traded. One list, the Nordic List, is used for trading shares on NASDAQ OMX Stockholm and all transactions are executed through SAXESS. Companies on the Nordic List are divided into three segments: Large Cap, Mid Cap and Small Cap. Companies with a market capitalization in excess of EUR 1 billion are included in the Large Cap segment. Companies with a market capitalization between EUR 150 million and 1 billion—such as the Company—are included in the Mid Cap segment, while companies with a market capitalization below EUR 150 million are included in the Small Cap segment. The segments are normally revised every six months, effective on 1 January and 1 July, based on weighted average prices for May and November, respectively. Furthermore, listed companies are divided into industry sectors in accordance with the international Global Industry Classification Standard ("**GICS**"). This classification is based on a company's main operations, i.e., the business area that generates the most revenue for the company.

Trading in Shares on NASDAQ OMX Stockholm

Trading on NASDAQ OMX Stockholm is conducted on behalf of customers by duly authorized Swedish and foreign banks and other securities brokers, as well as the Swedish Central Bank. While banks and brokers are permitted to act as principals in trading both on and off NASDAQ OMX Stockholm, they generally engage in transactions as agents. Clearing and settlement of trades take place through an electronic account-based security system administered by Euroclear Sweden (see "—Securities Registration" below).

Trading through SAXESS comprises all Swedish shares listed on NASDAQ OMX Stockholm. Member firms of NASDAQ OMX Stockholm are able to operate from remote locations via computer access. The brokers' representatives are able to trade shares via workstations that have been developed by NASDAQ OMX Stockholm or via their own electronic data processing systems that are linked to SAXESS. The round lot for all shares traded on NASDAQ OMX Stockholm is one share.

The NASDAQ OMX Stockholm's trading hours in respect of equities are 9:00 a.m. to 5:20 p.m. CET (so-called closing call between 5:20 and 5:30 p.m. CET) on business days. Before the trading hours, there is a pre-trading session (07:30 to 08:45 a.m. CET) during which orders can be placed. The trading hours start with a so-called open call auction where each share is assigned its opening price and then becomes subject to continuous trading. By approximately 9:08 a.m. CET, the opening prices for all shares are established and trading continues until the closing call. Another open call auction is then carried out in respect of each separate share in the same order as the morning call. The price generated at the so-called closing call auction (or, in absence thereof, the last trading price) is the official closing price. The trading hours are followed by a post-trading session (5:40 p.m. to 6:00 p.m. CET) in which changes to, and cancellations of, orders are permitted.

In addition to official trading on NASDAQ OMX Stockholm through automatic order matching in SAXESS, shares may also be traded off NASDAQ OMX Stockholm, i.e. outside SAXESS, during, as well as after, the official trading hours (through "manual trading"). Manual trades during trading hours must normally be entered into at a price within the volume weighted average spread reported in SAXESS at the time of the trade or, as regards manual trades during the closing call, at the time prior to the closing call auction. Outside the trading hours, manual trades must normally be effected at a price within the volume weighted average spread reported in SAXESS at the close of trading hours. However, in the absence of a spread and in situations where there is a change in the market conditions during the closing call or after the close of trading hours, as the case may be, manual trades must take place at a price that takes into account the market situation at the time of the trade. Manual trades which qualify as large scale (EUR 50,000 – EUR 500,000, depending on the average daily turnover in the relevant share) may be effected without regard to any spread. Trading on NASDAQ OMX Stockholm tends to involve a higher percentage of retail clients while trading off NASDAQ OMX Stockholm, whether directly or through intermediaries, often involves larger Swedish institutions, banks arbitraging between the Swedish market and foreign markets, and foreign buyers and sellers purchasing shares from, or selling shares to, Swedish institutions.

All manual trades must normally be reported in SAXESS within three minutes from the time of the trade, although trades outside the official trading hours must be reported during the pre-trading session on the following exchange day and not later than 15 minutes prior to the opening of the trading hours.

Securities Market Regulations

The Nordic List is regulated under EU directives, primarily Directive 2004/39/EC on Markets in Financial Instruments ("**MiFID**"), which has been implemented through the Swedish Securities Markets Act of 2007 (*lagen (2007:528) om värdepappersmarknaden*). NASDAQ OMX Stockholm AB is authorized pursuant to the Securities Market Act to operate a regulated market under the supervision of the Swedish Financial Supervisory Authority (*Finansinspektionen*) (the "**SFSA**"). The SFSA is a governmental agency responsible for, among other things, supervising and monitoring the Swedish securities market and market participants. The SFSA also issues regulations that supplement Swedish securities market laws. Furthermore, pursuant to the Swedish Securities Market Act, NASDAQ OMX Stockholm is required to have rules of its own, governing the trading on NASDAQ OMX Stockholm. The Rule Book for Issuers of NASDAQ OMX Stockholm, based on European standards and EU directives such as MiFID and Directive 2004/109/EC (the "**Transparency Directive**"), sets forth listing requirements and disclosure rules for companies listed on NASDAQ OMX Stockholm.

The objective of the regulatory system governing trading on and off NASDAQ OMX Stockholm is to achieve transparency and equality of treatment among market participants. NASDAQ OMX Stockholm records information as to the banks and brokers involved, the issuer, the number of shares, the price and the time of each transaction. Each bank or broker is required to maintain records indicating trades carried out as agent or as principal. All trading information reported in SAXESS is publicly available. NASDAQ OMX Stockholm also maintains a market supervision unit ("**Trading Surveillance**") that monitors trading on a "real time" basis, as described below.

The Swedish Market Abuse Penal Act of 2005 (*lagen (2005:377) om straff för marknadsmissbruk vid handel med finansiella instrument*) (the "**Market Abuse Act**"), implementing in part Directive (2003/6/EC) (the "**Market Abuse Directive**"), provides sanctions for insider trading and unlawful disclosure of inside information. The Market Abuse Act also contains provisions prohibiting market manipulation, making illegal any actions (in connection with trading on the securities market or otherwise) intended to unduly affect the market price or other conditions of trade in financial instruments, or otherwise mislead buyers or sellers of such instruments (such as through spreading false or misleading information). Market manipulation may also constitute fraud under Swedish law. The SFSA and Trading Surveillance enforce compliance with the Market Abuse Act and other insider trading rules. Criminal offenses are enforced in court by the Swedish National Economic Crimes Bureau (*Ekobrottsmyndigheten*). Moreover, the SFSA may cause the operating license of a bank or broker to be revoked if the bank or broker has engaged in improper conduct, including market manipulation.

Trading Surveillance monitors trading data for indications of unusual market activity and trading behavior, and continuously examines information disseminated by listed companies, such as earnings reports, acquisition and other investment plans and changes in ownership structure on a daily basis. When Trading Surveillance becomes aware of non-public price sensitive information, it monitors trading in the shares concerned to ensure that if unusual trading activity develops indicating that persons may be trading on that information, the information is made public as soon as possible.

Securities Registration

The Company and its Shares, including those traded in Copenhagen and Oslo, are (and the New Shares will be) registered in the account-based electronic securities system operated by Euroclear Sweden, a central securities depository and clearing organization authorized under the Swedish Financial Instruments Accounts Act (*lagen (1998:1479) om kontoföring av finansiella instrument*) and the Swedish Securities Markets Act. Among other things, Euroclear Sweden maintains the register of shareholders in Swedish companies listed on NASDAQ OMX Stockholm. Shares administered by Euroclear Sweden are registered in book-entry form on securities accounts (VP accounts) and no share certificates are issued. Title to shares is ensured exclusively through registration with Euroclear Sweden. All transactions and other changes to accounts are entered in the system of Euroclear Sweden through banks or other securities institutions that have been approved as account operators by Euroclear Sweden.

Shares may be registered on VP accounts, and consequently entered in the register of shareholders, either in the name of the beneficial owner (owner registered shares) or in the name of a nominee authorized by Euroclear Sweden (nominee registered shares), in which case a note thereof is made in the securities system. The relationship between the nominee and the beneficial owner is governed by agreement. In order to exercise certain rights, such as participate at a General Meeting, shareholders whose shares are registered in the name of a nominee must temporarily re-register the shares in their own names. Nominees are also required to report the holdings of underlying beneficial owners to Euroclear Sweden on a regular basis. A public register of shareholders and a nominee list, both containing information on holders of more than 500 shares in the relevant company (or such lower number of shares that constitute all shares in the relevant company), is produced at the turn of each quarter of the year and available to the general public at both Euroclear Sweden and the issuer. There is also a separate register maintained by Euroclear Sweden for the recording of persons who have other interests in respect of shares, such as those of a pledgee.

The rights attaching to shares that are eligible for dividends, rights issues or bonus issues accrue to those holders whose names are recorded in the register of shareholders as of a particular record date, and the dividends are normally distributed to bank accounts as specified by the holders registered with Euroclear Sweden. The relevant record date must be specified in the resolution declaring a dividend or capital increase, or any similar matter in which shareholders have preferential rights.

Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and other financial rights attaching to the shares, such as subscription rights in conjunction with rights offerings, as well as new shares subscribed through the exercise of subscription rights. Dividends are remitted in a single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is applied for subscription rights and newly issued shares.

Transactions and Ownership Disclosure Requirements

Under the Swedish Financial Instruments Trading Act (*lagen (1991:980) om handel med finansiella instrument*) (the "**Trading Act**"), which implements the Transparency Directive in part, a shareholder is required to notify both the company in which it holds shares and the SFSA, when its holding (including options for shares) reaches, exceeds or falls below 5, 10, 15, 20, 25, 30, 50, 66 2/3 or 90% of the total number of votes and/or shares in a company. The notice is to be made in writing or electronically on the SFSA's website on the trading day immediately following the day of the applicable transaction. The SFSA will announce the contents of the notification no later than 12:00 a.m. CET on the trading day following receipt of the notification.

When calculating a shareholder's percentage of ownership, a company's treasury shares are to be included in the denominator, while warrants and convertibles are to be excluded. For the purposes of calculating a person's or entity's shareholding, not only the shares and financial instruments directly held by the shareholder are included, but also those held by related parties. The Trading Act contains a list of related parties whose shareholding must be aggregated for the purposes of the disclosure requirements. Related parties include, but are not limited to, subsidiaries, proxies, parties to shareholders' agreements and spouses/co-habitants.

In addition, pursuant to the Swedish Act on Reporting Obligations for Certain Holdings of Financial Instruments (*lagen (2000:1087) om anmälningsskyldighet för vissa innehav av finansiella instrument*), individuals who own, directly or indirectly, shares representing 10% or more of the share capital or the voting rights in a publicly traded company must report, in writing or electronically, such ownership and any changes therein to the SFSA, which keeps a public register based on the information contained in such reports.

Mandatory Bids

Pursuant to the Swedish Act on Public Takeovers on the Securities Market (*lagen (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*) (the "**Takeover Act**"), any Swedish or foreign legal entity or natural person who holds less than 30% of the total voting rights in a company listed on a regulated market in Sweden, must make a public offer for the acquisition of all the remaining shares issued by the target company (a mandatory bid) should such legal entity or natural person alone, or together with a related party, obtain 30% or more of the total voting rights in the company. This applies where the increased holding is the result of a purchase, subscription, conversion, or any other form of acquisition of shares in the target company (other than a public offer) or the result of the establishment of a related party relationship. In this context, a related party can be an entity within the same corporate group as the buyer, a spouse or co-habitant, as well as any person or entity that cooperates with the buyer to obtain control over the company or with whom an agreement has been reached regarding the coordinated exercise of voting rights with the object of achieving a long-term controlling influence on the company's management.

The public offer shall be made within four weeks after the acquisition that triggered the mandatory bid requirement unless the acquirer (or the related party) reduces its level of voting share ownership within such time to below 30%. The offer is normally also made to holders of other securities issued by the target company, if the price of such securities could be substantially affected as a result of a de-listing of the target company's shares, such as, for example, warrants and convertibles.

Under the Takeover Act, offerors have a duty to undertake to comply with the takeover rules adopted by NASDAQ OMX Stockholm (the "**Takeover Rules**"). By making this undertaking, the offeror agrees to comply not only with the Takeover Rules, but also to comply with statements and rulings by the Swedish Securities Council (*Aktiemarknadsnämnden*) on points of interpretation of the Takeover Act as well as to be subject to any sanctions that may be imposed by NASDAQ OMX Stockholm.

Exemptions from the mandatory bid requirement may under certain circumstances, for example in conjunction with rights offerings and underwriting guarantees, be granted by the Swedish Securities Council. The Swedish Securities Council may also grant exemptions from the provisions of the Takeover Rules.

The Danish Securities Market

NASDAQ OMX Copenhagen

NASDAQ OMX Copenhagen A/S is an authorized securities exchange in Denmark and the principal market on which shares, bonds, derivatives and other securities are traded in Denmark. The Nordic List is used for trading shares on NASDAQ OMX Copenhagen with the same segments as NASDAQ OMX Stockholm (see "The Scandinavian Securities Market—NASDAQ OMX Stockholm"). All share transactions are executed through SAXESS. Most of the rules and procedures correspond with those of NASDAQ OMX Stockholm (see "The Scandinavian Securities Market—Trading in Shares on NASDAQ OMX Stockholm"). Material variations in the rules and procedures are described below.

Trading in Shares on NASDAQ OMX Copenhagen

Trading on the NASDAQ OMX Copenhagen is conducted by duly authorized Danish and foreign banks and other securities brokers, as well as certain mortgage credit institutions and the Danish Central Bank. Clearing and settlement of trade take place through an electronic account-based security system administered by VP Securities (see "—Securities Registration").

The trading hours for equities on NASDAQ OMX Copenhagen are 9:00 a.m. to 4:50 p.m. CET (the closing call for trades is between 4:50 and 5:00 p.m. CET) on business days, with a pre-trading session from 8:00 a.m. to 8:45 a.m. CET. Orders can be cancelled within 10 minutes after the order has been executed, and consequently cancellations are permitted until 5:10 p.m. CET.

Securities Market Regulations

The main market of NASDAQ OMX Copenhagen A/S is regulated under EU directives, primarily MiFID, which has been implemented through the Danish Securities Trading Act (*Værdipapirhandelsloven*) and supplementary Danish rules. NASDAQ OMX Copenhagen A/S is authorized pursuant to the Danish Securities Trading Act to operate a regulated market under the supervision of the Danish Financial Supervisory Authority

(*Finanstilsynet*) (the "**DFSA**"). The DFSA is a governmental agency responsible for, among other things, supervising and regulating the Danish securities market and market participants. The DFSA also issues executive orders that supplement Danish securities market laws. NASDAQ OMX Copenhagen's Rule Book for Issuers, based on European standards and EU directives such as MiFID and the Transparency Directive, sets forth additional listing requirements and disclosure requirements for listed companies.

The Danish Securities Trading Act, implementing the Market Abuse Directive (2003/6/EC), provides sanctions for insider trading and unlawful disclosure of inside information. The Securities Trading Act also contains provisions prohibiting price manipulation, making illegal any actions (in connection with trading on the securities market or otherwise) which are likely to influence the price of securities in a direction deviating from the market value. The DFSA and the Danish Securities Council (*Fondsrådet*) enforce insider trading rules. Criminal offenses are enforced in court by the State Prosecutor for Serious Economic Crime (*Statsadvokaten for Særlig Økonomisk Kriminalitet*).

The DFSA and NASDAQ OMX Copenhagen monitor trading data for indications of unusual market activity and trading behavior and continuously examine information disseminated by listed companies, such as earnings reports, acquisition and other investment plans and changes in ownership structure. When either the DFSA or NASDAQ OMX Copenhagen becomes aware of non-public price sensitive information, it monitors trading in the shares concerned in order to identify any unusual trading activity which indicates that persons may be trading on that information.

Securities Registration

Those Shares in the Company that are traded on NASDAQ OMX Copenhagen are registered in the account-based electronic securities system operated by VP Securities, a central securities depository and clearing organization authorized under the Danish Securities Trading Act. A corresponding number of Shares are registered in a securities account held with Euroclear Sweden. VP Securities maintains the register of holders of Shares traded in Copenhagen. Shares administered by VP Securities are registered in book-entry form on securities accounts and no share certificates are issued.

Danish financial institutions, such as banks, are authorized to keep accounts for each specific investor on VP Securities. The account is maintained through an "account-holding bank." The account-holding bank has the exclusive right to make transactions and registrations on these accounts. Registration of new shares issued is free of charge to the investor. Shares may be registered in the name of the holder through the account-holding bank.

The rights attaching to shares that are eligible for dividends, rights issues or bonus issues accrue to those persons whose names are recorded in the register of shareholders as of a particular record date, and the dividends are sent to a specified account as directed by the person registered with VP Securities, or to the address of that person. The relevant record date must, in most circumstances, be specified in the resolution declaring a dividend or capital increase, or any similar matter in which shareholders have pre-emptive rights.

An account may be kept on behalf of one or more owners, meaning that a shareholder may appoint a nominee. A nominee shareholder is entitled to receive dividends and to exercise all subscription and other financial and administrative rights attaching to the shares held in its name. The relationship between the nominee shareholder and the beneficial owner is regulated solely by an agreement between the parties, and the beneficial owner must disclose its identity if any of the aforementioned rights are to be exercised directly by the beneficial owner. The right to appoint a nominee does not eliminate a shareholder's obligation to notify a major shareholding.

Transactions and Ownership Disclosure Requirements

The Swedish ownership disclosure requirements will normally entail that the Danish ownership requirements are irrelevant as they will be fulfilled by complying with the Swedish rules. However, it follows from the Danish Securities Trading Act, implementing the Transparency Directive, that a shareholder in a listed company is required to notify the company and the DFSA as soon as possible and within 4 business days when the shareholder's stake represents 5% or more of the voting rights in the company or the nominal value of a person's share ownership amounts to 5% or more of the share capital of the company, and when its holding (including options for shares) reaches, exceeds or falls below 5, 10, 15, 20, 25, 33 1/3, 50, 66 2/3 and 90% of the total number of votes and/or shares in a company.

Mandatory Bids

Since the Company is a Swedish company, the mandatory bid requirements of the Danish Securities Trading Act do not apply. See "—The Swedish Securities Market—Mandatory Bid Requirements" above.

The Norwegian Securities Market

Oslo Børs

Oslo Børs ASA is an authorized securities exchange in Norway and the principal Norwegian regulated market on which shares, bonds and other financial instruments are traded. Shares listed on Oslo Børs are allocated to categories based on their liquidity: OBX for shares included in the OBX Index (normally the 25 most liquid shares), OBX Match for shares—such as the Company's ordinary shares—with a minimum of ten trades per day on average (or for shares with less than ten trades but with a liquidity provider), OB Standard for shares with fewer than ten trades per day on average and without a liquidity provider, and OB New for newly listed shares. The categories are updated twice a year, on the third Friday of June and December. Shares of issuers who have an agreement with a liquidity provider in accordance with the minimum requirements from Oslo Børs for a liquidity provider scheme, will however immediately be included in the OBX Match category. All share transactions are executed through SAXESS. Many of the rules and procedures correspond with those of NASDAQ OMX Stockholm (see "The Scandinavian Securities Markets—Trading in Shares on NASDAQ OMX Stockholm" above). Material variations in the rules and procedures are described below.

The Trading in Shares on Oslo Børs

Trading on Oslo Børs is conducted through duly authorized securities brokers that have signed membership agreements with Oslo Børs, such as Norwegian and foreign banks and securities brokers. Clearing and settlement of share trades take place through an electronic account-based security system administered by Verdipapirsentralen ASA ("**VPS**") (see "—Securities Registration" below) and the cash settlement netting system is administered by the Central Bank of Norway. The round lot for shares traded on Oslo Børs is the number of shares that corresponds to approximately NOK 10,000. 200 Shares comprise a round lot in the Company's Shares listed on Oslo Børs.

The equities trading hours on Oslo Børs are 9:00 a.m. to 5:20 p.m. CET (closing call between 5:20 and 5:30 p.m. CET) each business day. Orders may be placed in the system beginning at 08:15 a.m. CET. There is a pre-trading session between 8:15 – 9:00 a.m. CET and a post-trading session from 5:40 to 6:00 p.m. CET.

Securities Market Regulations

The regulation of the securities market in Norway is based primarily on the Norwegian Securities Trading Act (*verdipapirhandelloven*) and the Securities Trading Regulations (*verdipapirforskriften*), implementing, among other things, MiFID, the Transparency Directive and the Market Abuse Directive, the Stock Exchange Act (*børsloven*), the Stock Exchange Regulations (*børsforskriften*), the Oslo Børs Stock Exchange Rules and the Securities Register Act (*verdipapirregisterloven*).

Oslo Børs ASA is authorized pursuant to the Norwegian Stock Exchange Act to operate a regulated market under the supervision of the Norwegian Financial Supervisory Authority (*Kredittilsynet*) (the "**NFSA**"). The NFSA is an independent governmental agency responsible for, among other things, supervising and regulating the Norwegian securities market and market participants. The NFSA also issues regulations that supplement the Norwegian securities market laws and regulations. Oslo Børs' Stock Exchange Rules sets forth listing requirements and extended disclosure rules for listed companies.

The Norwegian Securities Trading Act, implementing the Market Abuse Directive, provides sanctions for insider trading and unlawful disclosure of inside information. The Securities Trading Act also contains provisions prohibiting market manipulation, making illegal any actions (in connection with trading on the securities market or otherwise) intended to unduly affect the market price or other conditions of trade in financial instruments, or otherwise mislead buyers or sellers of such instruments. Violation of the insider rules is a criminal offence. Possible violations are investigated by the NFSA following notice from Oslo Børs or based on information gathered from other sources. Following the NFSA's initial investigations, the matter is handed over to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (*Økokrim*) or local police depending on severity, who in turn will initiate criminal proceedings.

Moreover, the NFSA may revoke the operating license of a regulated firm if the firm has engaged in improper conduct, including market manipulation.

Oslo Børs monitors trading data for indications of unusual market activity and trading behavior and continuously examines information disseminated by listed companies, such as earnings reports, acquisition and other investment plans and changes in ownership structure on a daily basis. When it becomes aware of non-public price sensitive information, it monitors trading in the shares concerned to ensure that if unusual trading activity develops indicating that persons may be trading on that information, the information is made public as soon as possible. Listed companies are required to notify Oslo Børs of non-public price-sensitive information which is being withheld from the market.

Securities Registration

Those Shares in the Company that are traded on Oslo Børs are registered in the account-based electronic securities system operated by VPS, a central security depository authorized under the Norwegian Securities Register Act. A corresponding number of Shares are registered in a securities account held with Euroclear Sweden. VPS maintains the register of holders of Shares traded in Oslo. Shares administered by VPS are registered in book-entry form on securities accounts and no share certificates are issued.

Norwegian banks, Norwegian branches of credit institutions established within the EEA, bond issuing mortgage companies, authorized investment firms in Norway, the Central Bank of Norway and management companies for securities funds (insofar as units in the securities funds they manage are concerned) are permitted to act as account operators.

The entry of a transaction in the VPS is prima facie evidence in determining the rights of parties as against the issuing company or a third party claiming an interest in the subject security. Hence, legal title to shares is ensured exclusively through registration with VPS.

Shares may be registered on VPS accounts either in the name of the beneficial owner (owner registered shares) or in the name of a nominee authorized by NFSA (nominee registered shares), in which case a note thereof is made in the securities system. The relationship between the nominee and the beneficial owner is governed by agreement. The nominee is also required to disclose the identity of the beneficial owner when requested by the public authorities.

The rights attaching to shares that are eligible for dividends and rights issues accrue to those holders whose names are recorded in the register of shareholders as per a particular record date and the dividends are normally distributed to bank accounts as specified by the holders registered with VPS.

Where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and other financial rights attaching to the shares, such as subscription rights in conjunction with rights offerings as well as new shares subscribed for by virtue thereof. Dividends are remitted in a single payment, after deduction of withholding tax, to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is applied for subscription rights and newly issued shares.

