SAS Group

Core SAS

# Enjoy your flight

## SAS Group Annual Report & Sustainability Report 2009

A STAR ALLIANCE MEMBER

# Quick guide

### Core SAS, pp. 8-14

Core SAS is the SAS Group's renewed strategic focus and will ensure an efficient and more profitable SAS. The Group's approach and future commercial offerings are described here.

### Capital market, pp. 24-34

SAS works actively on communication with the capital market to ensure transparency in the Group. The Group's fleet strategy is crucial for attaining cost-effectiveness. SAS has a fleet mix well suited to the markets it operates in.

### Core SAS operations, pp. 35-41

Core SAS operations have a sharper customer focus that includes Scandinavian Airlines, Widerøe and Blue1. Operations share service and management functions in part.

### Facts, key figures and traffic data, pp. 44-48

The Group's traffic data, overarching operational key figures and other key data are found here.

### Sustainability Report, pp. 102-122

Here the key environmental and social aspects that operations affect are described. The Sustainability Report has been examined by the Group's external auditors.

# Contents

# Welcome aboard Europe’s most punctual airline

SAS

## 2009 was the toughest year in airline history. IATA estimates industry aggregate losses at USD 11 billion.

### Full-year 2010

In 2009 the economy continued to perform poorly, with negative growth in a large number of countries. The GDP decline in the Nordic region was significant but a slight recovery is expected in 2010, although a high level of uncertainty remains. Due to the recession passenger numbers fell dramatically in 2009, especially among business travelers. The sharp decrease in business travel led to a historically steep yield decline and huge revenue shortfalls for the entire airline industry.

While the yield decline slowed somewhat at the beginning of 2010, there are no signs of recovery yet, and the yield remains at a historic low level. Uncertainty also remains concerning, for example, the USD exchange rate and the price of jet fuel.

In February 2009, the SAS Group launched Core SAS, which included a cost savings program of SEK 4.0 billion. New cost savings initiatives were identified and implemented during the year and at year-end 2009, the program corresponded to SEK 5.3 billion. The program was further strengthened in the amount of SEK 2.0 billion in February 2010. Moreover, in March 2010, a final agreement was reached with the flight deck and cabin unions under which they are to contribute further yearly cost savings of MSEK 500. The total cost savings program under Core SAS now totals SEK 7.8 billion.

In 2009, the cost program had a positive earnings effect of SEK 2.2 billion and the remaining earnings impact is estimated at SEK 5 billion, with the majority of the effects expected in 2010. Including the MSEK 500 cost saving from the flight deck and cabin unions' collective agreement, the total remaining result effect is approximately SEK 5.5 billion. Restructuring costs for 2009 totaled MSEK 1,767 and in 2010 and 2011 the effects are expected to total approximately SEK 1 billion, with the majority of effects generated in 2010.

### SAS Group structure

| Core SAS | Individual Holdings |
|---|---|
| Scandinavian Airlines *<br>Widerøe<br>Blue1<br>See pp. 35-41 | Operations being divested or outsourced<br>See p. 42 |

*Covers airline operations in the consortium Scandinavian Airlines System, SAS Ground Services, SAS Tech and continuing portions of SAS Cargo.*

# The SAS Group in brief

## Income

| Group | 2009 | 2008 |
|---|---|---|
| Revenue, MSEK | **44,918** | 52,870 |
| EBITDAR before non-recurring items, MSEK | **2,626** | 3,901 |
| EBT before non-recurring items, MSEK | **–1,754** | –339 |
| EBT margin before non-recurring items | **–3.9%** | –0.6% |
| CFROI | **1%** | 5% |
| Earnings per share, SEK | **–1.44** | –6.26 |
| Market price at year-end, SEK | **4.03** | 6.19 * |
| Dividend (proposed for 2009), SEK | **0.0** | 0.0 |

** Adjusted for rights issue in April 2009.*

## Key figures

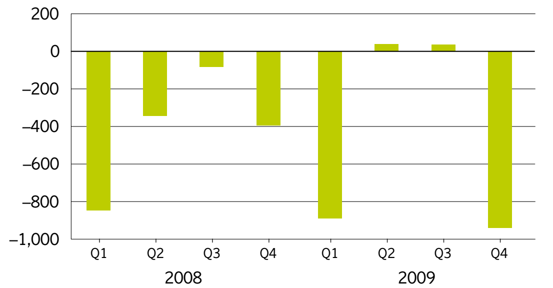
| Group | 2009 | 2008 |
|---|---|---|
| Number of passengers, million | **24.9** | 29.0 |
| Equity/assets ratio | **27%** | 17% |
| Adjusted debt/equity ratio | **1.70** | 3.08 |
| Financial preparedness, % of operating revenue | **17%** | 17% |
| Financial net debt, MSEK | **6,504** | 8,912 |
| Investment, continuing operations, MSEK | **4,521** | 4,150 |

## Sustainability

| Group | 2009 | 2008 |
|---|---|---|
| Average number of employees | **18,786** | 24,635 |
| of which women | **45%** | 42% |
| Sick leave | **6.9%** | 6.5% |
| Carbon dioxide ($CO_2$), 000 tonnes | **3,784** | 5,840 |
| Nitrogen oxides($NO_x$), 000 tonnes | **15.0** | 24.2 |
| Climate index * | **93** | 97 |

** The climate index has been corrected in the Internet version and thus departs from the index in the print version. See pp. 102 and 111.*

**EBT before non-recurring items in continuing operations**
MSEK, quarterly rolling




## Results for the year

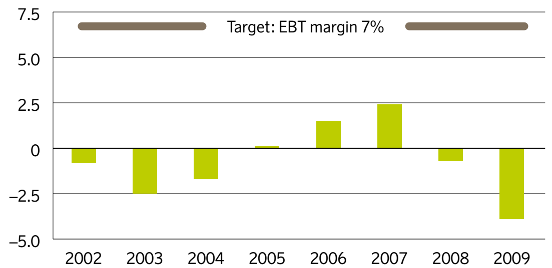
- Revenue for the year amounted to MSEK 44,918 (52,870), (–15.0%).
- The number of passengers totaled 24.9 million (–14.1%).
- Capacity (ASK) was reduced by 15.3% compared to 2008.
- Income before non-recurring items in continuing operations was MSEK –1,754 (–339).
- EBT margin before non-recurring items in continuing operations amounted to –3.9% (–0.6%).
- Income before tax amounted to MSEK –3,423 (–969).
- Net income for the year was MSEK –2,947 (–6,360).
- Improved environmental performance, lowest $CO_2$/RPK ever.

*Definitions & concepts, p. 122, Traffic data, p. 44, More sustainability data, p. 102.*

| Group targets | |
|---|---|
| Adjusted equity/assets ratio | >35% |
| Adjusted debt/equity ratio, | <100% = <1.0 |
| Financial preparedness | >20% of operating revenue |
| EBT margin | 7% |

*Ten-year overview of key figures, etc., see pp. 47-48.*

**EBT margin before tax and non-recurring items in continuing operations**
%



# Operations in brief

## Markets

The SAS Group's home market is the Nordic region, with around 86 million passengers in 2009. The value of completed air travel in the region came to about SEK 80-100 billion. Owing to the economic slowdown in the region, the total number of passengers was down around 7% in 2009. The SAS Group reduced capacity by 15.3% during the year to match supply to the lower demand.

## The SAS Group's commercial focus

- Maximized customer value with new services.
- Competitive fares with more bonus programs.
- Flexible and cost-effective business travel.
- Taking environmental responsibilities seriously.
- The Nordic region's largest route network, 134 destinations with attractive departure times, the highest frequencies and best punctuality.

## Scandinavian Airlines

| MSEK | 2009 | 2008 |
|---|---|---|
| Revenue, MSEK | 39,696 | 47,536 |
| EBIT before non-recurring items, MSEK | –1,094 | –18 |
| EBIT margin before non-recurring items, % | –2.8% | –0.5% |
| EBT before non-recurring items, MSEK | –1,522 | –188 |
| Number of passengers, mill. | 21.4 | 25.4 |
| Average number of employees | 14,438 | 16,286 |
| of which women, % | 44% | 43% |
| Carbon dioxide ($CO_2$), 000 tonnes | 3,455 | 4,124 |
| Nitrogen oxides ($NO_x$), 000 tonnes | 14.0 | 17.1 |

The Nordic region's largest airline, Scandinavian Airlines carried 21.4 million passengers to 100 destinations in over 30 countries in 2009. Scandinavian Airlines' fleet consists of 148 aircraft in service. The network is supplemented by membership in Star Alliance. Scandinavian Airlines has 12 percentage points to go to reach its profitability target (EBIT margin) of 9%, but extensive cost-cutting measures are being implemented to improve profitability.

See pp. 35-39

## Widerøe

| MSEK | 2009 | 2008 |
|---|---|---|
| Revenue, MSEK | 3,329 | 3,502 |
| EBIT before non-recurring items, MSEK | 34 | 33 |
| EBIT margin before non-recurring items, % | 1.0% | 1.0% |
| EBT before non-recurring items, MSEK | 57 | 2 |
| Number of passengers, mill. | 2.1 | 2.0 |
| Average number of employees | 1,203 | 1,329 |
| of which women, % | 33% | 33% |
| Carbon dioxide ($CO_2$), 000 tonnes | 118 | 128 |
| Nitrogen oxides ($NO_x$), 000 tonnes | 0.3 | 0.3 |

With its base in Norway, Widerøe is the largest regional airline in the Nordic countries and carried 2.1 million passengers to 36 domestic and seven international destinations in 2009. Widerøe serves commercial and contract routes. Commercial flights account for around 60% of operations. Widerøe improved its profitability in 2009 but did not meet the financial target of an EBIT margin of 7%.

See pp. 35-36, 40

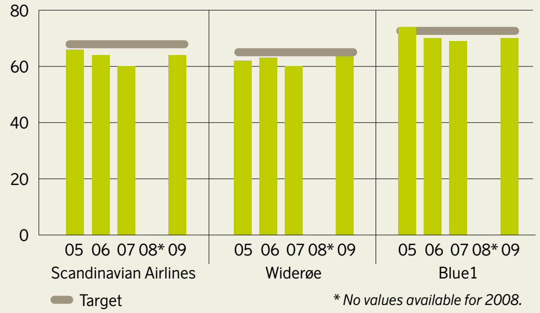
## Blue1

| MSEK | 2009 | 2008 |
|---|---|---|
| Revenue, MSEK | 1,819 | 2,000 |
| EBIT before non-recurring items, MSEK | –198 | –13 |
| EBIT margin before non-recurring items, % | –10.9% | –0.7% |
| EBT before non-recurring items, MSEK | –200 | –10 |
| Number of passengers, mill. | 1.5 | 1.6 |
| Average number of employees | 430 | 460 |
| of which women, % | 52% | 52% |
| Carbon dioxide ($CO_2$), 000 tonnes | 210 | 216 |
| Nitrogen oxides ($NO_x$), 000 tonnes | 0.7 | 0.8 |

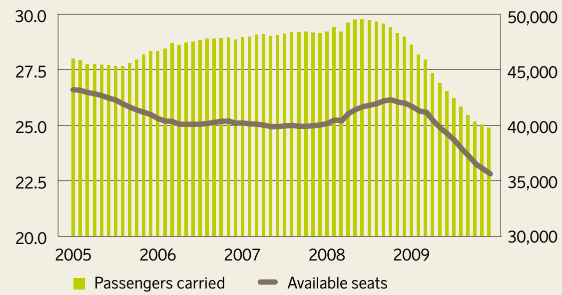
Blue1 is Finland's second-biggest airline and carried 1.5 million passengers to 10 domestic and 14 international destinations in 2009. Blue1 operates SAS Group's air service to/from and within Finland and handles sales in the Finnish market for Group airlines. Blue1 is a member of Star Alliance. Blue1's profitability deteriorated in 2009 and did not meet the financial target of an EBIT margin of 9%.