Transactions and Ownership Disclosure Requirements

Since the Company is a Swedish company, the transaction and ownership disclosure requirements of the Norwegian Securities Trading Act do not apply. See “The Scandinavian Securities Market—The Swedish Securities Market—Transactions and Ownership Disclosure Requirements.”

Mandatory Bids

Since the Company is a Swedish company, the mandatory bid requirements of the Norwegian Securities Trading Act do not apply. See “The Scandinavian Securities Market—The Swedish Securities Market—Mandatory Bid Requirements.”

TAX ISSUES

Certain Tax Considerations in Sweden

The following is a summary of certain tax consequences of the present invitation to the Company's shareholders to subscribe for New Shares. The summary is based on the legislation currently in force and is intended as general information only, for holders of Shares and Subscription Rights with an unlimited tax liability in Sweden, unless otherwise stated. The summary does not address securities held by partnerships or securities held as current assets in business operations. Moreover, the summary does not address the specific rules on tax-exempt capital gains (including non-deductibility for capital losses) in the corporate sector that may be applicable when Shares or Subscription Rights are considered to be held for business purposes by the shareholder. Furthermore, the summary does not address foreign companies conducting business from a permanent establishment in Sweden or foreign companies that were previously Swedish companies. Special tax rules apply to certain categories of companies. The tax treatment of each individual shareholder depends on such investor's particular circumstances. Each holder of Shares and Subscription Rights should therefore consult a tax advisor for information on the special implications that may arise in an individual case, including the applicability and effect of foreign rules and tax treaties.

Individuals

Capital Gains Taxation

Upon the sale or other disposition of shares or other equity-related securities, such as subscription rights, a taxable capital gain or deductible capital loss arises in the capital income category. The tax rate in the capital income category is 30%. The capital gain or loss is normally calculated as the difference between the sales proceeds, after deducting sales costs, and the tax basis (for specific information on the tax basis for subscription rights, see "—Exercise, Sale and Disposal of Subscription Rights"). The tax basis for all equity-related securities of the same class and type is calculated together in accordance with the average cost method. It should be noted that the BTAs (paid subscription shares) of each class in this context are not considered to be of the same class and type as the existing Shares that entitled the shareholder to the preferential right in the Rights Offering until the resolution of the Rights Offering has been registered with the Swedish Companies Registration Office (*Bolagsverket*).

Upon the sale of listed shares, such as the Shares, the tax basis may alternatively be determined according to the standard method as 20% of the sales proceeds after deducting sales costs. Capital losses on listed shares are fully deductible against taxable capital gains on shares and other listed equity-related securities, with the exception of shares in investment funds, so-called interest funds, which consist solely of Swedish receivables.

Up to 70% of capital losses on shares that cannot be offset in this way are deductible against other income in the capital income category. If there is a net loss in the capital income category, a tax reduction is allowed against municipal and national income tax, as well as against real estate tax and municipal real estate charges. A tax reduction of 30% is allowed on the portion of such net loss that does not exceed SEK 100,000 and 21% on the remaining portion. Such net loss cannot be carried forward to future fiscal years.

Dividend Taxation

For individuals, dividends are taxed in the capital income category. The tax rate in the capital income category is 30%. A preliminary tax of 30% is generally withheld on dividends paid to individuals residing in Sweden. The preliminary tax is withheld by Euroclear Sweden or, regarding nominee-registered shares, by the Swedish nominee. If an individual has shares registered with a foreign nominee, other procedures may apply.

Exercise, Sale and Disposal of Subscription Rights

The exercise of subscription rights does not give rise to any taxation. Shareholders that do not wish to utilize their preferential right to participate in the Rights Offering and dispose of their Subscription Rights will incur a taxable capital gain. Subscription Rights based on a shareholding of existing Shares are considered to have been acquired at SEK 0. The total sales proceeds, after deducting sales costs, shall consequently be taxable. The standard method is not applicable in this case. The tax basis for the original shares is not affected.

For Subscription Rights purchased or otherwise acquired (i.e., that are not received based on a shareholding of existing Shares), the payment constitutes the acquisition cost. The tax basis of such subscription rights shall be taken into account when calculating the tax basis for the shares received.

A subscription right that is not exercised or sold, and thus expires, is deemed disposed of at SEK 0.

Limited Liability Companies

Capital Gains and Dividend Taxation

For a limited liability company, all income, including taxable capital gains and dividends, is taxed in the business income category at a rate of 26.3% as of the financial year commencing after 31 December 2008. It should be noted that with respect to any shares that are registered with a foreign nominee, Swedish withholding tax may be withheld on dividends. Such withholding tax may generally be reclaimed from the Swedish Tax Agency (*Skatteverket*). Capital gains and capital losses are calculated in the same manner as set forth above with respect to individuals. Deductible capital losses on shares may only be deducted against taxable capital gains on shares and other equity-related securities. Such capital losses may also, if certain conditions are fulfilled, be offset against such capital gains in a company within the same group, provided that the requirements for group contributions are met. A capital loss that could not be utilized during a given year may be carried forward and be offset against taxable capital gains on shares and other equity-related securities during later fiscal years without any limitations in time. Special rules may apply for certain particular categories of corporate shareholders, for example investment funds and investment companies.

Exercise, Sale and Disposal of Subscription Rights

The exercise of subscription rights does not give rise to any taxation. Shareholders that do not wish to utilise their preferential right to participate in the Rights Offering and dispose of their Subscription Rights will incur a taxable capital gain. Subscription Rights based on a shareholding of existing Shares are considered to have been acquired at SEK 0. The total sales proceeds, after deducting sales costs, shall consequently be taxable. The standard method is not applicable in this case. The tax basis for the original shares is not affected.

For Subscription Rights purchased or otherwise acquired (i.e. that are not received based on a shareholding of existing Shares), the payment constitutes the acquisition cost. The tax basis of such subscription rights shall be taken into account when calculating the tax basis for the shares received.

A subscription right that is not exercised or sold, and thus expires, is deemed disposed of at SEK 0.

Certain Tax Issues for Shareholders and Holders of Subscription Rights that are not Tax Resident in Sweden

Withholding tax

For shareholders with limited tax liability in Sweden that receive dividends on shares held in a Swedish limited liability company, a Swedish withholding tax is generally payable.

The tax rate is 30%. The tax rate, however, is generally reduced for shareholders resident in other jurisdictions by tax treaties between Sweden and certain other countries for the avoidance of double taxation. According to the Nordic tax treaty, for example, the withholding tax on dividends paid on portfolio investments is generally reduced to 15%. The majority of Sweden's tax treaties enable a reduction of the Swedish tax to the tax rate stipulated in the treaty directly at the payment of dividends, provided the requisite information is present concerning the tax residency of the person entitled to such dividend. In Sweden, normally Euroclear Sweden, or in the case of nominee-registered shares, the nominee, carries out the deduction of withholding tax. The receipt of subscription rights does not trigger any withholding tax.

If a 30% withholding tax is deducted from a payment to a person entitled to be taxed at a lower rate, or in the case that too much withholding tax has otherwise been withheld, a refund can be claimed from the Swedish Tax Agency (*Skatteverket*) prior to the expiry of the fifth calendar year following the dividend distribution.

Capital Gains Taxation

The holders of shares and subscription rights with limited tax liability in Sweden, and that do not operate a business from a permanent establishment in Sweden, are normally not subject to tax in Sweden for capital gains realized upon the disposal of such securities. Shareholders and holders of subscription rights may, however, be subject to taxation in their country of domicile. According to a special tax rule, individuals with limited tax liability in Sweden can, however, be subject to tax in Sweden on the sale of certain Swedish securities, such as the New Shares, BTAs and Subscription Rights, if they have been resident or lived permanently in Sweden at any time during the calendar year of such disposal or during the previous ten calendar years. The applicability of this rule is however limited in a number of cases by tax treaties between Sweden and other countries.

Certain Tax Considerations in Denmark

The following is a summary of material Danish tax considerations relating to the acquisition, possession and sale of New Shares and Subscription Rights for investors who are Danish tax residents unless otherwise stated. The summary is based on laws, regulations, court rulings and decisions currently in force in Denmark, all of which may be subject to change, in some cases with retroactive effect. The summary does not purport to be an exhaustive description of all tax considerations that may be relevant in relation to the acquisition, ownership and sale of Shares and Subscription Rights. Investors should consult their own tax advisors regarding the tax consequences in their specific circumstances. The summary does not include a description of the tax consequences for professional investors, pension funds or certain other financial investors.

Individuals

Capital Gains Taxation

Investment of Excess Funds

The rules on taxation of private individuals were changed effective as of 1 January 2006. Special transitional rules apply to shares that are sold on 1 January 2006 or later and that were acquired on or before 31 December 2005. These transitional rules are not described herein.

Gains from the sale of shares acquired on or after 1 January 2006 are taxed as share income at a rate of 28% on the first DKK 48,300 in 2009 (for cohabiting spouses, a total of DKK 96,600) and at a rate of 43% on share income between DKK 48,300 and DKK 106,100 (for cohabiting spouses, between DKK 96,600 and DKK 212,200). All share income exceeding DKK 106,100 (for cohabiting spouses, a total of DKK 212,200) is subject to tax at a rate of 45%. Such amounts are subject to annual adjustments and include all share income derived by the individual or cohabiting spouses, respectively.

Losses on listed shares may only be offset against other income from listed shares. However, according to expected new legislation effective as of 1 January 2009, losses on listed shares may also be offset against other income.

Investment of Pension Savings

Gains on shares acquired for pension savings are subject to 15% pension return tax (*PAL-skat*). Such gains are calculated once a year at market price, normally as the difference between the value of the shares at the beginning of the year and at the end of the year. Pension return tax is generally settled by the pension institution and must not be stated on the individual's tax return.

Dividend Taxation

Investment of Excess Funds

Dividends paid to private individuals who are tax residents of Denmark are taxed as share income. In 2009, share income is taxed at a rate of 28% on the first DKK 48,300 (for cohabiting spouses, a total of DKK 96,600) and at a rate of 43% on share income between DKK 48,300 and DKK 106,100 (for cohabiting spouses, between DKK 96,600 and 212,200). All share income exceeding DKK 106,100 (for cohabiting spouses, a total of DKK 212,200) is subject to tax at a rate of 45%. Accordingly, provided that the amount of dividends received together with other share income does not exceed DKK 48,300 (for cohabiting spouses, a total of DKK 96,600), private individuals do not pay tax on dividends beyond the 28%. Such amounts are subject to annual adjustments.

See also "—Certain Tax Considerations in Sweden—Certain Tax Issues for Shareholders and Holders of Subscription Rights who are not Tax Resident in Sweden—Withholding Tax." The Swedish withholding tax may be creditable in Denmark.

Investment of Pension Savings

If shares are purchased using pension savings, dividends received are subject to pension return tax (*PAL-skat*) at a fixed rate of 15% of the aggregate annual net return on the pension savings, including dividends. Pension return tax is generally settled by the pension institution and must not be stated on the individual's tax return.

Exercise, Sale and Disposal of Subscription Rights

The allocation of subscription rights does not result in a tax liability for the individual receiving the subscription rights. The exercise of subscription rights for shares is not subject to taxation. For tax purposes, subscription rights allocated against no consideration are deemed to have been acquired at DKK 0.

Gains on the sale of subscription rights are calculated according to the share-for-share method as the difference between the purchase price and the sales price. The gains are normally taxed as share income. Share income is taxed at a rate of 28% on the first DKK 48,300 in 2009 (for cohabiting spouses, a total of DKK 96,600) and at a rate of 43% on share income between DKK 48,300 and DKK 106,100 (for cohabiting spouses, between DKK 96,600 and DKK 212,200). All share income exceeding DKK 106,100 (for cohabiting spouses, a total of DKK 212,200) is subject to tax at a rate of 45%. Such amounts are subject to annual adjustments and include all share income derived by the individual or cohabiting spouses, respectively.

Limited Liability Companies

Capital Gains Taxation

Shares Held for Less than Three Years

Gains realized by a company on shares held for less than three years are taxed at a rate of 25%. Losses in excess of the tax-exempt dividends received on such shares during the period of ownership can be offset against gains from the sale of other shares held for less than three years and can be carried forward without any time restrictions.

Shares Held for More than Three Years

Gains realized by companies on the sale of shares held for three years or more are exempt from taxes. Losses on shares held for three years or more are not deductible and cannot be offset against any capital gains.

When determining the period of ownership of shares when shares are acquired on multiple occasions, the shares acquired first are generally deemed to be sold first (the "FIFO principle").

If shares have been acquired on multiple occasions, the purchase price in the event of a partial sale is made up according to the average purchase price (the "average method").

Dividend Taxation

A company that owns less than 10% of the share capital of a Swedish company is only taxed in Denmark on 66% of the dividends received in 2009 from that company. As the Danish corporate tax rate is 25%, this corresponds to an effective tax rate of 16.5%.

A company that owns a minimum of 10% of the share capital of a Swedish company for a consecutive period of not less than 12 months, during which period the dividends are distributed, is not taxed on such dividends received from that company.

See also "—Certain Tax Considerations in Sweden—Certain Tax Issues for Shareholders and Holders of Subscription Rights who are not Tax Resident in Sweden—Withholding Tax." The Swedish withholding tax may be creditable in Denmark.

Exercise, Sale and Disposal of Subscription Rights

The allocation of subscription rights does not result in a tax liability for a limited liability company receiving the subscription rights. The exercise of subscription rights for shares is not subject to taxation. For tax purposes, subscription rights allocated against no consideration are deemed to have been acquired at DKK 0.

Gains on the sale of subscription rights are calculated according to the share-for-share method as the difference between the purchase price and the sales price.

Limited liability companies may sell subscription rights free of Danish tax if the subscription rights are considered to have been held for at least three years at the time of sale. If the allocated subscription rights are granted to an existing shareholder that is organized as a limited liability company and the subscription rights give the shareholder the right to subscribe for shares at a price below the market price of the underlying shares on the day of grant, the ownership period of the subscriptions rights will be calculated as from the time of purchase of the original shares. If the subscription rights are considered to have been held for less than three years, gains are taxed as ordinary corporate income at a rate of 25%.

Certain Tax Issues for Shareholders and Holders of Subscription Rights who are not Tax Resident in Denmark

Dividend Taxation

Under Danish tax law, dividends paid to non-resident shareholders in respect of Swedish shares are generally not subject to Danish withholding tax.

Capital Gains Taxation

A non-resident of Denmark will normally not be subject to Danish withholding tax on any gains realized on the sale of Swedish shares or subscription rights.

Exercise, Sale and Disposal of Subscription Rights

Where a non-resident of Denmark holds subscription rights in connection with a trade or business conducted from a permanent establishment in Denmark, gains may in certain circumstances be included in the taxable income of such activities.

Liability to Pay Swedish Tax

See also "—Certain Tax Considerations in Sweden—Certain Tax Issues for Shareholders and Holders of Subscription Rights who are not Tax Resident in Sweden."

Certain Tax Considerations in Norway

Set out below is a summary of certain Norwegian tax matters related to investments in the Company. The summary below is based on Norwegian laws, rules and regulations currently in force, and is subject to any changes in law, possibly on a retroactive basis. The summary does not address foreign tax laws unless otherwise stated. The summary is of a general nature and does not purport to be a comprehensive description of all the Norwegian tax considerations that may be relevant for a decision to acquire, own or dispose of Shares or Subscription Rights. Furthermore, the summary only focuses on the shareholder categories explicitly mentioned below. It should be noted that the participation exemption applicable to Norwegian limited liability companies as described below will also apply to certain other legal entities such as savings banks, insurance companies and others. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisers. Shareholders resident in jurisdictions other than Norway should consult with and rely upon local tax advisors with respect to the tax position in their country of residence. Please note that for the purpose of the summary below, a reference to Norwegian or foreign shareholders refers to the tax residency and not the nationality of the shareholder.

Individuals

Capital Gains Taxation

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by shareholders who are individuals resident in Norway for tax purposes ("**Norwegian Individual Shareholders**") through a realization of shares is taxable, or tax deductible, in Norway. Such capital gain or loss is included in, or deducted from, the shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a rate of 28%. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain, or deductible loss, is calculated per share and is equal to the sales price less the Norwegian Individual Shareholder's cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian Individual Shareholders are entitled to deduct a calculated allowance, provided that such allowance has not already been used up to reduce taxable dividend income. See "—Dividend Taxation" for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and may not be deducted to increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realization of a share will be annulled.

If the Norwegian Individual Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

A Norwegian Individual Shareholder who moves abroad, and ceases to be tax resident in Norway as a result, is deemed to be taxable in Norway for any potential capital gain related to the shares held at the time the shareholder ceased to be resident in Norway for tax purposes, or is regarded as tax resident in another jurisdiction according to an applicable tax treaty, as if the shares were realized on the day before the tax residency in Norway ceased. Gains of NOK 500,000 or less are not taxable. Potential losses are generally not tax deductible. However, if the shareholder moves to a jurisdiction within the EEA, potential losses related to shares held at the time tax residency ceases will be tax deductible when exceeding the NOK 500,000 threshold. The actual taxation will occur (or loss deduction will be allowed) at the time the shares are actually realized for tax purposes. However, if the shareholder moves to a jurisdiction outside the EEA, or to a jurisdiction within the EEA where Norwegian tax authorities are not in a position to collect information and obtain assistance with respect to the collection of taxes, the taxation will only be postponed if the shareholder provides sufficient guarantee for the fulfilment of the potential tax obligations. If the shares are not realized for tax purposes within five years after the shareholder ceased to be resident in Norway for tax purposes, or was regarded as tax resident in another jurisdiction according to an applicable tax treaty, the tax liability calculated under these provisions will not apply.

Dividend Taxation

Dividends received by Norwegian Individual Shareholders are taxable as ordinary income for such shareholders at a flat rate of 28%.

Norwegian Individual Shareholders are, however, entitled to deduct a calculated allowance when calculating their taxable dividend income. The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk free interest rate based on the effective after tax rate of interest on treasury bills (*statskasseveksler*) with three months maturity. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Individual Shareholders holding shares at the expiration of the relevant calendar year. Norwegian Individual Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance, in one year exceeding the dividend distributed on the share can be carried forward and deducted when calculating taxable dividend income or taxable capital gains in later income years. The unused allowance is also included in the basis for calculating the allowance the following years.

If certain requirements are met, Norwegian Individual Shareholders are also entitled to a tax credit against their Norwegian tax liability for any withholding tax imposed in Sweden on dividends distributed. See also "—Certain Tax Considerations in Sweden—Certain Tax Issues for Shareholders and Holders of Subscription Rights who are not Tax Residents in Sweden—Withholding Tax."

Net Wealth Tax

The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian Individual Shareholders. Currently, the marginal wealth tax rate is 1.1% of the value assessed. The value for assessment purposes for listed shares, is the listed value as of 1 January in the year of assessment.

Exercise, Sale and Disposal of Subscription Rights

A Norwegian Individual Shareholder's subscription for shares pursuant to a subscription right, is not subject to taxation in Norway. Costs related to the subscription for shares will be added to the cost price of the shares.

Sales and other transfers of subscription rights are considered a realization for Norwegian tax purposes. For Norwegian Individual Shareholders, a capital gain or loss generated by a realization of subscription rights that are related to shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of disposal. The ordinary income is taxable at a rate of 28%.

Limited Liability Companies

Capital Gains Taxation

Shareholders who are limited liability companies resident in Norway for tax purposes ("**Norwegian Corporate Shareholders**") are generally not taxable in Norway on capital gains related to the realization of shares, and losses related to such realization are not tax deductible (the so-called "**Participation Exemption Method**").

However, pursuant to an amendment of the Norwegian Participation Exemption Method, 3% of net gains derived from realization of shares in companies resident within the EEA for tax purposes are subject to Norwegian taxation as ordinary income at a tax rate of 28%. Norwegian Corporate Shareholders are thus subject to taxation under the new regulations on capital gains derived from a sale of their Shares or Subscription Rights.

Dividend Taxation

Dividends distributed by companies within the EEA to Norwegian Corporate Shareholders are generally not taxable for such shareholders. However, pursuant to an amendment of the Norwegian Participation Exemption Method, 3% of income derived from dividends received on shares of companies that are resident in the EEA for tax purposes are subject to Norwegian taxation as ordinary income at a tax rate of 28%. Any dividends received by Norwegian Corporate Shareholders on the Shares in the Company are thus subject to taxation under the new regulations.

If certain requirements are met, Norwegian Corporate Shareholders are also entitled to a tax credit against their Norwegian tax liability for any withholding tax imposed in Sweden on dividends distributed. See also "—Certain Tax Considerations in Sweden—Certain Tax Issues for Shareholders and Holders of Subscription Rights who are not Tax Resident in Sweden—Withholding Tax".

Exercise, Sale and Disposal of Subscription Rights

A Norwegian Corporate Shareholder's subscription of shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription of shares will be added to the cost price of the shares.

Norwegian Corporate Shareholders are subject to tax on 3% of capital gains upon realization of subscription rights that are related to shares in companies that are resident in the EEA for tax purposes. Such gains are thus subject to Norwegian taxation as ordinary income at a tax rate of 28% for Norwegian Corporate Shareholders.

Certain Tax Issues for Shareholders and Holders of Subscription Rights who are not Tax Resident in Norway

Capital Gains Taxation

As a general rule, capital gains related to shares or subscription rights in a company not resident in Norway for tax purposes that are held by shareholders who are not tax residents of Norway (for the purposes of this section "**Foreign Shareholders**") are not taxable in Norway.

However, if a Foreign Shareholder (i) is an individual shareholder carrying on business activities in Norway and the shares are effectively connected with such business activities or (ii) is an individual shareholder who has been a tax resident of Norway within the five calendar years preceding the year that shares are sold, such Foreign Shareholder will be subject to the same capital gains taxation as Norwegian shareholders, as described above, given that the gains are not exempt pursuant to the provisions of an applicable income tax treaty.

Dividend Taxation

As a general rule, dividends received related to shares in a company not resident in Norway for tax purposes that are held by Foreign Shareholders are not taxable in Norway.

However, if the Foreign Shareholder is a personal shareholder carrying on business activities in Norway and the shares are effectively connected with such business activities, the Foreign Shareholder will be subject to the same dividend taxation as Norwegian shareholders, as described above, if the dividends are not exempt pursuant to the provisions of an applicable income tax treaty.

Taxation of Subscription Rights

An individual Foreign Shareholder's receipt of subscription rights or subscription of shares pursuant to a subscription right is not subject to taxation in Norway.

Gains from the sale or other disposal of subscription rights derived by an individual Foreign Shareholder will not be subject to taxation in Norway unless the Foreign Shareholder (i) holds the subscription rights in connection with the conduct of business in Norway or (ii) has been a tax resident of Norway within the five calendar years preceding the year of the sale or disposition (and whose gains are not exempt pursuant to the provisions of an applicable income tax treaty).

A corporate Foreign Shareholder's receipt of subscription rights or subscription of shares pursuant to a subscription right is not subject to taxation in Norway.

Capital gains derived by the sale or other realization of subscription rights related to shares derived by corporate Foreign Shareholders are not subject to taxation in Norway.

Liability to Pay Swedish Tax

See also "—Certain Tax Considerations in Sweden—Certain Tax Issues for Shareholders and Holders of Subscription Rights who are not Tax Resident in Sweden."

Certain Tax Considerations in the United States

General

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Subscription Rights to the New Shares pursuant to the Rights Offering and of New Shares by a U.S. Holder (as defined below). This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor, and does not discuss state, local, foreign or other tax laws. In particular, the summary does not deal with Subscription Rights or New Shares that are not held as capital assets and does not address the tax treatment of holders that are subject to special rules, such as U.S. expatriates, banks and certain other financial institutions, insurance companies, dealers in securities or currencies, regulated investment companies, persons that elect mark-to-market treatment, persons holding shares as a position in a synthetic security, straddle or conversion transaction, persons subject to the alternative minimum tax, persons who acquired the shares pursuant to the exercise of employee stock options or otherwise as compensation, individual accounts and other tax deferred accounts, tax exempt entities, persons that own, directly or indirectly, 10% or more of the Group's shares and persons whose functional currency is not the U.S. dollar.