See pp. 35-36, 41

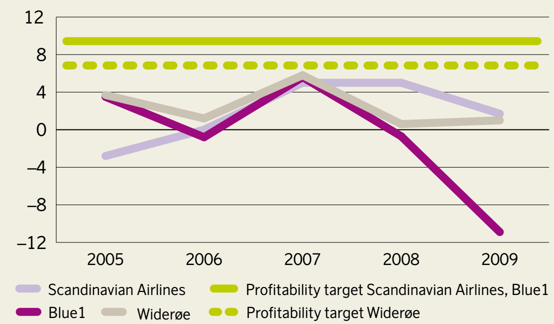
**Customer satisfaction**
Customer Satisfaction Index (CSI)




**Passengers carried and capacity performance**
Million, 12 month rolling average




**EBIT and profitability targets, %**




*Definitions and concepts, p. 124, Traffic data, p. 44, More sustainability data, p. 102.*


President's comments

# A common effort for the future

**Due to the deep recession that has affected the global economy since the beginning of the financial crisis, 2009 was probably the most challenging year ever for the airline industry as a whole. IATA has estimated that the industry has permanently lost 2.5 years of passenger growth and 3.5 years of growth in airfreight. Toward year-end, certain signs of a recovery in demand appeared, but the yield, which plummeted during the year, remained at a very low level. IATA estimates that the airline industry will report an aggregate loss of USD 11 billion for 2009.**

Early in the year, SAS responded to the economic downturn with the launch of a renewed strategic approach - Core SAS, combined with a rights issue of SEK 6 billion. Implementation proceeded as planned, and we have been very successful in further reducing our costs. However, the historically steep decline in the market was worse than we expected when we launched Core SAS in February 2009. It has had a significant adverse impact on business travel, as well as the yield, and thus on our revenues and cash flow. For that reason, our Core SAS cost savings program has been expanded by SEK 2.5 billion, coupled with a rights issue of approximately SEK 5 billion, subject to approval by the Annual General Shareholders' Meeting. These actions are absolutely essential for carrying out the remaining activities in Core SAS with full force, bolstering our financial position and getting through the airline industry's biggest downturn ever.

### 2009 in brief

The Group's income before non-recurring items in continuing operations in 2009 amounted to MSEK –1,754 and net income for the year was MSEK –2,947. Earnings for the Group's largest business, Scandinavian Airlines, amounted to MSEK –1,522. The fundamental causes of this result are receding demand in both the business and leisure travel segments, stiffer competition with continued market overcapacity and continued lower than average revenues. Even so, the loss was contained due to consistent implementation of our cost program within the Core SAS framework. This includes capacity reductions corresponding to a total of 21 aircraft, of which 18 aircraft had been taken out of service by the end of the fourth quarter. Our flight capacity was thus 15% lower at the end of 2009 compared to 2008. We have divested non-core businesses according to plan, including SAS's shares in bmi and airBaltic, as well as units of SAS Ground Services and SAS Cargo.

The Group's organization was simplified significantly, and all production in Scandinavian Airlines is now carried out under a single Air Operator Certificate. There were 2,900 fewer employees at year-end compared to the previous year. These reductions were not an end in themselves, but a means of coping with the economic downturn and creating a more efficient and profitable SAS.

Also within the framework of Core SAS, in early 2009 we completed a rights issue of approximately SEK 6 billion, which was oversubscribed by 24%.

### Market and competition

The recession has substantially reduced business travel, affecting the entire airline industry. Similar to other network carriers, the SAS Group adjusted its capacity to the new market realities during the year, which negatively affected market share on certain routes in Scandinavia. Despite our capacity reductions, we have still maintained our market shares on routes to the most important business destinations in Europe.

The competition for customers continues to be fierce. Consolidation in the industry continued during the year, and carriers continued to disappear. In a unique effort to save itself, Japan Airlines filed for bankruptcy protection. Several of our competitors are posting very weak results and are implementing major cost-cutting programs. In the current market and competitive situation, no one is spared.

### We take care of your time

Fares are always important in choosing an airline. However, for many passengers other values matter, especially when some carriers do not meet customer expectations or charge extra fees for things that SAS regards as a natural part of the ticket price.

In concrete terms, SAS is a company that sells transportation services. But in another sense, what we actually sell is time. For our customers, being able to make the most of their time, whether traveling on business or for pleasure, is basically a quality of life issue. That is why we are so focused on time in all our planning and product development.

This applies to everything from planning our route system, to quicker and easier Internet booking, more options for quick self-service check-in, Fast Track security at many airports, quicker boarding, time- and fuel-saving choices of flight paths and faster baggage handling. Despite the capacity reductions in 2009, we continue to offer the incomparably largest route network and the most departures in the Nordic market. It is all this together that helps give us satisfied customers and strong punctuality and regularity in performance. In 2009, SAS was ranked as the most punctual airline in Europe.

### Our commercial initiatives

SAS is no longer perceived as expensive. In most cases, our fares are competitive with those of other market players. We are also a pioneer in innovation. For instance, during the year we introduced biometric check-in on domestic flights in Scandinavia, as well as mobile boarding passes.

Numerous commercial activities were launched during the year that both strengthened SAS's position in the market and generated new revenues.

Our customer program SAS Credits, tailored to small and medium-sized companies, has been very successful, as were our "Biggest Sale Ever" campaigns. We have also made a number of improvements to our EuroBonus loyalty program.

The Star Alliance partnership was enlarged by new members, further bolstering SAS in the international market.

Our business model will be further adapted to the new realities of our operating environment, and the market can look forward to more new products.

### Our employees

At the beginning of 2009, amended collective bargaining agreements were reached that resulted in annual savings of SEK 1.3 billion. This was a major breakthrough and also a necessary one, though not enough. Our lack of competitiveness in many areas is still linked to our current collective bargaining agreements, which is why SAS management initiated a new round of negotiations in June 2009 in order to reach further agreements on pay and pension reductions, as well as more efficient production.

Despite repeated attempts until Decmber agreement could not be reached. However, contact between the parties continued uninterrupted, and in March of this year, SAS's unions for flight personnel have now committed themselves in a final agreement to contributing MSEK 500 in additional cost savings in 2010.

In a company like SAS, employee effort and dedication are crucial for success, whether it means being responsible for flight safety or helping to make SAS competitive.

Our most recent employee surveys show that employee motivation has been adversely affected. This is not surprising, given the current market environment and the personal stress that many are under, in times of uncertainty and turbulence. But at the same time, I am pleased and proud that our survey shows an incredibly strong dedication to SAS. This, of course, is also reflected in customer perceptions of us and our employees. Dealing with employee motivation is a challenge for a leader, but a lot of energy is going into finding the best solutions.

### Climate and the environment

During the year, our climate index improved by 4 points to 93. One reason is that we were very successful in balancing supply and demand through an improved load factor; another is a reduction in the proportion of older aircraft in the fleet. At the end of 2009, two-thirds of the SAS fleet consisted of aircraft with the latest available technology in every size class. The objectives of SAS's environmental strategy remain firm, and I still expect that they will be reached on schedule. Good environmental work is also good business.

During the year SAS took a leading role in IATA to unite the industry on common goals in advance of the UN climate summit in Copenhagen. Airlines, airports, manufacturers and air traffic control organizations established a common position on how the aviation industry plans to reduce its emissions in the future. The discussions on a new climate agreement unfortunately went nowhere, but the debate will continue in 2010, and the industry's ambitious goals remain firm.

### Further optimization and a stronger financial position

We have shown that our renewed strategy, Core SAS, which has resulted in substantially reduced costs while maintaining top-level punctuality, regularity and customer satisfaction, is the right approach for SAS. The effort put forth by our employees and organization has been impressive. But as I pointed out, the dramatic deterioration in market conditions had a profoundly negative impact on our revenue and our financial position.

We therefore decided to strengthen Core SAS with further initiatives that have now brought the savings program to a total of SEK 7.8 billion, while at the same time proposing a new rights issue of SEK 5 billion. These actions will give SAS the financial preparedness and strength required to support implementation of the remaining parts of Core SAS and ensure our competitiveness once the market does recover.

The savings primarily lie in the following areas: a leaner administration and greater centralization of the organization, better process management and planning in SAS Ground Services and SAS Tech, permanent personnel reductions in production units and further savings in purchasing. Moreover, there are plans shortly to move SAS's headquarters from Frösundavik to premises at Arlanda that are already available to SAS.

With these savings, as well as the new commitments regarding the collective bargaining agreements made by our unions, we have taken decisive steps toward bringing our costs to a competitive level.

### Rights issue proposed

The three Scandinavian governments as well as SAS's largest private shareholder, the Knut and Alice Wallenberg Foundation through Foundation Asset Management (FAM), which together own 57.6% of the shares, have each expressed their support for the Board's proposed rights issue, with certain conditions. These conditions include parliamentary approvals, the refinancing of certain bonds that mature in 2010 and final and binding agreements with our unions for savings in the collective bargaining agreements of MSEK 500. A final agrement with pilots and cabin personnel was reached on March 12. In addition, a consortium of banks has confirmed its expectation, also subject to certain conditions, to enter into an underwriting agreement on a several basis for the remaining 42.4% of the shares to be issued in the rights offering. The rights issue and its terms will be considered at the Annual General Shareholders' Meeting on April 7, 2010.

### A leaner SAS is an assurance for the future

With Core SAS and a strengthened cost program, the expected remaining earnings effect of which is over SEK 5.5 billion, with a leaner and more centralized organization and with savings in collective bargaining agreements of MSEK 500 per year from 2010 onward and a new rights issue to strengthen our balance sheet, it is my opinion that we will get through a tough 2010 and be well prepared to meet the expected economic recovery.

*Stockholm, March 2010*

*Mats Jansson*
*President and CEO*


### Financial calendar

The SAS Group's Annual General Shareholders' Meeting will be held on April 7 at 9:00 a.m. Venues:
Copenhagen: Radisson BLU Falconer Hotel & Conference Center, Falkoner Alle 9.
Solna: The SAS Group head office, Frösundaviks Allé 1.
Oslo: Radisson BLU Plaza Hotel, Sonja Henies Plass 3.

| | |
|---|---|
| Financial update (Jan-Feb) | March 30, 2010 |
| Annual General Shareholders' Meeting | April 7, 2010 |
| Interim Report 1 (Jan-Mar) | April 22, 2010 |
| Interim Report 2 (Jan-Jun) | August 18, 2010 |
| Interim Report 3 (Jan-Sep) | November 10, 2010 |
| Year-end Report 2010 | February 2011 |
| Annual Report & Sustainability Report 2010 | March 2011 |

Preliminary timetable for the rights issue see p. 7.