For purposes of this summary, a "**U.S. Holder**" is a beneficial owner of Subscription Rights or New Shares that is for U.S. federal income tax purposes a citizen or resident of the United States, a U.S. domestic corporation, or otherwise subject to U.S. federal income tax on a net income basis with respect to its Subscription Rights or New Shares.

The U.S. federal income tax treatment of a partner in a partnership that holds Subscription Rights or New Shares will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are partnerships should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Subscription Rights or New Shares by the partnership.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986 (the "**Code**"), as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Sweden (the "**Treaty**"), all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

This discussion assumes that the Company is not, and will not become, a passive foreign investment company, as further discussed in "—Taxation in respect to New Shares—Dividends" below.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING RIGHTS AND NEW SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Taxation in respect of Subscription Rights

Receipt of Subscription Rights

The tax consequences of the receipt of Subscription Rights by a U.S. Holder are not free from doubt. In particular, it is not entirely clear whether the sale of Subscription Rights by Nordea or the relevant nominee, and the remittance of the proceeds from that sale to certain holders (as described in "Terms and Conditions") should be treated as a sale and distribution by the Group, or as a distribution of Subscription Rights by the Group and a subsequent sale of those Subscription Rights by the relevant holders. If the sale and distribution were considered to be made by the Group, then the receipt of Subscription Rights would be taxable to all U.S. Holders as a dividend, as described below under "—Taxation in Respect of New Shares—Dividends." However, based on the particular facts relating to the Subscription Rights and the sale of Subscription Rights by the Nordea or the relevant nominee, the Group believes it is proper to take the position that a U.S. Holder is not required to include any amount in income for U.S. federal income tax purposes as a result of the receipt of the Subscription Rights. It is possible that the U.S. Internal Revenue Service ("**IRS**") may take a contrary view and require a U.S. Holder to include in income the fair market value of the Subscription Rights on the date of their distribution. The remainder of this discussion assumes that the receipt of Subscription Rights will not be a taxable event for U.S. federal income tax purposes.

The basis and holding period of the Subscription Rights will be determined by reference to a U.S. Holder's Shares with respect to which Subscription Rights were received ("**Old Shares**"). If the fair market value of the Subscription Rights is 15% or more of the value of the Old Shares on the date the Subscription Rights are distributed, a U.S. Holder will be required to allocate its basis in its Old Shares between the Old Shares and the Subscription Rights based on the fair market value of each on the distribution date. In the event that the fair market value of the Subscription Rights is less than 15% of the value of the Old Shares on the date the rights are distributed, U.S. Holders may elect to allocate their basis in the same manner as discussed above. In the absence of such election, no basis will be allocated to the Subscription Rights. U.S. Holders' holding period with respect to Subscription Rights will include their holding period for their Old Shares with respect to which the Subscription Rights were received.

Sale or other disposition of Subscription Rights

A U.S. Holder will recognize capital gain or loss on the sale or other disposition of Subscription Rights in an amount equal to the difference between such holder's tax basis in the Subscription Rights, if any, and the U.S. dollar value of the amount realized from the sale or other disposition. A U.S. Holder will recognize long-term capital gain or loss, subject to taxation at reduced rates for individual taxpayers, if such holder's holding period in the Subscription Rights exceeds one year. In addition, any gain or loss will generally be treated as arising from U.S. sources. The ability to offset capital losses against capital gains or ordinary income may be limited.

The amount realized on a sale or other disposition of Subscription Rights for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition (or in the case of cash basis and electing accrual basis taxpayers, the settlement date, provided that the Subscription Rights are traded on an established securities market). On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of Subscription Rights traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized at that time. If an accrual basis U.S. Holder makes the election described above, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder that receives a payment from Nordea or such U.S. Holder's nominee, on account of the sale of Subscription Rights will be treated as having sold the Subscription Rights. A U.S. Holder that receives such a payment should consult its own tax advisers about the U.S. federal income tax treatment of those amounts.

Expiration of Subscription Rights

If a U.S. Holder allows the Subscription Rights distributed to him to expire without selling or exercising them, any allocation of basis to the Subscription Rights will be disregarded and such holder will not recognize any loss upon expiration of the Subscription Rights.

Exercise of Subscription Rights

A U.S. Holder will not recognize taxable income upon the receipt of New Shares pursuant to the exercise of Subscription Rights. A U.S. Holder's tax basis in the New Shares will equal the sum of the U.S. dollar value of the subscription price determined at the spot rate on the date of exercise and the U.S. Holder's tax basis, if any, in the Subscription Rights exercised to obtain the New Shares. A U.S. Holder's holding period in each New Share acquired through the exercise of a Right will begin with and include the date of exercise.

Taxation in respect of New Shares

Dividends

The gross amount of any cash distribution received by a U.S. Holder (including the amount of any Swedish taxes withheld) with respect to its New Shares generally will be subject to U.S. federal income taxation as foreign-source dividend income. Any dividends paid in amount of foreign currency will be included in a U.S. Holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of a U.S. Holder's receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars on such date. If such a dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. Dividends paid on New Shares generally will not be eligible for the dividends received deduction available to U.S. corporate shareholders.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by certain non-corporate U.S. Holders with respect to New Shares in taxable years beginning before January 1, 2011 will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends." Dividends received with respect to New Shares will be qualified dividends if the Company (i) is eligible for the benefits of a comprehensive income tax treaty with the United States that the IRS has approved for purposes of the qualified dividend rules and (ii) was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company ("**PFIC**"). The current Treaty has been approved for purposes of the qualified dividend rules, and the Company believes it qualifies for the benefits under the Treaty. Based on the Company's audited financial statements and relevant market and shareholder data, the Company believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2008 taxable year. In addition, based on its unaudited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate becoming a PFIC for its 2009 taxable year or in the foreseeable future.

Dividends received by U.S. Holders generally will constitute passive category income (or, in the case of certain U.S. Holders, general category income) for U.S. foreign tax credit purposes. Swedish tax withheld from dividends will be treated, up to any applicable reduced rates provided under the Treaty, as a foreign income tax that, subject to generally applicable limitations under U.S. tax law, is eligible for credit against the U.S. federal income tax liability of U.S. Holders or, if they have elected to deduct such taxes, may be deducted in computing taxable income. If a U.S. Holder makes the election to deduct such taxes as described above, it must be applied consistently with respect to all foreign taxes. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or other disposition

A U.S. Holder will recognize capital gain or loss on the sale, exchange or other disposition of the New Shares in an amount equal to the U.S. dollar value of the difference between the amount realized for the New Shares and such holder's adjusted tax basis (determined in U.S. dollars) in the New Shares. Such gain or loss generally will be U.S. source gain or loss, and will be long-term capital gain or loss if the New Shares were held for more than one year. The net amount of long-term capital gain recognized by an individual U.S. Holder generally is subject to taxation at a preferential rate. In addition, such gain or loss generally will be U.S.-source gain or loss for U.S. foreign tax credit purposes. Prospective investors should consult their own tax advisors as to the U.S. tax and foreign tax credits implications of such sale or other disposition of New Shares. A U.S. Holder's ability to offset capital losses may be limited.

The tax basis of a New Share purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of New Shares traded on an established securities market that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). The amount realized on a sale or other disposition of New Shares for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S. source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of New Shares traded on an established securities market that are sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized at that time. If an accrual basis U.S. Holder makes the election described above, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Backup withholding and information reporting

Payments of dividends and sales proceeds of Subscription Rights or New Shares that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rule by filing the appropriate claim for refund with the IRS and furnishing any required information.

PLAN OF DISTRIBUTION, SELLING AND TRANSFER RESTRICTIONS

J.P. Morgan and SEB Enskilda have provided advice to the Company on the structuring, planning and execution of the Rights Offering.

Any New Shares that are not subscribed for pursuant to the exercise of Subscription Rights will be offered by the Company to those who have exercised Subscription Rights and have subscribed for additional New Shares, regardless of whether such subscribers were shareholders on the Record Date or not. In case of oversubscription, such New Shares will be allotted among such subscribers in proportion to the number of Subscription Rights exercised by each such subscriber, and, to the extent necessary, by the drawing of lots. Any remaining New Shares will be offered by the Company to shareholders and other investors who have indicated their interest to subscribe for New Shares without Subscription Rights in (i) a public offering to investors in Denmark, Norway, Sweden and the United Kingdom, (ii) an offering in the United States to QIBs in compliance with the exemption from registration provided by Rule 144A under the U.S. Securities Act or another applicable exemption from registration and (iii) an offering to investors outside Denmark, Norway, Sweden, the United Kingdom and the United States in reliance on the Prospectus Directive and/or Regulation S under the U.S. Securities Act (the "**Secondary Allocations**").

Prior to the Rights Offering, the governments of Sweden, Denmark and Norway, and KAW own 21.4%, 14.3%, 14.3% and 7.6%, respectively, of the Company's outstanding Shares. The governments of Sweden, Denmark and Norway have each separately, on or before 3 February 2009, expressed their support for the Rights Offering to the Board of Directors. In Denmark, parliamentary approval was passed on 26 February 2009, authorizing the Danish Minister of Finance to subscribe for the Danish government's pro rata portion of the Rights Offering, subject to the Company's other three principal shareholders subscribing for their respective pro rata portions, the remaining part of the Rights Offering being underwritten and the Offering Memorandum being deemed a satisfactory basis for the subscription. In Norway, parliamentary approval was passed on 12 March 2009, authorizing the Ministry of Trade and Industry to subscribe for the Norwegian government's pro rata portion of the Rights Offering and thereby preserving its current ownership stake in the Company. In Sweden, parliamentary approval was passed on 12 March 2009, authorizing the Swedish government to participate in the Rights Offering by subscribing for shares up to a maximum amount of SEK 1.3 billion. KAW, through Foundation Asset Management, has expressed its support for the Rights Offering and has confirmed its intention to subscribe for its pro rata portion of the Rights Offering, subject to each of the Swedish, Danish and Norwegian governments passing final resolutions to subscribe for their pro rata portions.

Together, the Principal Shareholders and KAW represent approximately 57.6% of all outstanding votes and Shares in SAS. The Company has entered into the Underwriting Agreement, pursuant to which the Joint Lead Managers, on behalf of themselves and the other several Underwriters, have severally agreed, subject to certain conditions, to subscribe for, or to procure subscribers for, up to 42.4% of the New Shares, to the extent any New Shares remain available after the Secondary Allocations. The Underwriters will subscribe for Remaining Underwritten Shares in the percentages indicated in the table below:

Underwriters	**Maximum number of New Shares**	**% of all New Shares**
J.P. Morgan Securities Ltd.	391,003,312	16.98
Skandinaviska Enskilda Banken AB (publ)	195,501,656	8.49
Nordea Bank AB (publ)	195,501,656	8.49
DnB NOR Markets	97,750,828	4.24
Danske Markets (Division of Danske Bank A/S)	97,750,828	4.24
Total	977,508,280	42.44

The Underwriting Agreement contains warranties and indemnities which are customary for agreements of this nature, given by the Company to the Underwriters. The Underwriting Agreement also contains customary conditions to closing, including but not limited to, the receipt by the Underwriters of legal opinions in relation to the Rights Offering, and customary termination provisions in favor of the Underwriters, such as termination in the event of breach of warranties given by the Company, and the occurrence of certain adverse changes, including in the conditions (financial or otherwise) or prospects of the Company, or of the financial markets in general, exercisable until 8 April 2009.

In addition, the Underwriters' obligations are also conditional upon the Principal Shareholders and KAW having subscribed for their pro rata portions of the Rights Offering. The Underwriters' obligations set out in the Underwriting Agreement are not secured.

The offering of the New Shares in the United States will be made by J.P. Morgan Securities Inc. (an affiliate of J.P. Morgan Securities Ltd.), SEB Enskilda, Inc. (an affiliate of Skandinaviska Enskilda Banken AB), Danske Markets Inc. (an affiliate of Danske Bank A/S) and DnB NOR Markets, Inc. (an affiliate of DnB NOR Bank ASA), each of whom is a broker-dealer registered under the U.S. Securities Exchange Act of 1934, as amended.

Fees, Expenses

The Company will pay the Joint Lead Managers (for themselves and on behalf of the other Underwriters) a fee of 3.5% of the of the total amount of New Shares underwritten by the Underwriters, corresponding to approximately SEK 90 million.

The Company has agreed in the Underwriting Agreement to pay certain costs, including certain costs of the Underwriters arising in connection with the offering and sale of the New Shares.

Stabilization and Other Trading Activities

In connection with the Rights Offering, SEB Enskilda, or a representative or affiliate of SEB Enskilda, may act as stabilization manager and may effect transactions with a view to supporting the stock exchange or market price of the Shares, Subscription Rights, BTAs or New Shares in order to counteract any existing selling pressure ("**Stabilization Measures**").

Stabilization Measures include transactions that stabilize, maintain or otherwise effect the market price of the Shares, Subscription Rights, BTAs or New Shares. Such transactions may include creating a syndicate short position, and engaging in stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Underwriters of securities not owned by them. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the securities while an offering is in progress.

The stabilization manager is under no obligation to engage in any such stabilization. Accordingly, there is no assurance that stabilization will be undertaken. If stabilization is undertaken, it may be discontinued at any time without prior notice. Stabilization may be carried out from the day of publication of the Offering Memorandum on 12 March 2009, up to and including 30 days following the Subscription Period, which is expected to expire on 6 May 2009 (the "**Stabilization Period**"). The Stabilization Manager may not stabilize (i) the Subscription Rights at a price exceeding SEK 1.29 per Subscription Right, equal to the theoretical value of a Subscription Right at the announcement of the Subscription Price or (ii) the Shares, BTAs or New Shares at a price exceeding SEK 3.92 per Share, BTA or New Share, equal to the sum of the Subscription Price and the theoretical value of a Subscription Right at the announcement of the Subscription Price (SEK 2.63 plus SEK 1.29).

As a result of such stabilization, the stock exchange or market price of the Shares or other securities of the Company may be higher than would otherwise prevail in the market. Stabilization may also result in a stock exchange or market price at a level that is not sustainable in the long term.

Within one week after the end of the Stabilization Period, the Company will announce, in accordance with Article 9 of Regulation (EC) No. 2273/2003, whether stabilization measures have been taken, the date on which stabilization commenced, the date on which the last stabilization measures were taken and for each of the dates on which stabilization occurred, the price range within which stabilization was taken.

Certain of the Underwriters have advised the Company that they are currently making a market for the Shares and that they intend to make a market in the Subscription Rights outside of the United States. The Underwriters may also engage in transactions for the accounts of others in the Shares and Subscription Rights and certain derivatives linked to the Shares.

In addition, in connection with the Rights Offering, the Underwriters may engage in trading activity with respect to Subscription Rights and the Shares during the Subscription Period for the sole purpose of hedging their commitments under the Underwriting Agreement. Such activity may include purchases and sales of Subscription Rights and the Shares and related or other securities and instruments, such as the BTAs. These transactions may include short sales of the Shares and purchases of Subscription Rights which cover the positions created by short sales.

If these market-making and other activities are commenced, they may be discontinued at any time at the sole discretion of the relevant Underwriter and without notice. These activities may occur on NASDAQ OMX

Stockholm or any other exchange within NASDAQ OMX Nordic, in the over-the-counter market in Sweden or elsewhere outside the United States in accordance with applicable laws and regulations.

Lock-up

The Company has agreed with the Joint Lead Managers, for the benefit of the several Underwriters, in the Underwriting Agreement that it will not, prior to 180 days after 15 April 2009, announce any intention to submit to its shareholders any proposal (other than a proposal made by a shareholder) to (i) effect any capital increase or issue, offer, sell, contract to sell, lend, pledge or otherwise transfer or dispose of, any Shares or other securities of the Company that are substantially similar to the New Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Shares or any such substantially similar securities; or (ii) purchase or sell any option or other guaranty or enter into any swap, hedge or other arrangement that transfers to any other entity, in whole or in part, any interests in, or any of the economic consequences of, ownership of Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, except with the prior written consent of the Joint Lead Managers; provided, for the avoidance of doubt, that such consent shall in no event be required with respect to any exercise of warrants on Shares held by Scandinavian Airlines System AB that are exercisable under the circumstances described under "Share Capital and Ownership Structure—Protection of the Group's Air Traffic Rights in the Company's Articles of Association." For the avoidance of doubt, this does not apply in the event of a third party takeover bid of the Company.

Other Relationships

The Underwriters or their affiliates have provided, or may provide in the future, various financial advisory, investment banking, commercial banking or other services for the Company and its subsidiaries and affiliates in the ordinary course of their business activities, for which they have received, or will receive, customary fees and expenses. J.P. Morgan Securities Ltd., SEB Enskilda, Skandinaviska Enskilda Banken AB, Nordea AB and Danske Bank A/S regularly provide banking services to the Group.

Own Account Trading

In connection with the Rights Offering, each of the Underwriters and any affiliate acting as an investor for its own account may receive Subscription Rights (if they are current shareholders of the Company), and may exercise its right to take up such Subscription Rights and acquire New Shares, and in that capacity, may retain, purchase or sell Subscription Rights or New Shares and any other securities of the Company or other investments for its own account and may offer or sell such securities (or other investments) otherwise than in connection with the Rights Offering. The Underwriters do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Selling Restrictions

The grant of Subscription Rights and issue of BTAs and New Shares upon exercise of Subscription Rights and the offer of unsubscribed New Shares to persons resident in, or who are citizens of, countries other than Sweden, Denmark, Norway or the United Kingdom may be affected by the laws of the relevant jurisdiction. Investors should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to exercise Subscription Rights or otherwise subscribe for New Shares.

The Company is not taking any action to permit a public offering of the Subscription Rights, the BTAs or the New Shares (pursuant to the exercise of the Subscription Rights or otherwise) in any jurisdiction other than Sweden, Denmark, Norway and the United Kingdom. Receipt of this Offering Memorandum will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Offering Memorandum is for information only and should not be copied or redistributed. Except as otherwise disclosed in this Offering Memorandum, if an investor receives a copy of this Offering Memorandum in any jurisdiction other than Sweden, Denmark, Norway or the United Kingdom, the investor may not treat this Offering Memorandum as constituting an invitation or offer to it, nor should the investor in any event deal in the Subscription Rights, the BTAs or the New Shares, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Subscription Rights, the BTAs and the New Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of this Offering Memorandum, the investor should not distribute or send the same, or transfer Subscription Rights, BTAs or New Shares, to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations.

If any person (including a financial intermediary) forwards this Offering Memorandum into any such territories (whether under a contractual or legal obligation or otherwise), such person should draw the recipient's attention to the contents of this section. Except as otherwise expressly noted in this Offering Memorandum: (i) the Subscription Rights, BTAs and New Shares being granted or offered, respectively, in the Rights Offering may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Member States of the European Economic Area that have implemented the Prospectus Directive (other than Denmark, Norway, Sweden and the United Kingdom), unless pursuant to applicable exemptions under the Prospectus Directive, and Australia, Canada, Japan and non-QIBs in the United States, or any other jurisdiction in which it would not be permissible to offer the Subscription Rights, BTAs or New Shares (the "**Ineligible Jurisdictions**"); (ii) this Offering Memorandum may not be sent to any person in any Ineligible Jurisdiction; and (iii) the crediting of Subscription Rights to an account of a shareholder or other person in an Ineligible Jurisdiction or a citizen of an Ineligible Jurisdiction (referred to as "**Ineligible Persons**") does not constitute an offer to such persons of the BTAs or the New Shares. Ineligible Persons may not exercise Subscription Rights.

If an investor takes up, delivers or otherwise transfers Subscription Rights, exercises Subscription Rights to obtain New Shares or trades or otherwise deals in Subscription Rights or BTAs or New Shares being granted or offered, respectively, in the Rights Offering, that investor will be deemed to have made, or, in some cases, be required to make, the following representations and warranties to the Company and any person acting on its behalf, unless the Company waives such requirement:

(a) the investor is not located in an Ineligible Jurisdiction;

(b) the investor is not an Ineligible Person;

(c) the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;

(d) unless the investor is an existing shareholder and "Qualified Institutional Buyer" or "QIB" as defined in Rule 144A under the U.S. Securities Act, the investor is located outside the United States, and any person for whose account or benefit it is acting on a non-discretionary basis is located outside the United States and, upon acquiring BTAs or New Shares, the investor and any such person will be located outside the United States;

(e) the investor understands that neither the Subscription Rights, the BTAs nor the New Shares being granted and offered in the Rights Offering have been or will be registered under the U.S. Securities Act and may not be offered, sold, pledged, resold, delivered, allotted, taken up or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act; and

(f) the investor may lawfully be offered, take up, subscribe for and receive the Subscription Rights, BTAs and New Shares being offered in the Rights Offering in the jurisdiction in which it resides or is currently located.

The Company and any persons acting on behalf of the Company will rely upon the investor's representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may void a transaction in the Subscription Rights, BTAs or New Shares, and subject the investor to liability.

If a person is acting on behalf of a holder of Subscription Rights (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to the Company with respect to the exercise of Subscription Rights on the holder's behalf. If such person cannot provide the foregoing representations and warranties, the Company will not be bound to authorize the allocation of any of the Subscription Rights, BTAs or New Shares to that person or the person on whose behalf the other is acting. Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees and trustees) located outside Sweden, Denmark, Norway or the United Kingdom wishes to exercise or otherwise deal in Subscription Rights or subscribe for the BTAs or New Shares, the investor must satisfy itself as to full observance of the applicable laws of any relevant jurisdiction, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The information set out in this section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise its Subscription Rights or otherwise subscribe for the BTAs or New Shares, that investor should consult its professional adviser without delay.

As regards shareholders who on the Record Date hold Shares through a financial intermediary, all Subscription Rights will initially be credited to the intermediary. A financial intermediary may not exercise any

Subscription Rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of Subscription Rights to certify the same.

Subject to certain exceptions, financial intermediaries are not permitted to send this Offering Memorandum or any other information about the Rights Offering into any Ineligible Jurisdiction or to any Ineligible Persons. The crediting of Subscription Rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of BTAs or New Shares to such persons. Financial intermediaries, which include brokers, custodians and nominees, holding for Ineligible Persons may consider selling any and all Subscription Rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Subject to certain exceptions, exercise instructions sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid, and the BTAs and New Shares being offered in the Rights Offering will not be delivered to an addressee in any Ineligible Jurisdiction. The Company reserves the right to reject any exercise (or revocation of such exercise) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, revocation of exercise or delivery of such BTAs or New Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to the Company or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction. Furthermore, the Company reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Subscription Rights which appear to it to have been executed, effected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Despite any other provision of this Offering Memorandum, the Company reserves the right to permit a holder to exercise its Subscription Rights if the Company in its absolute discretion is satisfied that the transaction in question is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described further below. In any such case, the Company does not accept any liability for any actions that a holder takes or for any consequences that it may suffer by them accepting the holder’s exercise of Subscription Rights.

United States

None of the Subscription Rights, the BTAs or the New Shares have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and may only be offered or sold within the United States to persons who are reasonably believed to be “Qualified Institutional Buyers.”