Monthly traffic & capacity data and updated financial calendar are available under Investor Relations at www.sasgroup.net

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### Distribution policy

All reports are available in English and Swedish and can be downloaded at www.sasgroup.net

The SAS Group's print Annual Report & Sustainability Report is distributed only to shareholders who have requested it and can also be ordered via e-mail: investor.relations@sas.se.

# Important events

## Q1

- The SAS Group signed an agreement with StatoilHydro regarding air travel.
- SAS completed the sale of its holding in airBaltic, amounting to 47.2%, to airBaltic management.
- The SAS Group launched Core SAS, a renewed strategic approach.
- As part of the Core SAS Strategy, the SAS Group implemented new collective agreements with its labor unions.
- The SAS Group completed the sale of Spanair to a group of investors in Catalonia in Spain.
- The SAS Group's Board of Directors decided to implement a rights issue of approximately SEK 6 billion.
- A SAS Extraordinary Shareholders' Meeting approved the rights issue.
- The SAS Credits loyalty program was launched.
- At the SAS Annual General Shareholders' Meeting, the entire Board of Directors was reelected, with Fritz H. Schur as Chairman. The Meeting resolved not to issue any dividend for the 2008 fiscal year.
- SAS's punctuality remained among the best in Europe, and customer satisfaction showed substantial improvement.

## Q2

- SAS signed a 10-year cooperation agreement with Amadeus concerning technology development.
- SAS's rights issue was oversubscribed by 24.2%.
- SAS signed an extensive procurement contract with the Swedish government for international travel.
- SAS launched mobile boarding passes.
- As part of Core SAS, SGS Finland was outsourced to ISS.

## Q3

- SAS launched its campaign "The Biggest Sale Ever."
- The SAS Group launched new cost-saving measures totaling approximately MSEK 800 to bolster profitability.
- The SAS Group divested its holdings in bmi. The sale price was MGBP 38 with a capital gain of MSEK 426.
- As part of the ongoing savings program in the SAS Group, the Board of Directors of SAS decided, retroactive to September 1, 2009, to reduce Board remuneration by 25%.
- The financial institution Moody's downgraded SAS's credit rating one step to B3 in August.

## Q4

- SAS reached an agreement regarding changes to collective agreements corresponding to MSEK 130 in savings for cabin crews in Norway and Sweden and ground personnel in Denmark.
- In 2009 SAS was the most punctual airline in Europe according to FlightStats.
- SAS's long-term credit rating was downgraded by Moody's by a notch from B3 to Caa1 with a negative outlook, reflecting the industry's negative trend. The downgrade did not affect the SAS Group's loans or credit facilities.
- It was proposed that Skyways Express, which is a subsidiary of Skyways Holding AB, be divested to the company's President. SAS remains as an owner of 25% of the shares in Skyways Holding AB.
- The SAS Group sold 20 MD-80 aircraft (18 aircraft plus and an additional two aircraft in a separate agreement) to the North American airline Allegiant, with delivery scheduled during the first six months of 2010. The divestment is part of reducing surplus aircraft owing to capacity reductions implemented under Core SAS.

## 2010

- The SAS Group's Board of Directors decided to implement a new rights issue for the Group's shareholders, of approximately SEK 5 billion. The Core SAS cost savings program was strengthened by an additional SEK 2.0 billion.
- In March 2010 SAS reached a final agreement on changes in collective agreements with pilots and cabin crew for MSEK 500 in savings. The total Core SAS cost savings program amounts to SEK 7.8 billion.
- SAS pursued a dialogue with investors, including the principal owners of Estonian, to facilitate the sale of SAS's participation in the company.
- SAS sold the subsidiary Air Maintenance Estonia to the private equity and venture capital investor BaltCap.

# Information for investors

**Not for release, publication or distribution in Australia, Canada, Japan or the United States of America.**

Dear Investor,

In spring 2010, the SAS Group plans to carry out a rights issue of approximately SEK 5 billion to bolster its liquidity and support the implementation of the remainder of the Core SAS strategy. The new rights issue has support from the three government owners and the largest private shareholder, the Knut and Alice Wallenberg Foundation through FAM, subject to certain conditions. A consortium of banks has confirmed its expectation, subject to certain conditions, to enter into an underwriting agreement on a several basis for the remaining 42.4% of the shares to be issued in the rights offering. The participation of the four principal owners in the rights issue is subject to the conditions outlined below.

### The principal owners' conditions for participation in the rights issue

The new rights issue has the support of SAS's largest shareholders and of a consortium of banks on the conditions that, *inter alia*, the refinancing of approximately SEK 2 billion of bonds that mature in 2010 is assured and a final agreement on a further MSEK 500 in cost-cutting measures is reached with the flight deck and cabin unions. A final agreement with pilots and cabin personnel was reached on March 12.

### Core SAS is the right strategy for SAS

The Group's renewed strategic approach, Core SAS, which was launched in February 2009, has reduced the Group's costs and complexity. During the year, the implementation of the strategy was a success in all areas and is proceeding according to plan. By achieving substantial cost reductions under Core SAS while maintaining top-level punctuality, regularity and customer satisfaction, we have shown that this is the right strategy for SAS. We are now the most punctual airline in Europe, which naturally is extremely gratifying and is confirmation that our work on quality has already yielded results. Despite capacity reductions in 2009, we continue to offer the largest route network and the most departures in the Nordic market, and our market share is stable on key business destinations. We also remain a leader in innovation, for example we introduced the option of fully-automated biometric check-in. As a result, customer satisfaction improved significantly in both 2008 and 2009.

Core SAS gives us a firm foundation to build on, and with our new initiatives, I am convinced that we are well prepared for an expected economic recovery. The subscription price and subscription ratio for the rights offering will be determined and made public on April 6, 2010, and submitted to the Annual General Shareholders' Meeting on April 7, 2010, which must approve the Board's proposal for the rights offer. I hope you'll join us. We look forward to having you along for the journey!

*Mats Jansson*
*President and CEO*

**Preliminary schedule for the 2010 rights issue**

| | |
|---|---|
| Financial update (Jan-Feb) | March 30 |
| Determination and announcement of subscription price and subscription ratio | April 6 |
| Annual General Shareholders' Meeting approves the Board's proposal for a rights issue | April 7 |
| Publication of the prospectus | April 9 |
| Record date for participation in the rights issue | April 12 |
| Publication of Q1 and supplemental prospectus on SAS's website | April 22 |
| Trading in subscription rights | April 15 - 26 |
| Subscription period | April 15 - 29 |
| Announcement of the result of the rights issue | May 5 |

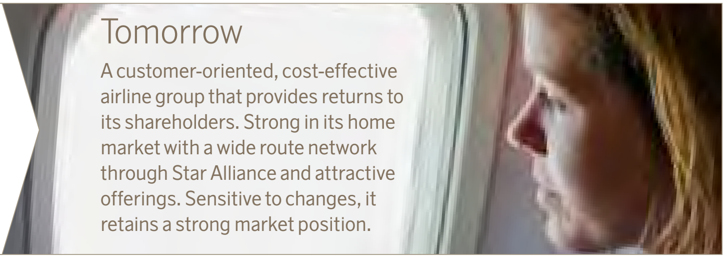
## Here's how the SAS Group operates

### Yesterday

A broadly diversified group operating in a number of markets and areas.

### Today

An airline group that is adapting to new realities. Focusing on its core business, the Group is undergoing a historic transformation.



### Tomorrow

A customer-oriented, cost-effective airline group that provides returns to its shareholders. Strong in its home market with a wide route network through Star Alliance and attractive offerings. Sensitive to changes, it retains a strong market position.

# Investment highlights

**SAS is the leading airline in the attractive Nordic market with a population of 25 million**

- 134 destinations, of which 60 within Scandinavia and 10 in Finland.
- Approximately 25 million passengers carried in 2009.
- Access to a global network through Star Alliance.

**Operational quality**

- SAS was Europe's most punctual airline in 2009.

**SAS's commercial strategy continues to develop the market's best product offerings**

- SAS has attractive offerings for business travelers, with the most frequencies to business destinations.
- A strong loyalty program, EuroBonus, with 2.7 million members.
- Numerous new products to be introduced in 2010, including wireless internet on airports and aboard.

**Successful implementation of Core SAS well on track**

- The measures in the Core SAS strategy being carried out according to plan.
- Reduced risk through the sale of Spanair and airBaltic.
- Implemented capacity reduction of 18% of ASK, corresponding to 18 aircraft. An additional three aircraft will be taken out of service in early 2010.

**New cost initiatives increased cost competitiveness**

- New cost initiatives of SEK 2.5 billion mean a cost program totaling SEK 7.8 billion. This includes a final agreement on changes in collective agreements for savings of MSEK 500.
- Remaining effect 2010-2012 on earnings of ~SEK 5.5 billion.

**SAS is well-positioned to benefit from a economic recovery**

- The market is likely facing a recovery period, with greater demand and adjusted available capacity.
- Positive historical correlation between GDP growth and total traffic revenue.

**Strengthened liquidity and capital structure**

- Improved cash and financial position through a new rights issue.
- Renegotiated borrowing terms for credit facilities mean a one-year extension.

- **Business concept**

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

- **Vision**

The obvious choice.

- **Objectives**

The SAS Group's overall goal is to create value for its owners. One of the Group's profitability targets is an EBT margin of 7%. For more information, see achievement of targets p. 2.

- **Brand promise**

Service And Simplicity.

- **Values**

SAS's overarching shared values underlie our actions.

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

**Reliability:** Safe, trustworthy and consistent in word and deed.

**Value creation:** A professional businesslike approach and innovation will create value for our owners.

**Openness:** Open and honest management focused on clarity for all SAS stakeholders.

# SAS's strategic focus

Core SAS

Launched in February 2009, Core SAS is the SAS Group's renewed strategic approach and is based on five pillars aimed at strengthening the Group's long-term position as a competitive and profitable SAS. Core SAS's new, simpler structure means that companies not part of SAS's core business will be sold or outsourced. Core SAS's expanded cost program is expected to lay the groundwork for stable future growth.


### Successful implementation of Core SAS

- The implementation of Core SAS is going according to plan.
- Implementation of capacity reductions of 18%*.
- Several of the planned company divestments carried out.
- New customer offerings launched and customer satisfaction improved.
- Cost saving measures increased in 2009, and the cost program totaled SEK 5.3 billion. In 2010, these initiatives were expanded to SEK 7.8 billion at year-end. These include a final agreement on changes in collective agreements for savings of MSEK 500.

** Some of this has not had a full-year effect, which explains the difference with 15.3% on page 3.*

### Leading position in the Nordic market

The SAS Group focuses on, and has a leading position in, the attractive Nordic market, offering high frequencies to business destinations with access to a large global network. Early in the year SAS launched its new commercial concept "Service And Simplicity," which has been well received among SAS's customers. The concept minimizes travel time and maximizes the customer-perceived value with more offerings for business travelers and an expanded EuroBonus program.