Each holder of Subscription Rights, BTAs or New Shares, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that, among other things (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. it is, and at the time of any exercise by it of Subscription Rights will be, a “qualified institutional buyer” (a “**QIB**”) within the meaning of Rule 144A under the U.S. Securities Act.
2. it understands and acknowledges that neither the Subscription Rights nor any BTAs or New Shares issuable upon exercise of the Subscription Rights have been or will be registered under the U.S. Securities Act, and that they may not be offered, sold or exercised, directly or indirectly, in the United States, other than in accordance with paragraph 4 below.
3. it understands that the Subscription Rights may only be transferred, assigned or resold outside the United States in reliance on Regulation S under the U.S. Securities Act.
4. as a purchaser in a private placement of securities that have not been registered under the U.S. Securities Act, it has acquired Subscription Rights and is acquiring New Shares upon the exercise of such Subscription Rights for its own account, or for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account, in each case for investment and not with a view to any resale or distribution of any such Subscription Rights or of any New Shares issuable upon exercise of the Subscription Rights.
5. it understands and agrees that, although offers and sales of the Subscription Rights are being made only to QIBs, and that the Subscription Rights may be exercised only by QIBs, neither such offers and sales

nor such exercises are being made under Rule 144A, and that if in the future it or any such other QIB for which it is acting, as described in paragraph 4 above, or any other fiduciary or agent representing such investor decide to offer, sell, deliver, hypothecate or otherwise transfer any Subscription Rights or New Shares issued upon the exercise of Subscription Rights, it and such other persons will do so only (i) pursuant to an effective registration statement under the U.S. Securities Act, (ii) to a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States pursuant to Rule 904 under Regulation S under the U.S. Securities Act in an "offshore transaction" (and not in a pre-arranged transaction resulting in the resale of such Subscription Rights or New Shares into the United States) or (iv) in the case of New Shares issued upon the exercise of Subscription Rights, in accordance with Rule 144 under the U.S. Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. It understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for the resale of New Shares.

6. it understands that for so long as New Shares issued upon the exercise of Subscription Rights are "restricted securities" within the meaning of U.S. federal securities laws, no such New Shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that such New Shares will not settle or trade through the facilities of the Depository Trust Company or any other U.S. exchange or clearing system.
7. it has received a copy of this Offering Memorandum and has had access to such financial and other information concerning the Company as it has deemed necessary in connection with making its own investment decision to purchase or exercise Subscription Rights. It acknowledges that neither the Company nor the Underwriters nor any person representing the Company or the Underwriters has made any representation to it with respect to the Company or the offering or sale or exercise of any Subscription Rights (or New Shares issuable upon the exercise of Subscription Rights) other than as set forth in the Offering Memorandum which has been delivered to it, and upon which it is relying solely in making its investment decision with respect to the Subscription Rights and such New Shares. It has held and will hold any offering materials, including the Offering Memorandum, it receives directly or indirectly from the Company or the Underwriters in confidence, and it understands that any such information received by it is solely for it and not to be redistributed or duplicated by it. It acknowledges that it has read and agreed to the matters stated in the section entitled "Plan of Distribution, Selling and Transfer Restrictions—Selling Restrictions" in the Offering Memorandum.
8. it, and each other QIB, if any, for whose account it is acquiring Subscription Rights or New Shares, in the normal course of business, invests in or purchases securities similar to the Subscription Rights and the New Shares issuable upon the exercise of Subscription Rights, has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of purchasing any of the Subscription Rights and such New Shares and is aware that it must bear the economic risk of an investment in each Subscription Right and any New Share into which such Subscription Right may be exercised for an indefinite period of time and is able to bear such risk for an indefinite period. It confirms that it is acquiring Subscription Rights or New Shares for itself and any other QIB, if any.
9. it understands that these representations and undertakings are required in connection with United States securities laws and irrevocably authorizes the Company and the Underwriters to produce this letter to any interested party in any administrative or legal proceedings or official enquiry with respect to the matters covered herein.
10. it represents that if, in the future, it offers, resells, pledges or otherwise transfers the Subscription Rights, BTAs or New Shares, it shall notify such subsequent transferee of the transfer restrictions set out herein.
11. it is not an affiliate (as defined in Rule 501(b) under the U.S. Securities Act) of the Company, and is not acting on behalf of an affiliate of the Company.
12. it understands and acknowledges that the Company, the Underwriters and each of their respective affiliates and agents, and others, will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements.

In addition, each person exercising Subscription Rights or otherwise subscribing for New Shares offered hereby will be deemed to have acknowledged and agreed that:

(a) it is relying on this Offering Memorandum in conducting its examination of the Company and the terms of the Rights Offering, including the merits and risks involved, and in making an investment decision regarding the Subscription Rights, BTAs or New Shares; and

(b) no person is authorized to give any information or make any representations other than those contained in this Offering Memorandum and, if given or made, such information or representations will not be relied upon as having been authorized by the Company or the Joint Lead Managers, nor will the Company or the Joint Lead Managers have any liability or responsibility therefore.

Persons receiving this Offering Memorandum are hereby notified that the Company and any sellers of Subscription Rights, BTAs or New Shares may be relying on an exemption from the registration requirements of Section 5 of the U.S. Securities Act.

Until 40 days after the commencement of the Rights Offering, an offer, sale or transfer of the Subscription Rights, BTAs or New Shares within the United States by a dealer (whether or not participating in the Rights Offering) may violate the registration requirements of the U.S. Securities Act. The Subscription Rights, BTAs and New Shares have not been approved or disapproved by any U.S. federal or U.S. state securities commission or U.S. regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the Rights Offering, the Subscription Rights, the BTAs or the New Shares or the accuracy or completeness of this Offering Memorandum.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented and agreed with the Company that with effect from and including the date on which the Prospectus Directive is implemented in a Member State (a "**Relevant Implementation Date**"), it has not made and will not make an offer of the Subscription Rights, BTAs, or the New Shares to the public in that Member State prior to the publication of a prospectus in relation to the Subscription Rights, BTAs, or the New Shares which has been approved by the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, except that it may, to the extent permissible, with effect from and including the Relevant Implementation Date, make an offer of Subscription Rights, BTAs, or New Shares to the public in that Relevant Member State:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000; and (iii) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors within the meaning of the Prospectus Directive) subject to obtaining the prior consent of the Company or the Joint Lead Managers for any such offer; or
- in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of the Subscription Rights, BTAs, or the New Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purposes of this provision, the expression an "offer to the public" in relation to any Subscription Rights, BTAs, or New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Rights Offering and the Subscription Rights, BTAs, or the New Shares to be offered so as to enable an investor to decide to exercise Subscription Rights or otherwise subscribe for New Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" includes any relevant implementing measure in each Relevant Member State.

Singapore

Each Underwriter has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Underwriter has represented, warranted and agreed that it has not circulated or distributed nor will it circulate or distribute this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Subscription Rights, BTAs and New Shares nor has it offered or sold any Subscription Rights, BTAs or New Shares or caused the Subscription Rights, BTAs or New Shares to be made the subject of an invitation for subscription or purchase nor will it offer or sell the Subscription Rights, BTAs or New Shares or cause the Subscription Rights, BTAs or New Shares to be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of Singapore's Securities and Futures Act ("**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Subscription Rights, BTAs or New Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Subscription Rights, BTAs or New Shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than SGD $200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

Switzerland

No Subscription Rights, BTAs, or New Shares will be publicly offered or distributed in Switzerland. The Subscription Rights, BTAs, or the New Shares shall be offered in Switzerland privately only to a select circle of investors without the use of any public means of information or advertisement. This document does not constitute an offer prospectus within the meaning of Art. 652a or 1156 of the Swiss Code of Obligations. It has not been filed with or approved by any Swiss regulatory authority or stock exchange. The Subscription Rights, BTAs, or the New Shares will not be registered in Switzerland or listed at any Swiss stock exchange. This document may not be distributed or used in Switzerland without the Company's prior written approval.

United Arab Emirates

This Offering Memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than, the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Offering Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that this Offering Memorandum has not been approved by the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the United Arab Emirates, nor has any placement agent received authorization or licensing from the U.A.E. Central Bank, the U,A.E. Ministry of Economy and Planning or any other authorities in the United Arab Emirates to market or sell the Subscription Rights or the New Shares within the United Arab Emirates. No marketing of any financial products or services has been or will be made from within the United Arab Emirates and no subscription to any securities, products or financial services may or will be consummated within the United Arab Emirates. It should not be assumed that any placement agent is a licensed broken, dealer or investment advisor under the laws applicable in the United Arab Emirates, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Subscription Rights or the New Shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

Restrictions on Resale

Each person exercising Subscription Rights in the Offering in reliance on Rule 144A will be required to sign and deliver an investment letter (a "**QIB Investment Letter**") as described under "—Selling Restrictions—United States" containing (among other things) representations and undertakings substantially similar to the following, and each purchaser of New Shares in the Offering within the United States in reliance on Rule 144A will deemed to have represented and agreed as follows (terms used herein that are defined in Rule 144A ("**Rule 144A**") or Regulations S ("**Regulations S**") under the Securities Act are used herein as defined therein):

(1) You (A) are qualified institutional buyer, (B) are aware that the sale of the New Shares to you is being made in reliance on Rule 144A and (C) are acquiring such New Shares for your own account or for the account of a qualified institutional buyer, as the case may be.

(2) You understand that the New Shares have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereafter (if available) and (B) in accordance with all applicable securities laws of the states of the United States. No representation can be made as to the availability of the exemption provided by Rule 144 for resales of the New Shares.

New Shares purchased by investors outside of the Kingdom of Sweden, the Kingdom of Denmark, the Kingdom of Norway and the United Kingdom may be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

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To the Board of Directors of SAS AB

THE AUDITOR'S REPORT ON NEW HISTORICAL FINANCIAL REPORTS

We have audited the financial reports of SAS AB, which comprise the balance sheets as per December 31, 2008, December 31, 2007 and December 31, 2006 and the income statements, the cash flow statements and statements of changes in equity for the years then ended and a summary of significant accounting principles and other explanatory notes.

The Board of Directors and President's responsibility for the financial reports

The Board of Directors and the President are responsible for the preparation and fair presentation of these financial reports in accordance with IFRS as adopted by the EU, and in accordance with the requirements in the Prospectus Directive for the implementation of the Prospectus Regulation, 809/2004/EC. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial reports that are free from material misstatements, irrespective of whether such are due to fraud or errors.

Auditors' responsibility

Our responsibility is to express an opinion on these financial reports based on our audit. We conducted our audit in accordance with FAR SRS's RevR5, *Granskning av prospekt*. This recommendation requires that we plan and perform the audit to obtain reasonable assurance whether the financial reports are free from any material misstatements.

Work performed

An audit pursuant to FAR SRS's RevR5, *Granskning av prospekt,* involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial reports. The audit procedures selected depend on the auditor's judgment, including our assessment of the risk of material error in the financial reports, irrespective of whether such are due to fraud or errors. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial reports as a basis for designing the audit procedures that appropriate in the circumstances, but not for the purpose of issuing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant estimates made by the Board of Directors and the President, as well as evaluating the overall financial reports presentation. We believe that the audit evidence obtained is sufficient and appropriate as a basis for our opinion.

Opinion

In our opinion, the financial reports give a true and fair view in accordance with IFRS, as adopted by the EU, of the financial position of SAS AB as per December 31, 2008, December 31, 2007 and December 31, 2006 and the results and cash flows for the years then ended.

Stockholm, March 13, 2009

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Consolidated statements of income

For the years December 31

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

	Note	2008	2007	2006
Revenue	3	53,195	50,598	48,952
Payroll expenses	4	(18,153)	(16,897)	(15,916)
Other operating expenses	5	(31,791)	(28,682)	(28,143)
Leasing costs for aircraft		(2,282)	(2,342)	(2,350)
Depreciation, amortization and impairment	6	(1,591)	(1,457)	(1,740)
Share of (loss) / income in affiliated companies	7	(147)	32	111
Income from the sale of aircraft and buildings		4	41	76
Operating (loss) / income		(765)	1,293	990
Other gains and losses		—	5	(46)
Financial income	8	654	787	587
Financial expenses	8	(933)	(1,041)	(1,362)
(Loss) / income before tax		(1,044)	1,044	169
Income tax	9	28	(273)	26
Net (loss) / income for the year from continuing operations		(1,016)	771	195
(Loss) / income from discontinued operations	10	(5,305)	(135)	4,545
Net (loss) / income for the year		**(6,321)**	**636**	**4,740**
Attributable to:				
Parent Company shareholders		(6,264)	637	4,622
Minority interest		(57)	(1)	118
Earnings per share (SEK)		(38.08)	3.87	28.10
Earnings per share (SEK) from continuing operations		(6.18)	4.69	1.19
Earnings per share (SEK) from discontinued operations		(31.90)	(0.82)	26.91

See accompanying notes to the consolidated financial statements.

Consolidated balance sheets

As at December 31

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

	Note	2008	2007	2006
Assets				
Non-current assets				
Intangible assets	11	1,092	1,226	2,932
Tangible fixed assets	12			
Land and buildings		513	568	684
Aircraft		11,037	10,766	11,330
Spare engines and spare parts		1,185	1,211	1,383
Workshop and aircraft servicing equipment		220	226	215
Other equipment and vehicles		318	308	634
Investments in progress		232	172	378
Prepayments relating to tangible fixed assets		627	185	317
		14,132	13,436	14,941
Financial fixed assets	13			
Equity in affiliated companies	7	622	1,063	1,012
Long-term receivables from affiliated companies	14	—	170	189
Other holdings of securities		5	5	601
Pension funds, net	15	9,658	9,496	8,805
Deferred tax asset	9	921	690	1,378
Other long-term receivables		410	577	1,331
		11,616	12,001	13,316
Total non-current assets		26,840	26,663	31,189
Current assets				
Expendable spare parts and inventories	16	819	849	993
Prepayments to suppliers		1	1	3
		820	850	996
Accounts receivable	17	1,851	1,951	3,918
Receivables from affiliated companies	18	479	510	357
Other receivables		2,661	2,637	2,767
Prepaid expenses and unbilled receivables		1,009	1,070	1,134
		6,000	6,168	8,176
Short-term investments	19	3,872	7,308	9,117
Cash and bank balances	35	1,911	1,583	1,686
Assets held for sale	10	3,921	6,198	—
Total current assets		16,524	22,107	19,975
Total assets		43,364	48,770	51,164

Consolidated balance sheets (continued)

As at December 31

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

	Note	2008	2007	2006
Shareholders' equity				
Share capital	20	1,645	1,645	1,645
Other contributed capital		170	170	170
Reserves	20	(718)	1,466	1,312
Retained earnings		7,585	13,849	13,239
Total shareholders' equity attributable to Parent Company owners		8,682	17,130	16,366
Minority interests		—	19	22
Total shareholders' equity		8,682	17,149	16,388
Long-term liabilities				
Subordinated loans	21	953	693	716
Bond issues	22	2,212	2,079	7,135
Other loans	23	10,535	3,936	5,685
Deferred tax liability	9	2,988	3,755	3,473
Other provisions	25	768	691	603
Other long-term liabilities		334	120	235
		17,790	11,274	17,847
Current liabilities				
Current portion of long-term loans		872	1,615	841
Short-term liabilities	26	1,189	421	2,043
Prepayments from customers		7	20	181
Accounts payable		2,068	2,108	3,350
Liabilities to affiliated companies	27	—	94	169
Tax payable		110	5	43
Unearned transportation revenue		3,299	3,842	3,395
Current portion of other provisions		148	190	318
Other liabilities		2,460	1,580	1,845
Accrued expenses and prepaid income	28	4,274	5,149	4,744
Liabilities attributable to assets held for sale	10	2,465	5,323	—
		16,892	20,347	16,929
Total shareholders' equity and liabilities		43,364	48,770	51,164

See accompanying notes to the consolidated financial statements

Consolidated statements of changes in shareholders' equity

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

	Shareholders' equity attributable to Parent Company shareholders								
	Share capital	Other contributed capital	Hedging reserves	Fair value reserve	Trans-lation reserve	Retained earning	Total shareholders equity attributable to Parent Co shareholders	Minority interest	Total Equity
Opening equity at January 1, 2006	1,645	658	631	—	287	8,283	11,504	577	12,081
Divestment, Rezidor Hotel Group (Note 34)	—	—	—	—	—	—	—	(650)	(650)
Change in affiliated companies	—	—	—	—	—	(154)	(154)	—	(154)
Transfer of equity	—	(488)	—	—	—	488	—	—	—
Change in fair value reserve	—	—	—	508	—	—	508	—	508
Change in hedge reserve	—	—	698	—	—	—	698	2	700
Tax charged directly to equity	—	—	(195)	—	—	—	(195)	(1)	(196)
Translation differences	—	—	—	—	(1)	—	(1)	(24)	(25)
Net income for the period reported directly against shareholders equity	—	(488)	503	508	(1)	334	856	(673)	183
Hedge reserve transferred to profit or loss	—	—	(856)	—	—	—	(856)	—	(856)
Tax on items transferred from equity	—	—	240	—	—	—	240	—	240
Net income for the period	—	—	—	—	—	4,622	4,622	118	4,740
Total recognized income and expense for the period	—	(488)	(113)	508	(1)	4,956	4,862	(555)	4,307
Closing equity at December 31, 2006	1,645	170	518	508	286	13,239	16,366	22	16,388
Change in affiliated companies	—	—	—	—	—	(26)	(26)	—	(26)
Change in fair value reserve	—	—	—	(508)	—	—	(508)	—	(508)
Change in hedge reserve	—	—	583	—	—	—	583	—	583
Tax charged directly to equity	—	—	(163)	—	—	—	(163)	—	(163)
Translation differences	—	—	—	—	75	—	75	(2)	73
Net income for the period reported directly against shareholders equity	—	—	420	(508)	75	(26)	(39)	(2)	(41)
Hedge reserve transferred to profit or loss	—	—	232	—	—	—	232	—	232
Tax on items transferred from equity	—	—	(65)	—	—	—	(65)	—	(65)
Net income for the period	—	—	—	—	—	636	636	(1)	635
Total recognized income and expense for the period	—	—	587	(508)	75	610	764	(3)	761
Closing equity at December 31, 2007	1,645	170	1,105	—	361	13,849	17,130	19	17,149
Change of holdings in subsidiaries	—	—	—	—	—	—	—	38	38
Change in hedge reserve	—	—	(1,516)	—	—	—	(1,516)	—	(1,516)
Tax charged directly to equity	—	—	407	—	(85)	—	322	—	322
Translation differences	—	—	—	—	(251)	—	(251)	—	(251)
Net income for the period reported directly against shareholders equity	—	—	(1,109)	—	(336)	—	(1,445)	38	(1,407)
Hedge reserve transferred to profit and loss	—	—	(1,027)	—	—	—	(1,027)	—	(1,027)
Tax on items transferred from equity	—	—	288	—	—	—	288	—	288
Net loss for the period	—	—	—	—	—	(6,264)	(6,264)	(57)	(6,321)
Total recognized income and expense for the period	—	—	(1,848)	—	(336)	(6,264)	(8,448)	(19)	(8,467)
Closing equity at December 31, 2008	1,645	170	(743)	—	25	7,585	8,682	—	8,682

See accompanying notes to the consolidated financial statements

Consolidated cash flow statements

For the years December 31

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

	Note	2008	2007	2006
Operating activities				
Income before tax		(1,044)	1,044	169
Depreciation, amortization and impairment		1,591	1,457	1,740
Income from the sale of aircraft, buildings and shares		(4)	(46)	(79)
Income before tax in discontinued operations, excluding loss on disposal	10	(4,113)	(710)	522
Depreciation and impairments in discontinued operations	10	1,804	485	406
Other non-cash adjustments	32	(64)	(15)	(149)
Income taxes paid		(19)	(38)	(65)
Changes in working capital:				
Expendable spare parts and inventories		42	11	(51)
Operating receivables		177	(397)	(439)
Operating liabilities		(1,021)	1,075	48
Cash flow from operating activities		(2,651)	2,866	2,102
Investing activities				
Aircraft		(2,995)	(1,310)	(846)
Spare sparts		(127)	(127)	(71)
Buildings, equipment and investments in progress		(599)	(782)	(1,139)
Shares and affiliates, intangible assets		(69)	(171)	(118)
Prepayments for flight equipment		(665)	(293)	(125)
Acquisition of non-controlling interests	33	7	(225)	—
Total investments		(4,448)	(2,908)	(2,299)
Disposal of subsidiaries and affiliated companies	34	103	549	5,725
Sale of aircraft, buildings and shares		655	652	546
Proceeds from sale leaseback transactions		1,166	1,387	3,472
Sale of other fixed assets		(389)	107	41
Cash flow from investing activities		(2,913)	(213)	7,485
Financing activities				
Proceeds from borrowings		6,500	—	1,900
Repayment of borrowings		(4,260)	(4,700)	(9,900)
Change in interest-bearing liabilities		240	208	562
Cash flow from financing activities		2,480	(4,492)	(7,438)
Net (decrease) / increase in cash and cash equivalents		(3,084)	(1,839)	2,149
Effect of foreign exchange rate on cash held in foreign currencies		(18)	29	(30)
Cash & cash equivalents reclassified to assets held for sale		(6)	(102)	—
Cash & cash equivalents at beginning of year	35	8,891	10,803	8,684
Cash & cash equivalents at end of year	35	5,783	8,891	10,803

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

1. Background and Description of Business

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

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

During 2006 and 2007 the Group began a program to divest certain businesses that were not core to its passenger business and in 2008 expanded this program to divest airlines that were either underperforming or not in its core markets (see Note 34). On February 3, 2009, the Group announced a program ("Core SAS") under which it announced its intention to restructure its business to focus on its home markets (the Nordic region, defined as Denmark, Norway, Sweden, and Finland). As part of the Core SAS program, the Group expects to dispose of additional businesses in 2009 and to reduce its workforce to align with the restructured business.

The Company maintains its registered office in Stockholm, Sweden.

2. Significant accounting policies

Basis of Preparation

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

Accounting estimates in the financial statements

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

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

New standards and interpretations

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

IFRIC 13 'Customer Loyalty Programmes'; effective for annual periods beginning on or after July 1, 2008. IFRIC 13 addresses accounting by entities that operate or otherwise participate in customer loyalty programmes for their customers. IFRIC 13 applies to sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The interpretation requires that an entity recognizes credits that it awards to customers as a separately identifiable component of revenue, which would be deferred at the date of the initial sale. The portion of the ticket price allocated to bonus points is to be valued at fair value and recognized in revenue in the period in which the commitment is fulfilled. The fair value of the future flight is based on the lowest price offered to paying passengers. At adoption the liability increased by SEK 1,376 million as of January 1, 2009. The Group will restate its comparative financial information to present the financial statements on a consistent basis of accounting and the cumulative effect as of January 1, 2008 with be recorded directly in shareholders' equity.

2. Significant accounting policies (continued)

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

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

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

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

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

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

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

Principles of consolidation

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

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

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

2. Significant accounting policies (continued)

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

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

Business combinations

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

Investments in affiliates

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

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

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

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

Assets held for sale and discontinued operations

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

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

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

2. Significant accounting policies (continued)

Foreign currency translation

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

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

Exchange differences arising from the retranslation are recognized in financial income and financial expense in the Group's consolidated statement of income in the period in which they arise except for exchange differences on transactions entered into to hedge net investment of foreign subsidiaries with certain foreign currency risks and exchange rate differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation. These differences are reflected in the translation reserve within shareholders equity.

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

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

Exchange rates			**Closing rate**			**Average rate**		
			2008	**2007**	**2006**	**2008**	**2007**	**2006**
Denmark	DKK	100	146.80	127.05	121.35	128.19	123.84	124.42
Norway	NOK	100	110.35	118.75	109.45	117.60	115.02	115.63
U.S.	USD		7.75	6.47	6.87	6.50	6.77	7.42
U.K.	GBP		11.25	12.90	13.49	12.18	13.53	13.58
Switzerland	CHF	100	734.55	569.85	563.10	600.77	562.25	590.09
Japan	JPY	100	8.60	5.72	5.78	6.34	5.73	6.40
EMU countries	EUR		10.94	9.47	9.05	9.56	9.23	9.28

Financial instruments

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

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

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

2. Significant accounting policies (continued)

Financial Assets

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

Loans and receivables

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

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

Cash, cash equivalents

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents are included in cash and bank balances and short term investments on the Group's balance sheet.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilites. Equity instruments issued by the Group are recorded in the amount of the proceeds received, net of direct issue costs.

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

Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at amortized cost using the effective interest rate method. Since the term of these payables are expected to be short, the liabilities are carried at nominal amounts with no discounts, which approximates fair value.