### Global market slowdown

Market conditions became considerably tougher than anticipated when the Core SAS strategy was launched a year ago. The weak performance seriously impacted the yield and SAS's revenues, in turn adversely affecting liquidity.

### Summary

To deal with the market downturn, new cost-cutting measures were approved that were expanded further. The unit cost was cut by 1.5%, excluding positive effects from the lower price of jet fuel, and is now lower than that of most European network carriers on short-haul routes in particular.

Core SAS and the new cost-saving initiatives are laying the groundwork for a profitable, stable SAS that intends to provide returns for its owners. The decline in business travel was steeper than expected, which means that SAS needs to strengthen its liquidity to implement the remainder of Core SAS and position itself for the coming financial recovery.

| Key activities | Status |
|---|---|
| Sale/outsourcing | Spanair, airBaltic, bmi, Cubic, SGS (partial). |
| Rights issue 2009 | Carried out and oversubscribed by 24.2%. |
| Loan facilities | Renegotiated and extended but on the condition of the rights issue. |
| Fleet and network | Major capacity reductions carried out, aircraft surplus dealt with. |
| Commercial offering | Based on the needs of business travelers and customer value through Service And Simplicity. |
| Cost-cutting measures | Expanded from SEK 4.0 to 7.8 billion. These include further cost measures in collective agreements for MSEK 500. |

Pillar 1

# Focus on Nordic home market

**Core SAS involves a strengthened focus on the core operation and Nordic home market. In line with this strategy certain company divestments have been made and other parts of operations have been outsourced.**

Market performance in the worldwide airline industry in 2009 was the poorest in many years and was negative in Europe and the Nordic region compared with the year-earlier period. However, the most extensive decline is found in intercontinental travel. The SAS Group carried a total of 24.9 million passengers on scheduled services in 2009, and for the Group as a whole, the number of passengers fell by 14.1%, primarily due to capacity cutbacks. SAS reduced its capacity somewhat more than the market in general and closed down 57 routes. While the Group's passenger load factor declined by 0.3 percentage points in 2009, an upward trend has been evident since July.

### Divestment and outsourcing of operations

To ensure a full management focus on the actions taking place under Core SAS, the Group has placed companies that are not part of the core business within other operations, Individual Holdings see p. 42. The SAS Group has divested Spanair, SGS Finland, some of its line stations in Europe, the cargo carrier Cubic, and its holdings in bmi and airBaltic. SAS's intention to divest Estonian Air remains, and a dialogue is being pursued with various investors, including the principal owners. In addition, the Group plans to divest Air Greenland, Spirit, Trust and Skyways. SAS Cargo will focus exclusively on selling belly capacity for Group airlines. Parts of SAS Tech and SAS Ground Services, as well as certain central functions, are expected to be outsourced as part of the reorganization. In January 2010, the subsidiary Air Maintenance Estonia was divested.

The SAS Group has an interest-bearing receivable from Spanair that will be amortized depending on Spanair's future cash flow. SAS is also leasing out a total of 19 aircraft to Spanair on market terms and remains a guarantor of certain operating measures in Spanair for a limited period.

### Strong brands

*SAS Group brands stand for reliability, flexibility and punctuality.*

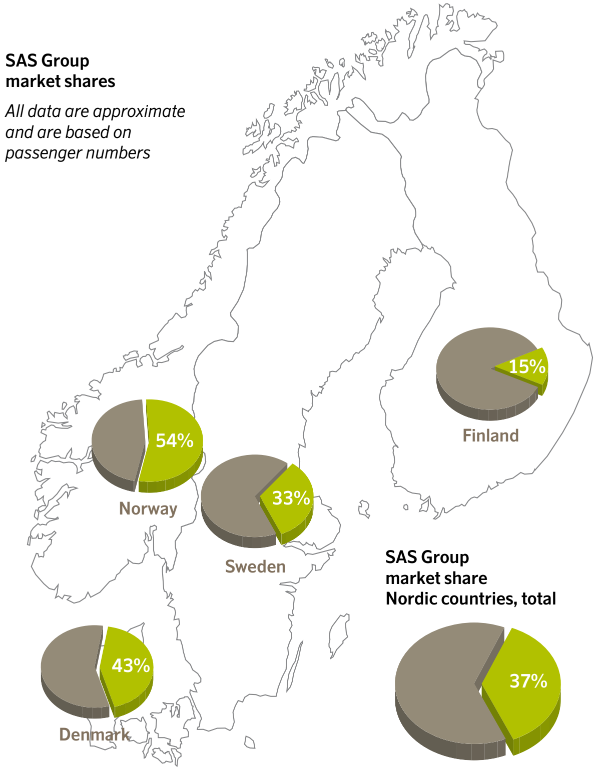
**SAS**
- Market leader in Sweden, Norway and Denmark.
- Europe's most punctual airline in 2009.