Borrowings

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

All loans and borrowings are initially recorded at fair value, net of direct transaction costs. Subsequently loans and borrowings are measured at amortized cost using the effective interest method, except any long term borrowings designated as fair value hedges. The hedged risk related to long term borrowings designated as fair value hedges are measured at fair value.

2. Significant accounting policies (continued)

Derivative financial instruments

The Group holds various financial instruments to manage its exposure to foreign currency, interest and jet fuel risk (see Note 24).

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

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

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

Tangible fixed assets

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

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

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

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

Asset class	Depreciation Years
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

(*) The Group estimates the residual value after a useful life of 20 years to be 10% of the original cost of the asset.

Leasing

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

2. Significant accounting policies (continued)

The Group as lessee

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

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

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

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

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

The Group as lessor

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

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

Intangible assets

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

Intangible assets are recognized in the balance sheet when:

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

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

Goodwill is assessed as having an indefinite useful life. Goodwill is allocated to the lowest cash-generating unit and the carrying amount is tested at least once a year for any impairment. However, testing for impairment takes place more frequently if there are indications that a loss in value has occurred. A discounted cash flow analysis is carried out based on the cash flows of the cash-generating unit (CGU) and comparing the carrying

2. Significant accounting policies (continued)

value of assets of the CGU with their recoverable amount. These cash flows are discounted at rates that the Group estimates to be the risk affected average cost of capital for the particular businesses. Any impairment is recognized immediately in the income statement.

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

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

Impairment of tangible and definite lived intangible assets

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

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

Expendable spare parts and inventories

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

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.

Remuneration of employees

Pensions

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

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

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

2. Significant accounting policies (continued)

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

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

Termination benefits

Termination benefits are payable when employment is terminated 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 based on employment contracts or for termination as a result of an offer made to encourage voluntary redundancy.

Revenue recognition

Passenger revenue

Sales of passenger tickets are recorded as unearned transportation revenue on the Group's consolidated balance sheet. Passenger revenue is recognized when SAS or another airline provides the transportation. Additionally, tickets that have not been utilized by the passenger and have expired, are recognized as revenue. The Group estimates unutilized tickets each period based on the historical level of usage of unitilized tickets over the most recent two to three year period, and recognizes revenue and reduces the unearned transportation revenue based on that estimate. This estimate of unused tickets is reported as revenue the following year.

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

Charter Revenue

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

Mail and freight revenue

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

Other revenue

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

Loyalty program

The Group's EuroBonus frequent flyer program offers incentives to passengers to increase travel on Group airlines. This program allows participants to earn mileage credits by flying SAS and other Star Alliance, as well as through purchase from commercial partners such as rental car and credit card companies.

2. Significant accounting policies (continued)

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

Borrowing costs

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

Taxes

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

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

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

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

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

Critical accounting judgments and key sources of estimation uncertainty

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

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

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

Estimated useful economic lives of tangible fixed assets

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

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

2. Significant accounting policies (continued)

Impairment of assets

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

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

Pension

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

The discount rate is determined by reference to market yields at the balance sheet date on high-quality corporate bonds. A lower discount rate increases the present value of the pension liability and the annual pension cost.

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

Deviations may arise from actual returns being lower or higher than their estimated level, or by actual inflation levels and salary adjustments deviating from the Group's assumptions. In addition, the deviations from estimates are impacted by changing assumptions regarding the discount rate, and life expectancy. Any change in these assumptions could potentially result in a significant change to the pension assets, commitments and pension costs in future periods.

Sensitivity to changes in individual assumptions is estimated as follows. A 1 percentage point change in the discount rate would affect commitments by approximately SEK 4.5 billion. A 1 percentage point change in the inflation assumption will affect commitments by about SEK 3 billion and a 1 percentage point change in the salary adjustment parameter will affect commitments by approximately SEK 4 billion.

Deferred Taxes

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

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

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

2. Significant accounting policies (continued)

Litigation

The Group is involved in litigation and other claims that are in the ordinary course of its business activities. Management judgement is required in determining the likelihood of the outcome. Actual results of the outcome could differ from management's estimate which would impact the Group's results. (see Note 30)

3. Revenue

	2008	2007	2006
Traffic revenue:			
Passenger revenue	38,103	36,814	35,370
Charter	1,663	1,927	1,750
Mail and freight	1,509	1,700	2,076
Other traffic revenue	2,159	1,295	1,561
Other revenue:			
In-flight sales	519	511	493
Ground services	1,265	1,455	1,246
Technical maintenance	792	973	1,143
Terminal and forwarding services	1,916	1,592	1,513
Sales commissions and charges	668	834	820
Other revenue	4,601	3,497	2,980
Total	53,195	50,598	48,952

4. Remuneration

Key management compensation

	2008	2007	2006
	TSEK	TSEK	TSEK
Short-term employee benefits	37,563	42,319	39,350
Post-employment benefits	7,103	10,040	9,193
Total	44,666	52,359	48,543

Compensation of Chief Executive Officer

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

5. Other operating expenses

	2008	2007	2006
Selling costs	680	660	603
Jet fuel	9,637	7,554	7,547
Government user fees	4,662	4,316	4,205
Catering costs	1,346	1,373	1,363
Handling costs	1,851	1,776	1,780
Technical aircraft maintenance	3,197	3,144	2,970
Computer and telecommunications costs	2,282	2,219	2,707
Other	8,136	7,640	6,968
Total	31,791	28,682	28,143

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

6. Depreciation, amortization and impairment

	2008	2007	2006
Intangible assets	27	41	81
Aircraft	1,149	1,045	1,216
Spare engines and spare parts	147	135	120
Workshop and aircraft servicing equipment	69	64	69
Other equipment and vehicles	105	89	121
Buildings and fittings	82	83	82
Impairment	12	—	51
Total	1,591	1,457	1,740

7. Affiliated companies

	2008	2007	2006
Share of income in affiliated companies:			
British Midland PLC	(114)	33	60
Skyways Holding AB	2	11	(22)
Air Greenland A/S	17	33	31
Go Now AS	(21)	(18)	—
AS Estonian Air	(50)	(20)	(26)
Commercial Aviation Leasing Ltd	14	(11)	20
Reversal of intra-group profit for Commercial Aviation Leasing Ltd.	—	—	40
Malmö Flygfraktterminal AB	5	5	8
Other	—	(1)	—
Total	(147)	32	111
Total revenue of affiliated companies	16,347	15,817	15,750
Share of income in affiliated companies	(147)	32	111

	Domicile	Share of equity %	Group's Share of equity 2008	2007	2006
Equity in affiliated companies:					
British Midland PLC	Derby, U.K.	20.0	—	95	96
Skyways Holding AB	Stockholm, Sweden	25.0	58	57	53
Air Greenland A/S	Nuuk, Greenland	37.5	273	218	177
AS Estonian Air	Tallinn, Estonia	49.0	161	189	200
ST Aerospace Solutions (Europe) A/S	Copenhagen, Denmark	28.7	—	412	382
Commercial Aviation Leasing Ltd	Dublin, Ireland	49.0	112	60	82
Malmö Flygfraktterminal AB	Malmö, Sweden	40.0	15	8	7
Travel AS	Fredrikstad, Norway	25.3	—	6	7
SIA Baltijas Kravu Centers	Riga, Latvia	45.0	—	5	4
Go Now AS	Oslo, Norway	41.7	—	10	—
Other			3	3	4
Total			622	1,063	1,012
Total assets of affiliated companies			8,739	12,303	12,156
Total liabilities of affiliated companies			8,054	9,436	9,622

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

8. Net financial items

	2008	2007	2006
Financial income:			
Interest income on financial assets measured at amortized cost	76	41	32
Interest income on financial assets measured at fair value	578	746	539
Other financial income	—	—	16
Total	654	787	587
Financial expenses:			
Interest on financial liabilities measured at amortized cost	(726)	(847)	(1,260)
Interest on financial liabilities measured at fair value	(230)	(236)	(258)
Other financial expenses	(39)	(40)	(54)
Exchange rate differences, net	51	14	—
Net profit/loss on financial instruments categorized as:			
Held for trading	2	76	172
Other liabilities	9	(8)	38
Total	(933)	(1,041)	(1,362)

9. Tax

The following components are included in the Group's tax expense:

	Continuing operations			Discontinued operations			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Current tax	(36)	(16)	(7)	—	(24)	(71)	(36)	(40)	(78)
Deferred tax	64	(257)	33	(273)	4	(151)	(209)	(253)	(118)
Tax attributable to Group	28	(273)	26	(273)	(20)	(222)	(245)	(293)	(196)

Current tax is calculated based on the tax rate in each country. The tax rate in Sweden changed as from January 1, 2009 from 28% to 26.3%. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

The tax expense for the financial year can be reconciled against income before tax as follows:

	2008	2008 (%)	2007	2007 (%)	2006	2006 (%)
Profit before tax from continuing operations	(1,044)		1,044		169	
Profit before tax from discontinued operations	(5,032)		(115)		4,767	
Profit from operations	(6,076)		929		4,936	
Tax based on Swedish statutory rate	1,701	28.0	(260)	(28.0)	(1,382)	(28.0)
Tax effect of income in affiliated companies	(12)	(0.2)	10	1.1	60	1.2
Tax effect of non- deductible costs	(928)	(15.3)	(142)	(15.3)	(137)	(2.8)
Tax effect of income not liable to tax	52	0.9	174	18.7	1,207	24.5
Tax attributable to previous year	—	—	—	—	59	1.2
Tax effect of loss carryforward	(815)	(13.4)	(166)	(17.8)	—	—
Tax effect of changed tax rate	30	0.5	91	9.8	(78)	(1.6)
Tax effect of changes in Group structure	—	—	—	—	75	1.5
Write down of deferred tax assets	(273)	(4.5)	—	—	—	—
Tax expense and effective tax rate for the fiscal year	(245)	(4.0)	(293)	(31.5)	(196)	(4.0)

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

9. Tax (continued)

Deferred tax liability/tax asset:

	2008	2007	2006
Deferred tax liability	2,988	3,755	3,473
Deferred tax asset	(921)	(690)	(1,378)
Deferred tax liability, net	2,067	3,065	2,095

The tables present the components of the Group's deferred tax liabilities and tax assets and changes in the net deferred tax liability during the year.

	2008	2007	2006
Deferred tax liability in the balance sheet:			
Fixed assets	1,830	1,955	2,222
Provisions	(43)	(49)	(148)
Cash flow hedges	(208)	439	204
Other temporary differences	1,549	1,678	1,688
Fiscal loss carryforward	(140)	(268)	(493)
Total	2,988	3,755	3,473
Deferred tax asset in the balance sheet:			
Fiscal loss carryforward	767	1,254	1,434
Fixed assets	59	(25)	(59)
Provisions/receivables	95	15	3
Assets held for sale	—	(554)	—
Total	921	690	1,378
Reconciliation of deferred tax liability, net:			
Opening balance	3,065	2,095	2,093
Assets held for sale	—	554	—
Change for the year for cash flow hedges	(695)	228	(44)
Net tax liability in sold companies	—	(35)	(14)
Change according to statement of income	(64)	253	118
Deferred tax recognized in equity	(28)	(90)	—
Exchange differences	(211)	60	(58)
Deferred tax liability, net, at year-end	2,067	3,065	2,095

At December 31, 2008, the Group had unutilized loss carryforwards related to continuing operations of MSEK 4,570 (4,289) and has recognized a deferred tax asset of MSEK 907 (968) associated with these losses. Deferred tax assets are recognized to the extent it is probable that the losses will be utilized prior to expiration. The recognized tax assets are primarily associated with Blue1, SAS AB and the Group's operations in Denmark. The remaining loss carryforwards of MSEK 1,101 (727) were not recognized due to uncertainty regarding the ability to utilize the assets based on estimated future profit earnings. Loss carryforwards of MSEK 38 expires in 2009 and MSEK 295 between 2011 and 2016. The remainder do not expire.

No provision has been recorded for the 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 or alternatively a distribution can be made without the profits being subject to tax.

Taxes recognized directly in equity during 2008 regarding cash flow hedges reported according to IAS 39 amounted to MSEK 383 (2007: 287).

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

10. Discontinued operations

The Group has disposed, or classified as held for sale, various operations during 2006, 2007 and 2008 and has reflected these as discontinued operations (see Note 34 for details of the disposals).

	2008	2007	2006
Net (loss) / income for the year from discontinued operations:			
Net (loss) / income for the year generated by discontinued operations	(4,386)	(750)	312
Gain / (loss) on disposal	(919)	609	4,233
Dividends from discontinued operations	—	6	—
(Loss) / income for the year from discontinued operations	(5,305)	(135)	4,545

	2008	2007	2006
Net (loss) / income for the year generated by discontinued operations:			
Revenue	11,553	13,758	19,636
Payroll expenses	(2,125)	(2,365)	(4,294)
Other operating expenses	(10,676)	(10,116)	(12,943)
Leasing costs for aircraft	(914)	(1,308)	(1,279)
Depreciation, amortization and impairment	(118)	(185)	(403)
Share of income / (loss) in affiliates	5	(23)	(5)
Income / (loss) from the sale of shares in subsidiaries and affiliated companies	—	59	(11)*
Income / (loss) from the sale of aircraft and buildings	9	(14)	12
Operating (loss) / income	(2,266)	(194)	713
Loss from other holdings of securities	—	—	(1)
Net financial items	(152)	(177)	(186)
(Loss) / income before tax	(2,418)	(371)	526
Tax	(273)	(20)	(222)
Net (loss) / income for the year	(2,691)	(391)	304
Impairment of goodwill	(1,686)	(300)	(3)
Group elimination	(9)	(59)	—
	(4,386)	(750)	301

* The company incurred MSEK 11 in listing expenses in relation to the listing of Rezidor.

	2008	2007
Assets held for sale and related liabilities:		
Goodwill	—	1,711
Other intangible assets	64	86
Tangible fixed assets	447	535
Other non-current assets	873	1,159
Total non-current assets	1,384	3,491
Current assets	160	147
Current receivables	2,269	2,458
Cash and bank balances	108	102
Total current assets	2,537	2,707
Assets held for sale	3,921	6,198
Long-term liabilities	54	53
Current liabilities	2,411	5,270
Liabilities attributable to assets held for sale	2,465	5,323

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

10. Discontinued operations (continued)

Net cash flow from discontinued operations:

	2008	2007	2006
Cash flow from operating activities	(1,519)	(362)	246
Cash flow from investing activities	(517)	(173)	(109)
Cash flow from financing activities	2,055	526	(226)
Net cash flow	19	(9)	(89)

11. Intangible assets

	Goodwill			Other			Total intangible assets		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Opening value	1,141	2,880	3,217	1,249	1,439	1,997	2,390	4,319	5,214
Investment	—	266	—	53	126	79	53	392	79
Retirements	—	—	(27)	—	(9)	(76)	—	(9)	(103)
Sales of companies (Note 34)	—	(116)	(165)	—	(64)	(586)	—	(180)	(751)
Reclassifications to assets held for sale (Note 10)	—	(2,103)	—	—	(260)	—	—	(2,363)	—
Reclassifications *	(64)	38	—	(33)	3	59	(97)	41	59
Exchange rate differences	(67)	176	(145)	15	14	(34)	(52)	190	(179)
Closing value	1,010	1,141	2,880	1,284	1,249	1,439	2,294	2,390	4,319
Opening accumulated impairment and amortization	(110)	(198)	(235)	(1,054)	(1,189)	(1,117)	(1,164)	(1,387)	(1,352)
Amortization for the year in continuing operations	—	—	—	(27)	(43)	(81)	(27)	(43)	(81)
Amortization for the year in discontinued operations	—	—	—	(4)	(30)	(44)	(4)	(30)	(44)
Impairments in continuing operations	(12)	—	—	—	—	(51)	(12)	—	(51)
Impairments in discontinued operations	—	(300)	(20)	—	—	—	—	(300)	(20)
Retirements	—	—	27	—	—	76	—	—	103
Sales of companies (Note 34)	—	11	28	—	45	23	—	56	51
Reclassifications to assets held for sale (Note 10)	—	392	—	—	174	—	—	566	—
Reclassifications *	—	—	—	13	—	—	13	—	—
Exchange rate differences	6	(15)	2	(14)	(11)	5	(8)	(26)	7
Closing accumulated impairment and amortization	(116)	(110)	(198)	(1,086)	(1,054)	(1,189)	(1,202)	(1,164)	(1,387)
Net book value	894	1,031	2,682	198	195	250	1,092	1,226	2,932

* Reclassifications in 2008 include the deconsolidation of the assets of airBaltic at the point when the entity was reclassified as an affiliate. The Group sold the remaining ownership interest in December 2008 as discussed in Note 34.

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

11. Intangible assets (continued)

Goodwill is related to the following entities:

	2008	2007	2006
Spanair	—	—	1,608
SAS Scandinavian Airlines Norge	702	756	697
Widerøe	145	156	144
Newco	—	—	103
airBaltic	—	65	62
Air Maintenance Estonia	29	25	24
Aerolineas de Baleares	—	—	15
Blue1	14	14	14
SAS Cargo	4	15	15
Total goodwill	894	1,031	2,682

Estimating the value of the Group's goodwill and other intangible assets with an indefinite useful life has been done by comparison with recoverable amount. The recoverable amount has been based on the respective cash-generating unit's value in use and is based on the cash flows in the respective unit's budget and or business plan, which covers four years.

The forecasted cash flows include estimates related to volume performance, unit revenue, operating margins and discount rates. The assumption beyond the plan period is an annual growth rate of 4% with maintained margins. The discount rate was estimated based on a weighted average cost of capital after tax of 8% for maintenance operations, 9% for airlines, and 10% for other operations. The discount rate before tax for the respective companies was then determined on the basis of their nominal tax rate and is 11.1% for maintenance operations, between 12.0% and 13.8% for airlines and between 13.9% and 15.4% for other operations.

To support the impairment tests performed on goodwill of the Group, an overarching analysis has been done of the sensitivity in the variables used in the model. A weakening of any of the significant assumptions included in the business plans or a weakening of the annual operating revenue growth rate and operating margins beyond the plan period, or an increase in the discount rate that, individually, is reasonably likely, shows that a healthy margin still exists between the recoverable amount and carrying amount. For this reason it was determined that there was no need for impairment of goodwill and other intangible assets with indefinite useful life at the end of the year.

Notes to the consolidated financial statements

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

12. Tangible fixed assets

	Buildings & land			Aircraft			Spare engines & spare parts			Workshop & aircraft servicing equipment			Other equipment & vehicles			Investments in progress			Prepayment fixed assets			Total tangible assets		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Opening value	1,580	1,717	3,046	18,666	18,358	23,157	1,791	1,755	2,306	1,350	1,310	1,369	1,953	3,472	4,879	172	378	148	185	317	422	25,697	27,307	35,327
Investment	13	24	46	2,965	1,310	846	123	127	71	85	97	108	137	293	261	352	368	722	665	293	127	4,340	2,512	2,181
Capitalized interest	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	26	17	24	26	17	24
Sales of tangible fixed assets	(15)	(23)	(578)	(1,964)	(1,510)	(6,021)	(34)	(33)	(418)	(78)	(39)	(108)	(324)	(224)	(167)	—	—	—	—	—	—	(2,415)	(1,829)	(7,292)
Sales of companies (Note 34)	—	(35)	(828)	—	—	—	—	—	—	(4)	—	—	(32)	(1,607)	(1,367)	—	(71)	(93)	—	—	(2)	(36)	(1,713)	(2,290)
Reclassifications to assets held for sale (Note 10)	—	(175)	—	—	(515)	—	—	(289)	—	—	(80)	—	—	(79)	—	—	—	—	—	—	—	—	(1,138)	—
Reclassifications*	10	17	88	288	877	452	36	181	(170)	(55)	(4)	—	(68)	19	(32)	(290)	(505)	(398)	(314)	(434)	(207)	(393)	151	(267)
Exchange rate differences	12	55	(57)	(109)	146	(76)	(25)	50	(34)	24	66	(59)	27	79	(102)	(2)	2	(1)	65	(8)	(47)	(8)	390	(376)
Closing value	1,600	1,580	1,717	19,846	18,666	18,358	1,891	1,791	1,755	1,322	1,350	1,310	1,693	1,953	3,472	232	172	378	627	185	317	27,211	25,697	27,307
Opening accumulated depreciation	(1,012)	(1,033)	(1,789)	(7,900)	(7,028)	(8,476)	(580)	(372)	(780)	(1,124)	(1,095)	(1,159)	(1,645)	(2,838)	(3,666)	—	—	—	—	—	—	(12,261)	(12,366)	(15,870)
Depreciation for the year in continuing operations	(82)	(83)	(82)	(1,149)	(1,045)	(1,216)	(147)	(135)	(120)	(69)	(64)	(69)	(105)	(89)	(121)	—	—	—	—	—	—	(1,552)	(1,416)	(1,608)
Depreciation for the year in discontinued operations	(2)	(16)	(66)	—	(66)	(51)	—	(15)	(14)	(5)	(14)	(15)	(1)	(42)	(196)	—	—	—	—	—	—	(8)	(153)	(342)
Sales of tangible fixed assets	14	22	285	144	71	2,685	19	14	370	75	37	94	309	220	158	—	—	—	—	—	—	561	364	3,592
Sale of companies (Note 34)	—	26	585	—	—	—	—	—	—	4	—	—	30	1,136	903	—	—	—	—	—	—	34	1,162	1,488
Reclassifications to assets held for sale (Note 10)	—	103	—	—	293	—	—	89	—	—	66	—	—	52	—	—	—	—	—	—	—	—	603	—
Reclassifications*	12	—	2	—	(17)	6	—	(142)	167	26	4	—	55	(4)	—	—	—	—	—	—	—	93	(159)	175
Exchange rate differences	(17)	(31)	32	96	(108)	24	2	(19)	5	(9)	(58)	54	(18)	(80)	84	—	—	—	—	—	—	54	(296)	199
Closing accumulated depreciation	(1,087)	(1,012)	(1,033)	(8,809)	(7,900)	(7,028)	(706)	(580)	(372)	(1,102)	(1,124)	(1,095)	(1,375)	(1,645)	(2,838)	—	—	—	—	—	—	(13,079)	(12,261)	(12,366)
Net book value	513	568	684	11,037	10,766	11,330	1,185	1,211	1,383	220	226	215	318	308	634	232	172	378	627	185	317	14,132	13,436	14,941

* Reclassifications in 2008 include the deconsolidation of the assets of airBaltic at the point when the entity was reclassified as an affiliate. The Group sold the remaining ownership interest in December 2008 as discussed in Note 34.

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

12. Tangible fixed assets (continued)

The Group's aircraft are specified as follows:

	2008	2007	2006
Owned	4,809	4,298	4,585
Finance leased	6,228	6,468	6,745
Book value	11,037	10,766	11,330

In 2008, the Group earned MSEK 4 in income from the sale of aircraft and buildings in continuing operations (2007: 41, 2006:76).

During each of the years in the three year period ended 31 December 2008, the Group has entered into various operating leases and sales and leaseback transactions in relation to aircraft and properties which are discussed further in Note 31.

Finance leases

Book values of tangible assets under finance lease agreements are:

	Aircraft			Machinery & equipment		
	2008	2007	2006	2008	2007	2006
Acquisition value	8,698	8,656	8,575	—	—	57
Less accumulated depreciation	(2,470)	(2,188)	(1,830)	—	—	(12)
Book value of finance lease assets	6,228	6,468	6,745	—	—	45

At 31 December 2008, the Group has finance lease contracts for aircraft with remaining terms of up to eight years. The future minimum lease payments and present value for finance leasing agreements are detailed below. Lease payments consist of minimum lease payments and also variable rents, which represent changes in the short-term market interest rates. In 2008, total lease payments amounted to MSEK 500 (2007: 643; 2006: 804). Variable rents impacted lease payments for the year by MSEK 35 (2007: 113; 2006: 158).

	2008		2007		2006	
Due date	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
Within one year	579	574	518	506	619	599
1-5 years	3,327	3,151	3,070	2,668	2,843	2,408
Over 5 years	789	669	1,141	827	2,273	1,613
Total	4,695	4,394	4,729	4,001	5,735	4,620

Tangible fixed assets leased to other parties

The Group enters into lease agreements whereby it leases certain of its assets to other parties under operating leases.

The Group has leased out owned assets with book values as follows:

	Aircraft			Machinery & equipment		
	2008	2007	2006	2008	2007	2006
Acquisition value	1,458	1,459	1,283	14	12	8
Less accumulated depreciation	(887)	(806)	(655)	(5)	(4)	(1)
Book value of assets leased out on operating leases	571	653	628	9	8	7

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

12. Tangible fixed assets (continued)

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 85 (2007: 87; 2006: 63).

Future leasing revenues associated with these operating lease contracts was as follows:

	2008	2007	2006
Within one year	299	252	188
1-5 years	631	512	424
Over 5 years	448	337	181
Total	1,378	1,101	793

In addition to leasing owned assets, the Group entered into sublease agreements which are accounted for as operating leases. Refer to Note 31 for further discussion surrounding the Group's operating lease activities.

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

13. Financial fixed assets

	Equity in affiliated companies			Long term receivables from affiliated companies			Other holdings of securities			Pension funds, net			Other			Total financial fixed assets		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Opening book value	1,088	1,037	1,214	170	189	228	58	329	344	9,496	8,805	8,363	1,267	2,709	3,195	12,079	13,069	13,344
Contributions	—	44	32	—	—	—	—	1	7	245	485	748	379	254	554	624	784	1,341
Share of income in affiliated companies, continuing operations	(147)	32	136	—	—	—	—	—	—	—	—	—	—	—	—	(147)	32	136
Share of income in affiliated companies, discontinued operations	5	(23)	(5)	—	—	—	—	—	—	—	—	—	—	—	—	5	(23)	(5)
Sales	—	—	—	—	—	—	—	(89)	—	—	—	—	—	—	—	—	(89)	—
Sales of companies (Note 34)	(463)	—	(90)	—	—	—	—	—	(13)	(28)	(35)	(116)	(1)	(25)	(362)	(492)	(60)	(581)
Reclassifications to assets held for sale (Note 10)	—	—	—	—	—	—	—	—	—	—	—	—	—	(1,159)	—	—	(1,159)	—
Amortization	—	—	—	(9)	(8)	(9)	—	—	—	—	—	—	(208)	(550)	(514)	(217)	(558)	(523)
Dividend	—	(14)	(29)	—	—	—	—	—	—	—	—	—	—	—	—	—	(14)	(29)
Reclassifications *	70	(3)	(148)	(193)	—	—	—	—	2	—	—	—	(99)	(7)	(49)	(222)	(10)	(195)
Retirements	—	—	—	—	—	—	—	(183)	—	—	—	—	—	—	—	—	(183)	—
Exchange rate differences	94	15	(73)	32	(11)	(30)	—	—	(11)	(55)	241	(190)	(7)	45	(115)	64	290	(419)
Closing accumulated book value	647	1,088	1,037	—	170	189	58	58	329	9,658	9,496	8,805	1,331	1,267	2,709	11,694	12,079	13,069
Opening revaluation	—	—	—	—	—	—	—	508	63	—	—	—	—	—	—	—	508	63
Revaluation for the year	—	—	—	—	—	—	—	(13)	508	—	—	—	—	—	—	—	(13)	508
Sales	—	—	—	—	—	—	—	(495)	—	—	—	—	—	—	—	—	(495)	—
Sales of companies (Note 34)	—	—	—	—	—	—	—	—	(63)	—	—	—	—	—	—	—	—	(63)
Closing accumulated revaluation	—	—	—	—	—	—	—	—	508	—	—	—	—	—	—	—	—	508
Opening impairments	(25)	(25)	—	—	—	—	(53)	(236)	(193)	—	—	—	—	—	(94)	(78)	(261)	(287)
Impairments in continuing operations	—	—	(25)	—	—	—	—	—	(50)	—	—	—	—	—	—	—	—	(75)
Impairments in discontinued operations	—	—	—	—	—	—	—	—	(1)	—	—	—	—	—	—	—	—	(1)
Sales of companies (Note 34)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	94	—	—	94
Retirements	—	—	—	—	—	—	—	183	—	—	—	—	—	—	—	—	183	—
Exchange rate differences	—	—	—	—	—	—	—	—	8	—	—	—	—	—		—	—	8
Closing impairments	(25)	(25)	(25)	—	—	—	(53)	(53)	(236)	—	—	—	—	—	—	(78)	(78)	(261)
Closing book value	622	1,063	1,012	—	170	189	5	5	601	9,658	9,496	8,805	1,331	1,267	2,709	11,616	12,001	13,316

* Reclassifications in 2008 include the deconsolidation of the assets of airBaltic at the point when the entity was reclassified to an affiliate. The Group sold the remaining ownership interest in December 2008 as discussed in Note 34.

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14. Long-term receivables from affiliated companies

Long-term receivables consist of a loan issued by the Group to Commercial Aviation Leasing Ltd which expires in 2009.

15. Pension funds, net

	2008	2007	2006
Pension funds, net, funded plans	11,694	11,441	10,367
Pension funds, net, unfunded plans	(2,036)	(1,945)	(1,562)
Total	9,658	9,496	8,805

Most pension plans in Scandinavia are defined benefit plans and the majority are placed with insurance companies. The Group's pension plans for salaried employees in Sweden and Norway are secured through defined benefit pension plans with insurance companies. In Sweden, pension plans are primarily placed with Alecta and Euroben, and in Norway with Vital. Employees in Denmark participate primarily in defined contribution plans.

The majority of the Group's 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. The Group 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 the Group's accounting according to IAS 19. In connection with the agreement with Alecta, the Group has received written confirmation that the surplus in the Alecta plan will benefit the Group in the form of either indirect or direct premium reductions or through cash refunds. The Group records proportional share of the Alecta plan's commitments, plan assets and costs in accordance with IAS 19 related to multi employer plans.

In calculating pension commitments, the year's pension earnings and returns, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends.

The normal retirement age for non-flight personnel is primarily based on the respective country's rules regarding general retirement. The normal retirement age for flight personnel is 60. Based on agreements with pilots in Denmark, Norway and Sweden, and with cabin crew in Norway, voluntary early retirement is allowed beginning at the age of 55 and the Group has agreed to pay a pension up to the normal retirement age, 60 for pilots who have lost their licenses. The retirement age for cabin crew employed in Sweden is 65; however once the individual reaches the age of 50, the retirement age is reduced to 60. The estimated present value of all these obligations is included in Group's estimated total pension commitment.

The following long-term economic assumptions represent a weighted average for the Group:

	2008	2007	2006
Discount rate	4.9%	5.8%	5.2%
Long-term rate of return	6.0%	6.2%	7.4%
Inflation	1.7%	1.7%	1.7%
Future salary adjustments	2.6%	3.2%	2.6%
Future adjustments of current pensions	1.7%	1.7%	1.7%

In accordance with IAS 19 the discount rate is determined by reference to the market yields on corporate bonds at the balance sheet date.

The discount rate is determined on the balance sheet date with reference to corporate bonds and with regard to relevant spread whose term is compatible with the term of the commitments. The long-term return shall correspond to a long-term expectation of return on funded assets based on the pension institutes' investments in equities and fixed-income securities.

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

15. Pension funds, net (continued)

Specifically, the following assumptions are used for the largest pension plans in Sweden and Norway:

Discount rate	4.5% (2007: 5.5%; 2006: 5.0%) in Sweden 5.0% (2007: 6.0%; 2006: 5.5%) in Norway
Long-term rate of return	6.0% (2007: 6.5%; 2006: 7.5%) in Sweden 6.0% (2007: 6.0%; 2006: 7.5%) in Norway
Inflation	1.5% (2007: 1.5%; 2006: 1.5%) in Sweden 2.0% (2007: 2.0%; 2006: 2.0%) in Norway
Future salary adjustment	2.5% (2007: 2.5%; 2006: 2.5%) in Sweden 3.0% (2007: 4.0%; 2006: 3.0%) in Norway

	2008	2007	2006
Defined benefit pension plans			
Pension earned during the year	(1,079)	(1,008)	(1,034)
Interest on pension provisions	(1,618)	(1,488)	(1,340)
Expected return on funded assets for the year	1,786	1,841	1,981
Amortization of actuarial gains and losses and plan amendments for year	(641)	(506)	(448)
Payroll expense reflected in income from continuing operations	(1,552)	(1,161)	(841)

Analysis of the status of the Group's defined benefit pension plan assets, on a combined basis, for all defined benefit pension plans are specified in the table below.

	2008	2007	2006
Status year-end			
Funded assets	30,472	30,585	27,954
Pension commitments	(32,615)	(29,069)	(27,307)
Difference between funded assets and commitments	(2,143)	1,516	647
Unrecognized actuarial gains and losses and plan amendments	11,801	7,980	8,158
Book assets	9,658	9,496	8,805

IAS 19 permits the postponement of recognizing deviations arising during the year by amortizing accumulated deviations that exceed the higher of 10% of the commitment or the funded amount over the average remaining period of employment, which SAS estimates is 15 years. This is reflected as unrecognized actuarial gains and losses and plan amendments in the table above.

As noted above, at 31 December 2007, the unrecognized actuarial gains and losses and plan amendments amounted to approximately SEK 8 billion. Against the backdrop of a weak stock-market trend in 2008, the deviation increased by approximately SEK 1.5 billion due to lower returns on assets by an average of 5 %. In addition, the discount rate was lowered by 1 percentage unit in Sweden and Norway. Salary adjustments in Norway were also reduced by 1 percentage unit to 3%. Jointly, these changes led to an increased deviation of SEK 2.3 billion. The deviation will be amortized in future years at about SEK 0.6-0.7 billion per year. Any improvements in returns on assets in the pension schemes will reduce the unrecognized actuarial gains and losses and plan amendments.

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

15. Pension funds, net (continued)

Movements in the present value of defined benefit obligations in each of the three years in the period ended 31 December 2008 are specified in the table below.

	2008	2007	2006
Changes in present value of commitment for defined benefit pensions:			
Commitment for defined benefit pensions at beginning of year	29,069	27,307	25,702
Pensions paid	(1,470)	(1,250)	(1,218)
Cost of earning	1,079	1,008	1,034
Interest expenses	1,660	1,488	1,340
Actuarial gains and losses (–/+)	2,636	(670)	1,885
Effects of sold companies	(95)	(67)	(376)
Exchange rate differences	(264)	1,253	(1,060)
Commitment for defined benefit pensions at year-end	32,615	29,069	27,307

	2008	2007	2006
Change of plan assets' fair value:			
Plan assets' fair value at beginning of year	30,585	27,954	26,734
Paid-in premiums	1,557	1,535	1,484
Pensions paid	(1,230)	(971)	(883)
Expected return on plan assets	1,786	1,841	1,981
Actuarial gains and losses (+/–)	(1,877)	(433)	349
Utilization of company funds in Alecta	—	(273)	(385)
Effects of sold companies	(111)	(102)	(401)
Exchange rate differences	(238)	1,034	(925)
Fair value of changes at year-end	30,472	30,585	27,954

	2008	2007	2006
Group plan assets consist of the following:			
Equities	18%	31%	35%
Fixed-income securities	70%	57%	55%
Properties	9%	9%	9%
Other	3%	3%	1%
	100%	100%	100%

In some pension plans in prior years the real rate of return was lower than the Group's estimated long-term return, which is reflected in the item, "Unrecognized actuarial gains and losses." The actual return on plan assets was approximately 1% in 2008, 5 % in 2007 and 7.2% in 2006.

The difference between funded assets/commitments and the net book asset is shown below:

	Funded assets	Commitments (PBO)	Difference funded assets/ commitments	Pensions, funds, net
Pension plans in Sweden	13,360	11,355	2,005	6,031
Pension plans in Norway	11,382	14,873	(3,491)	2,323
Pension plans in other countries	5,730	6,387	(657)	1,304
Total	30,472	32,615	(2,143)	9,658

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

15. Pension funds, net (continued)

Pension funds, net, including pension commitments, plan assets plus unrecognized plan amendments and actuarial gains and losses for the defined benefit pension plans performed as follows:

	2008	2007	2006
Opening balance	9,496	8,805	8,363
Impact on income for the year in continuing and discontinued operations	(1,552)	(1,161)	(855)
Paid-in premiums	1,557	1,535	1,484
Pensions paid	240	279	335
Utilization of company funds in Alecta	—	(273)	(385)
Pension funds in divested operations	(28)	(35)	(116)
Change in actuarial gains and losses	—	105	169
Exchange rate differences	(55)	241	(190)
Closing balance	9,658	9,496	8,805

Of total pension commitments of MSEK 32,615 (2007: 29,069; 2006: 27,307), MSEK 29,612 (2007: 25,962; 2006: 24,637) was funded and MSEK 3,003 (2007: 3,107; 2006: 2,670) was unfunded. In 2009 paid-in premiums are expected to amount to approximately MSEK 1,700.

	2008	2007	2006
Present value of defined benefit plan commitment	(32,615)	(29,069)	(27,307)
Fair value of plan assets	30,472	30,585	27,954
(Deficit) / Surplus	(2,143)	1,516	647
Experience-based adjustment pertaining to plan assets	(1,529)	289	19
Experience-based adjustment pertaining to defined benefit plan commitments	318	610	286

A discussion paper has been released by the IASB that would result in a revision to IAS 19. The proposed changes require that unrecognized actuarial gains and losses and plan amendments may no longer be amortized over the remaining average period of service, but continuously recognized directly against equity or recognized in the income statement and will likely come into effect on 1 January 2012 at the earliest. As a result of these proposed changes, the Group’s unrecognized actuarial gains and losses and plan amendments existing on the effective date must then be recognized in their entirety against shareholders’ equity.

16. Expendable spare parts and inventories

	2008	2007	2006
Expendable spare parts, flight equipment	581	610	740
Expendable spare parts, other	176	171	151
Inventories	62	68	102
Total	819	849	993
Measured at historical cost	819	835	982
Measured at net realizable value	—	14	11
Total	819	849	993

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

17. Accounts receivable

Impairment of accounts receivable, net of recovered amounts, in continuing operations was MSEK 41 (2007: 27; 2006: 64), charged against income. In discontinued operations, the corresponding amount was MSEK 146 (2007: 107; 2006: -9)

Age analysis of accounts receivable that are not impaired:

	2008	2007	2006
Accounts receivable not yet due	1,232	1,613	2,791
Due < 31 days	205	223	472
Due 31-90 days	92	61	271
Due 91-180 days	40	29	124
Due >180 days	282	25	260
Total	1,851	1,951	3,918

	2008	2007	2006
Movements in the provision for doubtful accounts receivable:			
Provision at beginning of the year	135	215	143
Divested subsidiaries	(6)	—	—
Reclassification to assets held for sale	—	(93)	—
Provision for expected losses	30	33	101
Reversed provisions	(42)	(13)	(5)
Actual losses	(23)	(8)	(18)
Exchange rate differences	—	1	(6)
Total	94	135	215

18. Current receivables from affiliated companies

	2008	2007	2006
ST Aerospace Solutions (Europe) A/S	—	365	234
Commercial Aviation Leasing Ltd	375	128	113
AS Estonian Air	104	—	—
Skyways Holding AB	—	8	—
Other companies	—	9	10
Total	479	510	357

19. Short-term investments

	2008	2007	2006
Treasury bills	—	1,990	1,997
Housing bonds	748	2,379	3,539
Deposits	2,412	1,754	2,641
Commercial paper	499	945	747
Other	213	240	193
Total	3,872	7,308	9,117

The short term investments represent cash equivalents.

20. Shareholders' Equity

Share Capital

The Company has two classes of shares; common shares and subordinated shares. As of 31 December 2008, there are 164,500,000 common shares issued and outstanding, which, together, constitutes a registered share capital of SEK 1,645,000,000. There are no subordinated shares issued or outstanding.

The common shares are divided into 164,500,000 shares each with a nominal value of SEK 10 per share.

Common shares give shareholder all the rights set forth in the Companies Act and Articles of Association.

The subordinated shares give shareholders the right to participate in and vote at the company's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets are replaced, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest rate factor.

The Company's Articles of Association require that a majority of the shares be held by Scandinavian shareholders. In order to ensure this proportion of ownership, the Board of Directors have, in their authority, the right to redeem shares held by non-Scandinavian shareholders without refund to the relevant shareholders. If the redemption of such shares is not possible, the Board of Directors will be authorized (after approved by the general shareholders' meeting) to issue additional warrants, which entitle the holder to subscribe to subordinated shares, to Scandinavian shareholders to sufficiently dilute the shareholdings by Non-Scandinavian investors below 50%.

Dividend policy

The Group pays dividends based on the Group's earnings, financial position, capital requirements and relevant macro-economic conditions. All dividend payments are at the discretion of the Company.

Reserves

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than Swedish kronor. The translation reserve also comprises exchange-rate differences arising in conjunction with the translation of liabilities and forward exchange contracts reported as hedging instruments of a net investment in a foreign operation.

The fair value reserve includes the accumulated net change in fair value of financial assets available for sale until either the disposal of the asset or a permanent impairment.

The hedging reserve includes the effective part of the cumulative net change in fair value on a cash flow hedging instrument attributable to open hedging transactions.

21. Subordinated loans

A subordinated loan of MCHF 200 was issued during 1986. There is no set maturity date for this loan. The Group has an exclusive right to call in this loan every fifth year. The interest rate is fixed for 10-year periods and is set at 2.375% from January 2006. The Group has repaid a portion of this loan reducing its outstanding balance to MCHF 127, equivalent to MSEK 934 as of 31 December 2008. The Group has entered into derivative financial instruments to swap from the interest component of this loan from fixed rate interest to floating interest and has designated this swap as a fair value hedge.

The loan is listed and on the closing date its total market value (including credit risk) was MCHF 42 (2007: 61; 2006: 67), equivalent to MSEK 308 (2007: 348; 2006: 376).

22. Bond issues

During May 2001, certain of the Group's subsidiaries, SAS Denmark A/S, SAS Norge AS, and SAS Sverige AB, entered into an agreement which allowed the consortium, authorized by their Parent, to establish a EUR 1,000,000,000 Euro Medium Term Note Program ("EMTN Program"). The EMTN Program allowed the Group to issue bonds with fixed or floating interest rates or no interest, and denominated in any currency.

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22. Bond issues (continued)

Details of the Group's bond issues since the inception of the EMTN Program are specified in the table below:

Original issued amount	Interest rate	Issue date	Maturity	Outstanding debt currency	Book in value in MSEK
MEUR 108.0	7.725%	2003	2010	MEUR 104.1	1,139
MSEK 200.0	8.068%	2005	2010	MSEK 199.8	200
MNOK 454.0	9.860%	2005	2010	MNOK 452.6	499
MNOK 265.5	7.000%	2005	2010	MNOK 265.5	294
MNOK 50.0	7.000%	2005	2010	MNOK 49.6	55
MNOK 17.0	7.000%	2005	2010	MNOK 16.9	19
MNOK 213.0	9.856%	2006	2010	MNOK 5.9	6
Total					2,212
Less: current portion					—
Less: amount included in liabilities attributable to assets held for sale					—
Total long-term portion					2,212

At 31 December 2008, the Group's had bonds issued and outstanding in the amount of MSEK 2,212 (2007: 2,079; 2006: 7,135).

These bonds are recorded at amortized cost except those designated as fair value hedges, which are recorded at fair value. The bonds incur interest at floating rate except the bond for MNOK 265.6, MNOK 50.0 and MNOK 17.0, which bears interest at a fixed rate. The interest rate exposure is managed by entering into interest-rate swap contracts to adjust the fixed-interest term.

In addition, to manage the currency exposure, the Group has entered foreign currency derivatives to swap the currency of certain of these bonds.

23. Other loans

	2008 Book value	2007 Book value	2008 Book value
Finance lease contracts	4,210	3,818	4,470
Other loans	7,204	514	1,940
Total	11,414	4,332	6,410
Less: current portion	(872)	(343)	(725)
Total long-term portion	10,542	3,989	5,685
Liabilities attributable to assets held for sale	(7)	(53)	—
Total other loans	10,535	3,936	5,685

Maturity profile of other loans:

	2009	2010	2011	2012	2013	Beyond 2014	Total
Finance leases	436	465	1,002	1,110	473	724	4,210
Other loans	443	4,393	1,085	54	1,098	131	7,204
Total	879	4,858	2,087	1,164	1,571	855	11,414

Other loans consist primarily of borrowings under various revolving credit facilities (see note 24 for further detail). The revolving credit facilities provide the Group access to borrowings in Euro, NOK, SEK and USD. The interest rate on certain of these borrowings is fixed every three months based on market interest rates, plus a

23. Other loans (continued)

variable margin, on the date of reset. The market interest rate applied is linked to the underlying borrowings, for example Euro borrowings are based on EURIBOR. The variable margin is based on certain financial ratios calculated on the Group's performance in connection with the release of its quarterly results.

24. Financial risk management and financial derivatives

The 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 Group uses derivative instruments as part of its risk management to limit its exposure to certain market risks including currency fluctuations, interest rate volatility, and changes in jet fuel prices.

Foreign currency risks

The Group has currency exposure to both transaction risk and translation risk.

Transaction risk arises on cash flows denominated in currencies other than the Swedish Kronor. The cash flows which generate this exposure primary relate to future sales of aircraft and cash flows associated with commercial flows and debt.

To manage these exposures, the Group enters into currency derivatives. Based on the Group's treasury policy, 60 to 90% of the Group's 12-month forecasted cash flows associated with commercial operations are hedged. Additionally, the Group manages its exposure related to the cash flows associated with future sales of aircraft by entering into foreign currency derivatives with a nominal value equal to 20 and 80% of the book value of its aircraft fleet. In addition, future contracted aircraft purchases in USD may be hedged up to 80% of the contracted purchase sum.

In addition, the Group is exposed to foreign currency risk when balance sheet items in foreign currencies are translated to the Group's functional currency. To manage this risk, the Group has a policy of maintaining its financial net debt principally in the functional currency of each subsidiary. Furthermore, the Group hedged investment in foreign subsidiaries through borrowing transactions and derivative financial instruments.

Interest rate risks

The Group is exposed to interest rate risk on its financial net debt (interest-bearing assets and liabilities). The Group's borrowings include borrowings that bear interest at both fixed and floating rates. The Group's policy is to manage interest rate risk based on current market conditions and, where appropriate, enters into interest rate derivatives to manage the risk. Historically, based on the percentage of the Group's borrowings bearing interest at fixed rates, the Group's policy was for the average fixed interest term of the financial net debt to correspond to 3.5 years. However in late 2008, the Group significantly increased its percentage of borrowings under its available revolving credit facilities that bear interest at floating rates . Based on the revolving nature of these borrowings, and on prevailing market interest rates, the Group has not entered into any interest rate derivatives associated with these borrowings. As a result, the average fixed-interest term during the year was approximately 2.6 (2007: 3.8; 2006: 3.5) years. At the end of 2008 the fixed-interest term was 0.4 (2007: 2.5; 2006: 4.8) years, reflecting the greater percentage of the Group's borrowings at year-end 2008 that bear interest at floating rates.

Fuel price risks

The Group's operating income may be materially impacted by changes in the price of aircraft fuel. Although the Group entered into long-term fuel procurement contracts, some of these contracts are priced based upon fuel market indices. To manage this risk, the Group forecasts its operational requirements for aircraft fuel and enters into futures to mitigate exposures to changes in fuel prices. According to the Group's risk management policy, the Group hedges the cost of between 40 and 60% of its anticipated consumption of fuel in the coming 12-month period. In accordance with this policy as at December 31, 2008, the Group had entered into derivative contracts

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24. Financial risk management and financial derivatives (continued)

covering approximately 45% of the Group's projected fuel needs for 2009. In 2008, costs related to jet fuel accounted for approximately 19.3% of the Group's operating expenses, compared to slightly more than 17% in 2007.

Sensitivity analysis

		Earnings impact MSEK		Equity impact MSEK	
Market risk	**Change**	**2008**	**2007**	**2008**	**2007**
Market interest rates	+1%	(19)	(14)	11	20
Market interest rates	-1%	20	14	(12)	(21)
Currency	+10%	(1)	—	(62)	(427)
Currency	-10%	3	2	80	447
Fuel price	+10%	—	—	166	260
Fuel price	-10%	—	—	(161)	(305)

Beyond the above effect on equity, a 10% change in currency will impact equity by MSEK 334 (511) of changes in value for hedges of net investments. A corresponding change in value arises for net investments in foreign operations. The net effect of the above change in value has no impact on equity. The remaining amount consists of change in value for cash flow hedges.

In the sensitivity analysis concerning the earnings impact of interest rate changes the simulation has been based on a 1% parallel shift in the yield curve for interest rates impacting the Group's interest rate derivatives, fair value hedges and short-term investments. The sensitivity analysis for currency is based on a 10% gain or loss for the Swedish krona against the significant currencies to which the Group is exposed. In the sensitivity analysis concerning earnings impact for fuel derivatives the simulation is based on a 10% parallel shift in the price curve for underlying fuel.

Credit risks

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfil its contractual obligations. The Group's financial policy requires that transactions may only be entered into with counterparties with high creditworthiness, defined as category A3/P-1 or better according to Moody's.

Limits are set for each counterpary and are continually revised. To further reduce counterparty risk, ISDA agreements (netting agreements) are signed with most counterparties. Approximately 86% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 7% in the rest of Europe and 7% in the rest of the world. The maximum credit exposure for derivative instruments corresponds to 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)

	2008	**2007**	**2006**
Aaa/P-1	—	1,990	1,997
Aa1/P-1	3,459	2,882	1,970
Aa2/P-1	213	595	448
Aa3/P-1	—	744	3,903
A1/P-1	100	799	99
A2/P-1	100	298	700
A3/P-1	—	—	—
Total	3,872	7,308	9,117

In relation to the Group's accounts receivables the credit risk is distributed over a large number of customers including private individuals and companies in various industries. Credit information is obtained by

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24. Financial risk management and financial derivatives (continued)

the Group in advance of providing services to the customer with the aim of minimizing the risk of bad debt losses and is based on intragroup information on payment history supplemented with credit and business information from external sources.

The maximum credit risk for the Group is equivalent to the book value for each type of asset.

Liquidity and borrowing risks

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic.

The Group's objective is for available liquidity to amount to a minimum of 20% of the Group's revenues, of which at least half is to be held in cash and cash equivalents. Available liquidity as defined by the Group's liquidity strategy and represents the cash and cash equivalents plus total unutilised credit facilities. At 31 December 2008, the Group's liquidity amounted to MSEK 8,825, with cash and bank balances amounting to MSEK 1,911, short-term investments amounting to MSEK 3,872 and total unutilized credit facilities amounting to MSEK 3,042. The Group's short term investments shall be held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P-1 according to Moody's.

Contracted credit facilities

The Group has entered into various credit facilities in order to provide additional funding as needed. The schedule below provides detail of the credit facilities at 31 December 2008.

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

At December 31, 2008, the Group's total interest-bearing liabilities amounted to MSEK 16,117 (2007: 12,042; 2006: 16,478). 38% of the interest-bearing liabilities (2007: 0%; 2006: 0%) includes the restrictive covenants that require the Group to maintain specific levels of cash flow, debt/equity and liquidity ratios. In addition to these financial covenants, the Group is subject to certain non-financial covenants which may impact the Group's ability to create or have outstanding any pledge, lien, or other security interest on any of its present or future assets or revenues.

The average term of the interest-bearing liabilites amounted to approximately 2.2 years at December 31, 2008 (2007: 2.3; 2006: 2.9). Subordinated loans of MCHF 127 have been excluded, as these borrowings have no stated maturity date.

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24. Financial risk management and financial derivatives (continued)

Liquidity risk

	Up to 3 mos.	3-12 mos.	1-5 years	Over 5 years
December 31, 2008				
Subordinated loans	22	—	89	1,001
Bond issues	39	114	2,407	—
Other loans	198	459	7,322	156
Finance leases	111	467	3,357	774
Short-term liabilities	770	—	—	—
Other liabilities	—	—	241	—
Fuel derivatives	559	1,685	11	—
Currency derivatives	(744)	(748)	—	—
Interest rate swaps	25	(9)	8	5
Accounts payable	2,068	—	—	—
Total	3,048	1,968	13,435	1,936
December 31, 2007				
Subordinated loans	17	—	69	794
Bond issues	15	4,359	2,343	—
Other loans	95	29	388	72
Finance leases	108	437	3,443	1,314
Short-term liabilities	1	1	—	—
Fuel derivatives	(260)	(286)	—	—
Currency derivatives	167	23	—	—
Interest rate swaps	88	(173)	24	9
Accounts payable	2,108	—	—	—
Total	2,339	4,390	6,267	2,189
December 31, 2006				
Subordinated loans	17	—	68	802
Bond issues	37	538	7,801	—
Other loans	72	277	2,251	84
Finance leases	116	529	3,040	2,594
Short-term liabilities	1,136	—	—	—
Interest rate swaps	97	107	(37)	8
Accounts payable	3,350	—	—	—
Total	4,825	1,451	13,123	3,488

Of the amounts listed above at December 31, 2008, MSEK 7,070 in principal amount of the Group's borrowings are due and repayable in 2010.

The above table shows the remaining contractual terms for the Group's financial liabilities excluding liabilities associated with operations classified as assets held for sale. The amounts disclosed are the contractual undiscounted cash flows for the financial liabilities, based on the earliest date on which they could become payable and do not include any forecasted cash flows. The above table contains both interest and nominal amounts.

Financial derivatives

As discussed above, different types of currency derivatives such as forward currency contracts, currency swap contracts and currency options are used to manage currency exposure and 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.

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24. Financial risk management and financial derivatives (continued)

At December 31, 2008, the fair value of the Group's outstanding derivative instruments totalled MSEK (792) (2007: 409; 2006: -81), separated according to the table below.

	2008				2007				2006	
	Out-standing volume	Assets	Liabilities	Net	Out-standing volume	Assets	Liabilities	Net	Out-standing volume	Fair value, net
Currency derivatives	29,747	1,741	(249)	1,492	25,836	71	(261)	(190)	18,951	129
Interest rate derivatives	12,875	4	(33)	(29)	10,309	1	51	52	14,867	(46)
Fuel derivatives	7,033	(2,233)	(22)	(2,255)	5,835	547	—	547	9,532	(164)
Total	49,655	(488)	(304)	(792)	41,980	619	(210)	409	43,350	(81)

The Group has MSEK (659) (2007: 1,187; 2006: 588) of fair value gains/(losses) relating to cash flow hedges, which were recorded in equity as of 31 December 2008. These are expected to be recycled into the statement of income in the following years:

	2009	2010	2011	2012	2013	2014>	Total
Aircraft	(28)	183	9	(6)	—	123	281
Commercial flows	1,105	—	—	—	—	—	1,105
Interest rate derivatives	—	—	—	—	(13)	(12)	(25)
Fuel derivatives	(2,244)	(11)	—	—	—	—	(2,255)
Deferred tax	307	(45)	(3)	2	3	(29)	235
Effect on equity	(860)	127	6	(4)	(10)	82	(659)

The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date.

The total book value of the Group's derivative financial instruments are presented in the following balance sheet line items:

Debit / (Credit)	2008	2007	2006
Other long-term receivables	4	1	55
Other receivables	(492)	618	122
Total derivative assets	(488)	619	177
Other loans	(24)	(51)	(35)
Short-term liabilities	(280)	(159)	(223)
Total derivative liabilities	(304)	(210)	(258)
Net derivative asset / (liability) position at period end	(792)	409	(81)
Allocation of derivatives were as follows:			
Cash flow hedges	(1,011)	322	56
Fair value hedges	40	(32)	(233)
Hedging of net investments	(46)	(81)	54
Derivatives not designated as hedges for accounting purposes	225	200	42
Net derivative asset / (liability) position at period end	(792)	409	(81)

24. Financial risk management and financial derivatives (continued)

Cash flow hedges

Investment in aircraft

Investment in aircraft represents the estimated cash flows associated with the future sale of aircraft. The loans and the forward currency contracts associated with the sales of aircraft have been designated as cash flow hedges and at 31 December 2008, the fair value associated with these hedges was recognized in shareholders' equity in the amount of MSEK 207 (2007: 952; 2006: 740).

Commercial flows

Currency derivatives are used to manage the transaction risk relating to projected commercial flows. These currency derivatives have been designated as cash flow hedges. Provided that the effectiveness of the hedges can be demonstrated, the accumulated change in market value of each hedging transaction is recorded in equity until it is recycled to the statement of income as a cost/revenue. At December 31, 2008, the fair value of these derivatives that was recognized in equity was MSEK 814 (2007: -159; 2006: 58).

Interest rate derivatives

When the Group borrows at floating interest rates and enters into interest-rate swap agreements whereby floating interest is received and fixed interest is paid, the hedging relationship is designated 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. At 31 December 2008, the accumulated effect on these derivatives was recognized in equity in the amount of MSEK (18) (2007: 1; 2006: 40). As the Group repays the borrowings and related interest, the amount of the cash flow hedges are reported as a component of financial income and financial expense.

Fuel derivatives

Fuel derivatives are used to manage the price risk relating to jet fuel. These derivatives have been designated as cash flow hedges. At December 31, 2008, the accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK (1,662) (2007: 393; 2006: -250). As the underlying transactions in jet fuel are completed, the Group recognizes the value of the cash flow hedge as a component of other operating expenses.

Fair value hedges

When the Group borrows at fixed interest rates and enters into interest-rate swap agreements whereby fixed interest is received and floating interest is paid, the derivative is designated as a fair value hedge. When hedge accounting is applied changes in value attributable to the hedge instrument are recorded in financial income or financial expense, where the effects are counteracted because the underlying hedged position (interest portion of the loan) is also measured at fair value and recorded in financial income or financial expense. The accounting policies for the interest rate derivatives used for hedging transactions are matched with those of the individual loans.

Hedges of net investment in foreign operations

To hedge net investments in foreign operations, the Group 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 Group's principal net investment hedges relate to net investments in DKK and NOK. As at 31 December 2008, the Group's net investments denominated in DKK and NOK were MDKK 1,141 and MNOK 1,506.

Derivatives not designated as hedging instruments

Derivatives that are not designated as hedging relationships are recorded at fair value with the change in fair value recorded in the statement of income.

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

24. Financial risk management and financial derivatives (continued)

Categorization of financial assets and liabilities

							Continuing operations and operations held for sale			
December 31, 2008	**Held for trading** Fair value	**Loans and receivables** Amortized cost	**Financial assets available for sale** Fair value	**Other liabilities** [1] Amortized cost	**Hedging Instruments** Fair value	**Non-financial items**	**Total book value**	**Total fair value** [2]	**Assets and liabilities held for sale**	**Total book value**
Assets										
Long-term receivables from associated companies	—	—	—	—	—	—	—	—	—	—
Other holdings of securities	—	—	5	—	—	—	5	5	—	5
Other long-term receivables	—	602	—	—	—	—	602	602	(196)	406
Risk management long-term assets										
—Risk management long-term assets , interest rate derivatives	—	—	—	—	4	—	4	4	—	4
Accounts receivable	—	3,479	—	—	—	—	3,479	3,479	(1,628)	1,851
Receivables from associated companies	—	479	—	—	—	—	479	479	—	479
Other receivables	—	—	—	—	—	3,727	3,727	3,727	(574)	3,153
Risk management current assets										
—Risk management current assets, fuel derivatives	—	—	—	—	(2,233)	—	(2,233)	(2,233)	—	(2,233)
—Risk management current assets, currency derivatives	370				1,371	—	1,741	1,741	—	1,741
Short-term investments	1,243	2,629	—	—	—	—	3,872	3,872	—	3,872
Cash and bank balances	1,602	417	—	—	—	—	2,019	2,019	(108)	1,911
Total	3,215	7,606	5	—	(858)	3,727	13,695	13,695	(2,506)	11,189

[1] *Loans in foreign currency, which are dedicated as a hedging instrument in a hedging of net investments in foreign operations, are measured at amortized cost.*

[2] *Fair value for short-term investments, subordinated loans and one of the bond issues has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows to quoted interest rates.*

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

24. Financial risk management and financial derivatives (continued)

Categorization of financial assets and liabilities (continued)

December 31, 2008	Held for trading Fair value	Loans and receivables Amortized cost	Financial assets available for sale Fair value	Other liabilities [1] Amortized cost	Hedging Instruments Fair value	Non-financial items	Continuing operations and operations held for sale: Total book value	Continuing operations and operations held for sale: Total fair value [2]	Assets and liabilities held for sale	Total book value
Shareholders' Equity and Liabilities										
Subordinated Loans	—	—	—	953	—	—	953	308	—	953
Bond issues	—	—	—	2,212	—	—	2,212	1,964	—	2,212
Other loans	—	—	—	10,497	—	—	10,497	10,896	—	10,497
Risk management long-term liabilities										
—Risk management long-term liabilities, interest rate derivatives	33	—	—	—	5	—	38	38	—	38
Current portion of long-term loans	—	—	—	879	—	—	879	900	(7)	872
Short-term liabilities	—	—	—	932	—	—	932	932	(9)	923
Risk management liabilities										
—Risk management liabilities, fuel derivatives	—	—	—	—	22	—	22	22	—	22
Risk management liabilities, currency derivatives	101	—	—	—	148	—	249	249	—	249
Risk management liabilities, interest rate derivatives	14	—	—	—	(19)	—	(5)	(5)	—	(5)
Other liabilities	—	—	—	233	—	101	334	334	—	334
Accounts payable	—	—	—	2,801	—	—	2,801	2,801	(733)	2,068
Total	148	—	—	18,507	156	101	18,912	18,439	(749)	18,163

[1] *Loans in foreign currency, which are dedicated as a hedging instrument in a hedging of net investments in foreign operations, are measured at amortized cost.*

[2] *Fair value for short-term investments, subordinated loans and one of the bond issues has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows to quoted interest rates.*

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

24. Financial risk management and financial derivatives (continued)

Categorization of financial assets and liabilities (continued)

December 31, 2007	Held for trading Fair value	Loans and receivables Amortized cost	Financial assets available for sale Fair value	Other liabilities [1] Amortized cost	Hedging Instruments Fair value	Non-financial items	Continuing operations and operations held for sale: Total book value	Continuing operations and operations held for sale: Total fair value [2]	Assets and liabilities held for sale	Total book value
Assets										
Long-term receivables from associated companies	—	170	—	—	—	—	170	170	—	170
Other holdings of securities	—	—	5	—	—	—	5	5	—	5
Other long-term receivables	—	1,181	—	—	—	—	1,181	1,181	(605)	576
Risk management non-current assets										
Risk management non-current assets, interest rate derivatives	—	—	—	—	1	—	1	1	—	1
Accounts receivable	—	3,733	—	—	—	—	3,733	3,733	(1,782)	1,951
Receivables from associated companies	—	510	—	—	—	—	510	510	—	510
Other receivables	—	—	—	—	—	2,592	2,592	2,592	(574)	2,018
Risk management current assets										
Risk management current assets, currency derivatives	26	—	—	—	46	—	72	72	—	72
Risk management current assets, fuel derivatives	—	—	—	—	547	—	547	547	—	547
Short-term investments	5,314	1,994	—	—	—	—	7,308	7,308	—	7,308
Cash and bank balances	1,145	540	—	—	—	—	1,685	1,685	(102)	1,583
Total	6,485	8,128	5	—	594	2,592	17,804	17,804	(3,063)	14,741

[1] *Loans in foreign currency, which are dedicated as a hedging instrument in a hedging of net investments in foreign operations, are measured at amortized cost.*

[2] *Fair value for short-term investments, subordinated loans and one of the bond issues has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows to quoted interest rates.*

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24. Financial risk management and financial derivatives (continued)

Categorization of financial assets and liabilities (continued)

							Continuing operations and operations held for sale			
December 31, 2007	**Held for trading** Fair value	**Loans and receivables** Amortized cost	**Financial assets available for sale** Fair value	**Other liabilities** [1] Amortized cost	**Hedging Instruments** Fair value	**Non-financial items**	**Total book value**	**Total fair value** [2]	**Assets and liabilities held for sale**	**Total book value**
Shareholders' Equity and Liabilities										
Subordinated Loans	—	—	—	693	—	—	693	348	—	693
Bond issues	—	—	—	2,079	—	—	2,079	2,086	—	2,079
Other loans	—	—	—	3,957	—	—	3,957	3,932	(53)	3,904
Risk management non-current liabilities										
Risk management non-current liabilities, interest rate derivatives	—	—	—	—	32	—	32	32	—	32
Current portion of long-term loans	—	—	—	4,361	—	—	4,361	4,368	(2,746)	1,615
Short-term liabilities	—	—	—	678	—	—	678	678	(436)	242
Risk management current liabilities										
Risk management current liabilities, currency derivatives	(94)	—	—	—	356	—	262	262	—	262
Risk management current liabilities, interest rate derivatives	(80)	—	—	—	(3)	—	(83)	(83)	—	(83)
Other liabilities	—	—	—	—	—	120	120	120	—	120
Accounts payable	—	—	—	3,550	—	—	3,550	3,550	(1,442)	2,108
Total	(174)	—	—	15,318	385	120	15,649	15,293	(4,677)	10,972

1 *Loans in foreign currency, which are dedicated as a hedging instrument in a hedging of net investments in foreign operations, are measured at amortized cost.*

2 *Fair value for short-term investments, subordinated loans and one of the bond issues has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows to quoted interest rates.*

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

24. Financial risk management and financial derivatives (continued)

Categorization of financial assets and liabilities (continued)

December 31, 2006	Held for trading Fair value	Loans and receivables Amortized cost	Financial assets available for sale Fair value	Other liabilities [1] Amortized cost	Hedging Instruments Fair value	Non-financial items	Continuing operations and operations held for sale: Total book value	Continuing operations and operations held for sale: Total fair value [2]
Assets								
Long-term receivables from associated companies	—	189	—	—	—	—	189	189
Other holdings of securities	—	—	601	—	—	—	601	601
Other long-term receivables	—	1,276	—	—	55	—	1,331	1,331
Accounts receivable	—	3,918	—	—	—	—	3,918	3,918
Receivables from associated companies	—	357	—	—	—	—	357	357
Other receivables	91	—	—	—	32	2,644	2,767	2,767
Short-term investments	6,283	2,834	—	—	—	—	9,117	9,117
Cash and bank balances	819	867	—	—	—	—	1,686	1,686
Total	7,193	9,441	601	—	87	2,644	19,966	19,966
Shareholders' Equity and Liabilities								
Subordinated Loans	—	—	—	716	—	—	716	376
Bond issues	—	—	—	6,041	1,094	—	7,135	7,036
Other loans	—	—	—	3,032	2,653	—	5,685	5,612
Current portion of long-term loans	—	—	—	583	258	—	841	841
Short-term liabilities	49	—	—	1,820	174	—	2,043	2,040
Accounts payable	—	—	—	3,350	—	—	3,350	3,350
Liabilities to associated companies	—	—	—	169	—	—	169	169
Total	49	—	—	15,711	4,179	—	19,939	19,424

1 *Loans in foreign currency, which are dedicated as a hedging instrument in a hedging of net investments in foreign operations, are measured at amortized cost.*

2 *Fair value for short-term investments, subordinated loans and one of the bond issues has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows to quoted interest rates.*

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25. Other provisions

	Restructuring			Loyalty program			Other provisions			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Opening balance, January 1	239	162	290	495	551	606	147	208	74	881	921	970
Provisions	284	216	267	221	272	230	30	137	252	535	625	749
Utilized provisions	(228)	(143)	(383)	(209)	(308)	(284)	(75)	(195)	(112)	(512)	(646)	(779)
Currency effect	3	4	(12)	—	1	(1)	9	(3)	(6)	12	2	(19)
Liabilities attributable to assets held for sale	—	—	—	—	(21)	—	—	—	—	—	(21)	—
Closing balance	298	239	162	507	495	551	111	147	208	916	881	921
Less: Amounts recorded as current liabilities										(148)	(190)	(318)
Total long-term liabilities										768	691	603

Restructuring Provision

In 2002 and 2007, the Group established the "Turnaround 2005" and "Strategy 2011" plans, respectively. The principal focus of these plans was to decrease the Group's cost base through the reduction of the number of full-time employees; centralization of the Group's purchasing operations and increased productivity of certain of the Group's operations.

Other provisions

Other provisions include provisions for leasing costs relating to unused premises and maintenance costs for leased aircraft according to the leasing contract.

26. Short-term liabilities

	2008	2007	2006
Issued commercial paper	646	—	1,108
Bank loans	11	7	26
Overdraft facilities, utilized portion	114	436	377
Accrued interest	147	255	309
Derivatives	280	159	223
Other	—	—	—
Total	1,198	857	2,043
Liabilities attributable to assets held for sale	(9)	(436)	—
Total	1,189	421	2,043

The commercial paper was repaid in February 2009. The average interest rate of this liability was 5.92% at 31 December 2008.

27. Liabilities to affiliated companies

	2008	2007	2006
ST Aerospace Solutions (Europe) A/S	—	93	168
Other companies	—	1	1
Total	—	94	169

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

28. Accrued expenses and prepaid income

	2008	2007	2006
Vacation pay liability	1,685	1,608	1,634
Other accrued payroll expenses	440	493	299
Fuel costs	207	577	122
Selling costs	253	229	245
Technical aircraft maintenance	97	109	80
Other accrued expenses	1,198	1,613	1,815
Prepaid income	394	520	549
Total	4,274	5,149	4,744

29. Pledged assets

	2008	2007	2006
Related to long-term borrowings:			
Real estate	116	125	115
Aircraft	412	328	779
Shares in subsidiaries	41	26	27
Related to deposits	361	86	70
Total	930	565	991

Outstanding liability at December 31, 2008, relating to borrowings with aircraft pledged was MSEK 332 (2007: 154; 2006: 288).

30. Contingent liabilities

Guarantees

	2008	2007	2006
Related to long-term borrowings:			
Goverment user fee	131	114	109
Leasing contracts	213	—	—
Fuel	116	—	—
Hotel guarantees	—	—	137
Travel guarantees	12	—	—
Others	151	23	42
Total	623	137	288

Litigation

Air Cargo Industry Investigations

On 14 February 2006, the European Commission (the "EC") and the U.S. Department of Justice each initiated public investigations into possible price fixing with respect to certain surcharges in the air cargo industry. SAS Cargo Group A/S ("SAS Cargo"), a subsidiary of the Group, is one of several air cargo carriers involved in the investigations.

Claims resulting in the United States

With respect to the investigation initiated by the U.S. Department of Justice, the Group entered into a plea agreement on 21 July 2008, pleading guilty to violations of U.S. antitrust laws, and agreed to pay a fine of MUSD 52 in instalments over the next four years in settlement of the investigation by the U.S. Department of Justice. In 2008, the Group paid MUSD 12 of the settlement with a remaining provision of MUSD 40 recorded as liabilities in the Group's consolidated balance sheet, respectively.

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

30. Contingent liabilities (continued)

In relation to the above investigation, a number of class-action lawsuits brought against SAS Cargo and other air cargo carriers in the United States, alleging civil damages and seeking monetary compensation, are pending in a consolidated civil case in New York. The Group is continuing its settlement negotiations in the civil litigation, and the Group believes that it is probable that a payment will be required to settle these lawsuits; however, management was unable to reliably estimate the amount of the related settlement. As a result, the Group has not recorded a provision on its consolidated balance in relation to these class-action lawsuits.

Claims resulting outside of the United States

With respect to the separate investigation initiated by the EC, a Statement of Objections was issued on 20 December 2007, in which the EC alleged that certain investigated practices in the air cargo sector constituted infringements of EC competition rules. The relevant companies within the Group provided written responses to the Statement of Objections in April 2008 and made oral submissions addressing the allegations against it at a hearing held in the week of 30 June 2008. The EC's final decision is not expected until later in 2009. As at 31 December 2008, the Group determined that it was probable that a future payment would be required to settle this investigation; however, management was unable to reliably estimate the amount of the related payment and as a result, no provision has been included on the Group's consolidated financial statements. Based on the nature of the claim, a negative decision in this case is likely to be substantial and therefore would have a significant negative impact on the Group consolidated financial statements.

Allegations by Norwegian Air Shuttle

Norwegian Air Shuttle brought a claim against the Group in relation to alleged underpricing and improper use of trade information that Norwegian Air Shuttle had determined to be business secrets. On 19 May 2008, Norwegian Air Shuttle was awarded damages in the amount of MNOK 132 in addition to legal costs of MNOK 7. The Group has made an appeal in relation to this decision with a trial expected in the fall of 2009. The Group believes that it will be successful in carrying out this appeal and at 31 December 2008 is unable to estimate any future payments in relation to Norwegian Air Shuttle. As a result, the Group has not recorded a provision on its consolidated balance.

Other litigation

The Group is involved in various other claims and legal proceedings arising in the ordinary course of business. These claims relate to, but are not limited to, its business practices, employment matters, and tax matters. The Group believes that it has recorded adequate provisions for such matters as appropriate or, for matters not requiring a provision, believes that they will not have a material adverse effect on its consolidated financial statements based on information currently available. However, litigation is inherently unpredictable and, although the Group believes that its provisions are adequate and / or that it has valid defenses in these matters, unfavorable resolutions could occur, which could have a material adverse effect on the Group's consolidated financial statements in future reporting periods.

31. Contractual commitments

Operating Leases

The Group has entered into various operating leases. The following are the minimum commitments under these leases.

	2009	2010	2011	2012	2013	2014>
Aircraft	2,352	1,776	1,423	1,169	1,024	3,713
Properties	1,009	954	936	896	865	4,819
Machinery and equipment	66	50	43	39	29	7
Total	3,427	2,780	2,402	2,104	1,918	8,539

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

31. Contractual commitments (continued)

Total lease costs for continuing operations included in the statement of income was MSEK 3,853, MSEK 3,770 and MSEK 3,762 in 2006, 2007 and 2008 and variable rents of MSEK 13, MSEK 11 and MSEK 10 respectively. Variable rents vary according to different factors such as operating revenue, the consumer price index and short-term market interest rates.

In 2008, the Group entered into sale and leaseback transactions for 5 aircraft (2007: 5 aircraft, 2006: 21 aircraft). The lease terms entered into as a result of these transactions varied between 8 and 14 years and allow the Group certain buy back features.

In prior years, the Group entered into a sale and leaseback for certain properties. The lease term in relation to these sale and leaseback transactions varies between 10 and 20 years and has been included in the future minimum commitment table above.

Purchase commitments

As at December 31, 2008, the Group had the following commitments relating to future acquisition of tangible fixed assets.

	2008
Aircraft	3,411
Other purchase commitments	49
Total	3,460

32. Other non-cash adjustments

	2008	2007	2006
Share of income in affiliated companies, continuing operations	147	(32)	(111)
Share of income in affiliated companies, discontinued operations	(5)	23	5
Dividends from affiliated companies	—	14	29
Impairments	—	—	51
Capitalized interest on prepayments to aircraft manufacturers	(26)	(17)	(24)
Earnings impact from measuring financial derivatives according to IAS 39	(202)	(22)	(124)
Other	22	19	25
Total	(64)	(15)	(149)

33. Acquisition of non-controlling interests

In 2007, the Group acquired the remaining minority interest in Spanair and Aerolineas de Baleares from Teinver. The Group paid MSEK 225 in cash and forgave Teinver's loan payable to the Group of MSEK 41. As a result of this transaction, the Group recorded goodwill of MSEK 304.

34. Disposals

During each of the years in the three year period ended 31 December 2008, the Group disposed of certain of its subsidiaries. These divestures resulted principally as a result of the Group's program to divest airlines that were either underperforming or not in its core market as discussed in Note 1. These disposals are detailed further in the discussion below.

Year Ended 31 December 2008

- airBaltic—In December 2008, the Group sold its 47.2% interest in airBaltic to the management of airBaltic for approximately MSEK 216 as a result of the decision by the Latvian government in 2008 to not continue the privatization of the airline. As a result of this sale, the Group recognized a gain on

34. Disposals (continued)

disposal of MSEK 169 during the year ended 31 December 2008. airBaltic is an airline, based in Latvia, whose principal focus is providing passenger flights within the Baltic region.

- ST Aerospace Solutions (Europe)—In June 2008, the Group sold its remaining 33% interest in ST Aerospace Solutions (Europe) by exercise of a put option. Prior to this sale, the Group accounted for its 33% ownership interest as an equity method investment and the amount was included within “Equity in affiliated companies” on its consolidated balance sheet. As a result of this sale, the Group recognized a loss on disposal of MSEK 139 during the year ended 31 December 2008. ST Aerospace Solutions (Europe)’s activities principally related to supplying spare aircraft parts and equipment.
- AeBal—During the year ended December 31, 2008, the Group completed the sale of its ownership interest in AeBal, a wholly owned subsidiary, to a third party for a nominal value. As a result of the sale, the Group recognized a loss on disposal of MSEK 203 in the consolidated statement of income for the year ended 31 December 2008.
- SAS Media & SAS Facility Management—During the year ended 31 December 2008, the Group sold two wholly owned subsidiaries, SAS Media and SAS Facility Management. As a result of these sales, the Group recorded a loss on disposal of MSEK 41 during the year ended 31 December 2008.

Year Ended 31 December 2007

- *SAS Flight Academy*—In February 2007, the Group sold its subsidiary, SAS Flight Academy, to STAR Capital Partners in for MSEK 550. As a result of this sale, the Group recognized a gain on disposal of MSEK 359 during the year ended 31 December 2007. SAS Flight Academy’s principal activities included offering training programs for pilots and cabin crews.
- Spanish Newco Airport Services (“Newco”)—In September 2007, the Group sold its interest in the ground handling company, Newco, to a third party for SEK 322 million. As a result of this sale, the Group recognized a loss on disposal of MSEK 169 during the year ended 31 December 2007.
- Rezidor Hotel Group (“Rezidor”)—In May 2007, the Group sold its remaining 9% interest in Rezidor to Carlson Companies for MSEK 584 which resulted in a gain on the sale of MSEK 513 during the year ended 31 December 2007. Prior to this sale, the Group’s investment in Rezidor was classified as an available-for-sale investment and was included within “Other holdings of securities” on the consolidated balance sheet. Rezidor’s principal activities included the management of hotel services with a focus on the Nordic region, Western Europe, and EMEA.

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

34. Disposals (continued)

Year Ended 31 December 2006

- *Rezidor*—In November 2006, the Group sold 91% of its shareholding in Rezidor for MSEK 5,324 through the offering and listing of shares in Rezidor on the Stockholm OMX Nordic Exchange. As a result of this sale, the Group recognized a gain from the sale of the shares of SEK 4,243 million during the year ended 31 December 2006.

The proceeds and gain in relation to the above disposals have been included in the table below.

	2008	2007	2006
Intangible assets	103	124	700
Tangible fixed assets	268	551	802
Financial fixed assets	551	40	550
Current assets	31	3	52
Current receivables	441	726	1,059
Cash and cash equivalents	198	141	365
Minority interests	38	(38)	(650)
Long-term liabilities	(29)	(241)	(213)
Current liabilities	(887)	(742)	(1,745)
Total	714	564	920
Capital gain excluding selling costs	(201)	321	4,406
Consideration received for entities disposed in the period	513	885	5,326
Consideration received pertaining to 2005 divestment of SAS Component received in 2006	—	—	877
Deferred consideration	(216)	—	—
Selling costs	(6)	(214)	(173)
Deferred selling costs	10	19	60
Cash held by entities disposed of	(198)	(141)	(365)
Effect on the Group´s cash and cash equivalents	103	549	5,725

35. Cash and cash equivalents

	2008	2007	2006
Short-term investments	3,872	7,308	9,117
Cash and bank balances	1,917	1,685	1,686
Cash and bank balances reclassified to assets held for sale	(6)	(102)	—
Cash and cash equivalents at year-end	5,783	8,891	10,803

Disclosure of interest paid

During the year, interest received in continuing operations amounted to MSEK 508 (542 in 2007 and 463 in 2006), of which MSEK 92 (167 in 2007 and 201 in 2006) pertains to forward premiums for currency derivatives. During the year, interest paid in continuing operations amounted to MSEK 797 (1,202 in 2007 and 1,533 in 2006), of which MSEK 128 (193 in 2007 and 235 in 2006) pertains to forward premiums for currency derivatives.

36. Related party transactions

Revenue from sales to affiliated companies amounted to MSEK 206 (2007: 302, 2006: 200). Cost of purchases from affiliated companies was MSEK 712 (2007: 1,579; 2006: 1,771).

37. Segment reporting

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

The primary segment comprises the Group's three business areas (SAS Scandinavian Airlines, SAS Individually Branded Airlines and SAS Aviation Services), group-wide functions and group-wide eliminations.

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 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; and,
- the geographical location where the service is performed.

Assets broken down by geographic area do not include the Group's aircraft and spare parts. Since aircraft are utilized in a flexible manner across the route network, there is no justifiable basis for allocating these assets.

Notes to the consolidated financial statements

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

37. Segment reporting (continued)

Income by business area

STATEMENT OF INCOME

	SAS Scandinavian Airlines			SAS Individually Branded Airlines			SAS Aviation Service			Groupwide & eliminations			SAS Group		
	2008	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
External sales	40,692	38,827	37,201	5,369	5,006	4,878	5,175	5,189	5,414	1,959	1,576	1,459	53,195	50,598	48,952
Sales between business segments	1,531	1,328	1,430	157	87	103	9,857	9,003	8,894	(11,545)	(10,418)	(10,427)	—	—	—
Revenue	42,223	40,155	38,631	5,526	5,093	4,981	15,032	14,192	14,308	(9,586)	(8,842)	(8,968)	53,195	50,598	48,952
Payroll expenses	(8,943)	(8,510)	(7,844)	(1,653)	(1,436)	(1,431)	(6,731)	(6,380)	(6,197)	(826)	(571)	(444)	(18,153)	(16,897)	(15,916)
Other expenses	(30,361)	(26,541)	(25,711)	(3,470)	(2,965)	(3,093)	(8,422)	(8,136)	(8,221)	10,462	8,960	8,882	(31,791)	(28,682)	(28,143)
Operating income before depreciation and leasing costs	2,919	5,104	5,076	403	692	457	(121)	(324)	(110)	50	(453)	(530)	3,251	5,019	4,893
Leasing costs for aircraft	(2,132)	(2,156)	(2,102)	(230)	(234)	(266)	—	—	—	80	48	18	(2,282)	(2,342)	(2,350)
Operating income before depreciation	787	2,948	2,974	173	458	191	(121)	(324)	(110)	130	(405)	(512)	969	2,677	2,543
Depreciation, amortization and impairment	(1,089)	(984)	(1,187)	(166)	(160)	(164)	(296)	(257)	(316)	(40)	(56)	(73)	(1,591)	(1,457)	(1,740)
Share of income/(loss) in affiliated companies	(7)	(31)	58	(145)	57	43	5	6	(40)	—	—	50	(147)	32	111
Income from the sale of aircrafts and buildings	(10)	41	58	14	12	—	—	—	—	—	(12)	18	4	41	76
Operating income	(319)	1,974	1,903	(124)	367	70	(412)	(575)	(466)	90	(473)	(517)	(765)	1,293	990
Unallocated income items:															
Income from other shares and affiliates													—	5	(46)
Net financial items													(279)	(254)	(775)
Tax													28	(273)	26
Net income for the year for continuing operations													(1,016)	771	195

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

37. Segment reporting (continued)

Other disclosures

	SAS Scandinavian Airlines			SAS Individually Branded Airlines			SAS Aviation Services			Group-wide and eliminations			Total continuing operations			Discontinued operations			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Assets	26,620	27,071	18,351	3,302	3,215	2,731	7,335	7,429	8,216	1,564	3,795	13,482	38,821	41,510	42,780	3,921	6,197	7,372	42,742	47,707	50,152
Equity shares	112	76	89	492	558	525	15	425	393	3	3	4	622	1,062	1,011	—	1	1	622	1,063	1,012
Total assets	26,732	27,147	18,440	3,794	3,773	3,256	7,350	7,854	8,609	1,567	3,798	13,486	39,443	42,572	43,791	3,921	6,198	7,373	43,364	48,770	51,164
Total liabilities	17,174	17,875	9,791	1,864	1,757	3,088	6,131	6,954	6,971	7,048	(288)	10,600	32,217	26,298	30,450	2,465	5,323	4,326	34,682	31,621	34,766
Investments for the year	3,512	1,604	1,412	365	199	166	265	368	222	30	293	(9)	4,172	2,464	1,791	283	485	508	4,455	2,949	2,299

Geographic breakdown

	Domestic			Intra-Scandinavian			Europe			Intercontinental			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Passenger revenue	12,546	12,471	11,370	4,211	4,002	3,601	15,077	14,427	14,338	6,269	5,914	6,061	38,103	36,814	35,370
Freight and mail revenue	140	163	303	62	77	70	233	264	249	1,074	1,196	1,454	1,509	1,700	2,076
Charter revenue	20	45	28	—	—	—	1,643	1,882	1,722	—	—	—	1,663	1,927	1,750
Other traffic revenue	753	639	526	116	72	54	1,006	327	713	284	257	268	2,159	1,295	1,561
Total traffic revenue	13,459	13,318	12,227	4,389	4,151	3,725	17,959	16,900	17,022	7,627	7,367	7,783	43,434	41,736	40,757

	Denmark			Norway			Sweden			Europe			Other			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Other operating revenue, continuing operations	1,366	1,377	1,216	2,292	2,030	1,934	1,982	2,198	2,550	3,122	2,708	2,202	999	549	593	9,761	8,862	8,195
Other operating revenue, discontinued operations	16	32	716	8	29	1,602	26	76	937	449	622	3,529	—	1	1	499	760	6,785
	1,382	1,409	1,932	2,300	2,059	3,536	2,008	2,274	3,187	3,571	3,330	5,731	999	550	594	10,260	9,622	14,980

	Denmark			Norway			Sweden			Europe			Other			Unallocated			Total		
	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006	2008	2007	2006
Assets	3,375	2,977	3,012	3,940	3,933	3,395	11,319	11,623	12,856	3,755	4,383	6,099	296	142	189	2,523	4,111	3,039	25,208	27,169	28,590
Investment for the year in continuing operations	220	71	123	101	78	83	1,135	1,038	155	49	326	242	3	5	6	2,664	946	1,426	4,172	2,464	2,035

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

38. Subsidiaries in the Group

	Domicile	Holding (%)
Owned by SAS AB:		
SAS Sverige AB	Stockholm	100
SAS Norge AS	Bærum	100
SAS Danmark A/S	Copenhagen	100
Widerøes Flyveselskap AS	Bodø	100
Spanair Holding	Palma de Mallorca	100
Spanair S.A.	Palma de Mallorca	100
SAS Ground Services AB	Stockholm	100
SAS Technical Services AB	Stockholm	100
Nordair A/S	Tårnby	100
Linjeflyg AB	Stockholm	100
OY Nordair AB	Vantaa	100
SAS Human Resources Sweden AB	Stockholm	100
SAS Accounting Services Sweden AB	Stockholm	100
SAS Revenue Information Services A/S	Tårnby	100
SAS Business Opportunities AB	Stockholm	100
SAS Trading AB	Stockholm	100
Other		
Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:		
SAS Consortium	Solna	100
Owned by SAS Consortium:		
SAS Scandinavian Airlines Norge AS	Bærum	100
SAS Scandinavian Airlines Danmark A/S	Tårnby	100
SAS Scandinavian Airlines Sverige AB	Stockholm	100
SAS Investments A/S	Copenhagen	100
Linjeflyg Leasing HB	Stockholm	79
Cherrydean Ltd	Dublin	100
SAS Ejendom SOLA AS	Ullensaker	100
SAS Investments Denmark A/S	Tårnby	100
SAS Ejendom A/S	Tårnby	100
SAS Capital B.V.	Rotterdam	100
Other		
Owned by Nordair A/S:		
SAS Cargo Group A/S	Tårnby	100
Owned by SAS Investments Denmark A/S:		
RampSnake A/S	Copenhagen	100
SAS Trading Denmark A/S	Tårnby	100

39. Subsequent Events

Renegotiation of credit facilities

In February 2009, the Group entered into an agreement that will modify the maturity dates of certain contracted credit facilities. The Group's MEUR 366 revolving credit facility has been renegotiated which extends the maturity to June 2012. Regarding the three undrawn bilateral bank facilities the maturity for MSEK 750 has been extended to June 2012 and the maturity for MSEK 500 has been extended to February 2013. In addition, the renegotiations include the Group's MUSD 156 credit facility for which the maturity will be extended to April 2013.

The execution of the agreement to extend the maturity dates of these credit facilities is conditional upon, among other things, the successful completion of the proposed rights offering for a minimum amount of MSEK 6,000.

39. Subsequent Events (continued)

Sale of Spanair

The Group entered into an initial agreement on 18 December 2008 with a group of investors based in Catalonia, Spain, led by the Consorci de Turisme de Barcelona and Catalana d'Iniciatives, regarding the sale of a majority stake in Spanair Holding ("Spanair"). The Group entered into a definitive agreement regarding the sale of 80.1% ownership interests in Spanair on 30 January 2009. The purchase price for the sale was EUR 1. In addition to this price, the Group (1) will also receive MSEK 99 of outstanding loans to Spanair which will transfer to the purchaser and (2) will make an investment of MSEK 20, representing loans currently outstanding to Spanair, which will be converted to equity of Spanair and represent the Group's remaining 19.9% ownership interest.

The sale of this business is expected to be completed in the first quarter of 2009 and is currently subject to regulatory approval.

The sale agreement has included a number of elements including but not limited to:

- The assumption of MEUR 18 of Spanair's outstanding external loans;
- The Group will lease 18 aircraft to Spanair;
- The Group will provide an additional MEUR 50 in financing to Spanair if Spanair fails to raise this amount by 31 December 2011; and if utilized, this loan will mature in January 2014; and,
- The purchasers have agreed to provide MEUR 80 as a share capital contribution to Spanair. In the event that the purchasers fail to raise the full amount by 1 December 2009, the Group has agreed to provide a bridge loan facility to the purchasers to cover the shortfall up to a maximum amount of MEUR 30. The bridge loan facility will mature on 31 December 2009.

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

Sale of Cubic Air Cargo ("Cubic")

On 1 February 2009, the Group sold Cubic to a third party for MSEK 5. The sale of Cubic Air Cargo, which includes Cubic's staff and cargo sales activities in the Nordic and Baltic areas, was completed as part of the Group's Core SAS initiative.

Rights issue in AS Estonian Air ("Estonian Air")

In February 2009, Estonian Air, an affiliate in which the Group holds a 49% of interest, has announced an anticipated rights issue of ordinary shares for estimated consideration of approximately MEUR 7.3. The Group plans to participate in this rights issue on a pro-rata basis with other existing shareholders in order to maintain its ownership percentage in Estonian Air. The Group will pursue its plans to dispose of Estonian Air as part of the Group's Core SAS initiative.

SGS Finland

In February 2009, the Group entered into discussions with a third party in relation to a potential sale of SAS Ground Services Finland, one of the Group's wholly owned subsidiaries. The Group executed a letter of interest concerning the general commercial terms of this potential sale and currently believes that the transaction will be finalized in May 2009.

GLOSSARY

The following terms used in this Offering Memorandum have the meanings assigned to them below:

Adjusted net debt	Adjusted net debt is calculated by multiplying annual leasing costs by seven (in order to approximate the present value of such leasing costs) and adding net debt.
Adjusted EBITDAR	Net income for the year from continuing operations before net financial items, tax (expense)/benefit, depreciation and amortization, and leasing costs for aircraft, adjusted to add back impairments of assets (primarily goodwill), sale of aircraft and buildings, share of income in affiliated companies, other gains/losses, and items that management has determined to be non-recurring or unusual in nature.
Adjusted EBITDAR margin	Adjusted EBITDAR divided by revenue.
Adjusted EBT	Income before tax adjusted for impairments of assets, sale of aircraft and building, other gains/losses and non-recurring items.
AEA	The Association of European Airlines, an airline industry trade association consisting of 35 member airlines.
ASK	Available seat kilometers, a capacity measure representing the total number of seats available for passengers multiplied by the number of kilometers such passengers are flown.
ATK	Available tonne kilometers, a capacity measure representing the total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers such cargo is flown.
CFROI	Cash flow return on investment, a measure of adjusted EBITDAR in relation to asset value (adjusted capital employed), calculated as the book value of shareholders' equity, plus minority interest, 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.
Codesharing	An agreement between airlines by which a flight, operated by one airline, carries a flight number for one or more additional airlines. Such agreements enable multiple airlines to sell seats on the same flight.
EBIT	Operating income.
EBIT margin	Operating income divided by revenue.
EBITDAR (before impairments)	Net income for the year from continuing operations before net financial items, tax (expense)/benefit, depreciation and amortization, impairment charges and leasing costs for aircraft.
EBITDAR (before impairments) margin	EBITDAR (before impairments) divided by revenue.
EBT	Income before tax.
EBT margin	Income before tax divided by revenue.
ECA	The European Cooperation Agreement between the Group, Lufthansa and bmi, which was a cooperation agreement entered into by the parties in 1999 concerning traffic on routes to and from the United Kingdom. The ECA expired in 2007.

IAS	International accounting standards as adopted by the International Accounting Standards Board ("**IASB**").
ICAO	International Civil Aviation Organization, the United Nations' specialized agency for international civil aviation.
Interlining	Ticket settlement agreements between airlines that enable passengers to travel on itineraries with flights operated by multiple airlines.
Net debt	Interest-bearing liabilities minus interest-bearing assets.
Passenger load factor	A measurement of the utilization of available seats in relation to the number of revenue passengers, expressed as a ration of RPK to ASK.
Passenger yield	Passenger revenue (scheduled) divided by RPK (scheduled), a measure of unit revenue.
RPK	Revenue passenger kilometers, corresponding to number of passengers multiplied by the distance, measured in kilometers, those passengers are flown.
RTK	Revenue tonne kilometers, corresponding to the number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance, measured in kilometers, the cargo is flown.
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.
Wet lease	Short-term aircraft leases that generally include the crew, maintenance and insurance required to operate the leased aircraft.

THE COMPANY

SAS AB
(Company no. 556606-8499)
Frösundaviks Allé 1, Solna
SE-195 87 Stockholm
Sweden
Telephone: +46 8 797 0000

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

J.P. Morgan Securities Ltd.

125 London Wall
London EC2Y 5AJ
United Kingdom
Telephone: +44 20 7325 1000

Nordea Bank AB

Smålandsgatan 17
SE-105 71 Stockholm
Sweden
Telephone: +46 8 614 7000

SEB Enskilda, Skandinaviska Enskilda Banken AB
Kungsträdgårdsgatan 8
SE-106 40 Stockholm
Sweden
Telephone: +46 8 522 295 00

CO-LEAD MANAGERS

Danske Markets
(Division of Danske Bank A/S)
(Company no. 6112 62 28)
Holmens Kanal 2-12
DK-1092 Copenhagen K
Denmark
Telephone: +45 33 44 00 00

DnB NOR Markets

Company no. 984 851 006
Stranden 21
N-0021 Oslo
Norway
Telephone: +47 22 94 88 80

AUDITOR

Deloitte AB
Rehnsgatan 11
SE-113 79 Stockholm
Sweden
Telephone: +46 8 506 71 000

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