**Widerøe**
- The biggest regional airline in the Nordic countries.
- No. 1 on regional routes in Norway.

**Blue1**
- Strong No. 2 position in Finland with routes within Finland, Scandinavia and the rest of Europe.

**SAS Group market shares**

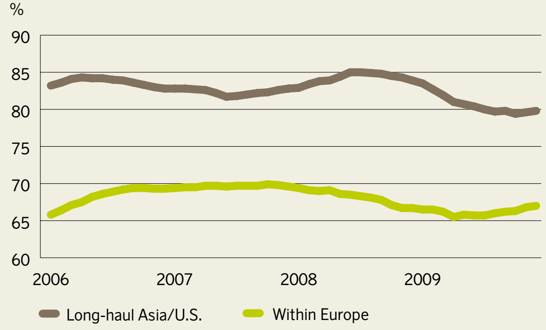
*All data are approximate and are based on passenger numbers*



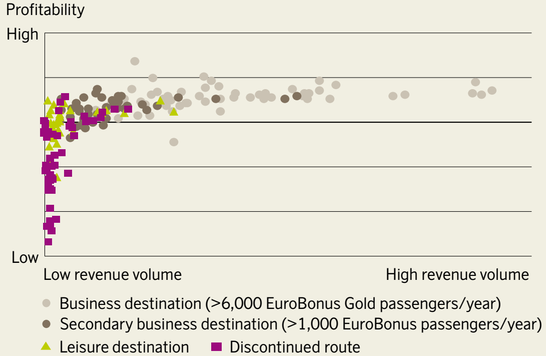

*Sources: Airline statistics from the Nordic countries.*

Core SAS

**SAS Group passenger load factor, 12-month rolling average**




**57 routes discontinued**




Core SAS


### SAS's commercial offerings

**Strong brand and positive customer experience**

- "Service And Simplicity" - Be on time, fly when customers want to fly, minimize travel time, maximize customer-perceived value during flights and make it easier to travel.

**Expanded loyalty program**

- Improved EuroBonus program - Points earned may be used for bonus trips or other attractive offerings.
- More external partners.
- SAS Credits for small- and medium-sized companies.
- SAS and SJ (Swedish Railways) link air and rail services.

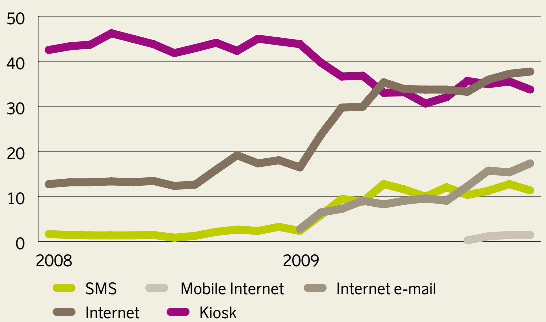
**Products**

- Boarding pass, flight information, seat choice and check-in via mobile phone.
- Most destinations and choice departure times in cooperation with partners.
- Fast Track and self-service.
- New lounge services.
- Kiosk for self-service baggage tags and Bagdrop.
- Automatic check-in for Economy with text message and e-mail confirmation.
- Additional services: Ticket add-ons, in-flight sales, upgrades. Value-based point redemption to make more bonus trips available.
- Simplified price concept with attractive offerings.

**Customized corporate offerings**

- Customized loyalty program, Corporate Booking Tool, contracted one-way fares for certain segments.

**Check-in statistics**
% of total number of check-ins




Pillar 2

# Focus on business travelers and strengthened commercial offering

Core SAS entails extensive cutbacks in the number of routes along with a capacity reduction of approximately 20% compared with 2008. 57 routes, the majority of them to leisure destinations, have been discontinued and the fleet has been reduced by 18 aircraft. In all, the cutback consists of 19 short-range aircraft and two long-range aircraft.

Following the launch of Core SAS, SAS's commercial model was refocused and the "Service And Simplicity" concept was launched to further improve customer offerings. Service And Simplicity makes it even easier to travel, maximizing customer value. The concept will be broadened by, for example, an expanded EuroBonus program with many new offerings such as the Membership Rewards loyalty program in partnership with American Express.

### Mobile boarding passes and other smart services

SAS is working continuously to simplify travel and is using smart electronic solutions such as mobile boarding passes and a new kiosk where the customer can easily and quickly tag his own baggage for delivery to Bagdrop. SAS is the first airline to offer free IP telephony via Skype in its lounges. Passengers with lounge access are also offered high-speed broadband connection and wireless Internet at no charge.

### SAS and SJ (Swedish Railways) link air and rail services

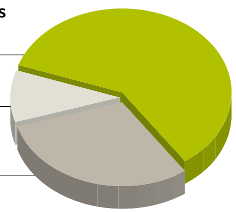
SAS and SJ offer joint annual passes for frequent travelers.

**Breakdown of SAS customer categories**

Business travelers 60%

Charter 10%

Leisure 30%



Through the partnership, SAS and SJ are linking regional mass transit with global traffic at Stockholm-Arlanda Airport. Through the "Komma-fram-garantin" (arrival guarantee) SAS and SJ guarantee the trip from start to end. If a train or plane is delayed or cancelled, passengers are guaranteed a quick rebook.

### Travel Pass

SAS offers efficient, flexible and cost-saving solutions for better business travel. "Travel Pass Individual" is a prepaid personal card good for two selected destinations or within a specific zone. "SAS Travel Pass Multiple" is a flexible multi-trip pass for everyone in a company. "SAS Travel Pass Corporate" offers discounts on Economy Extra and Business class tickets to many destinations.

### Fast Track

To get through security more quickly, SAS offers Fast Track to Business or Economy Extra travelers and EuroBonus Gold members. Fast Track is available at over 20 airports in Europe plus a number of intercontinental airports.

### SAS Credits and EuroBonus

SAS Credits gives companies an opportunity to collect and earn points each time employees travel with SAS. The companies can use these Credits for new trips. Flights can be booked in all classes of economy and business travel. Travelers earn EuroBonus points and the company earns SAS Credits.

## Flexible network and always worth the price

SAS and its partners offer flights to a very large number of destinations, primarily from and to hub airports, and have more departures than competitors at choice times, with a price model attractive to both business and leisure travelers. Customers who choose Business class will find added value in Fast Track and lounges at their disposal. While there are offerings on all departures for those who prioritize low fares, the number of low-fare seats can differ depending on when travelers book. As a basic rule, passengers should book early to find the lowest fares.

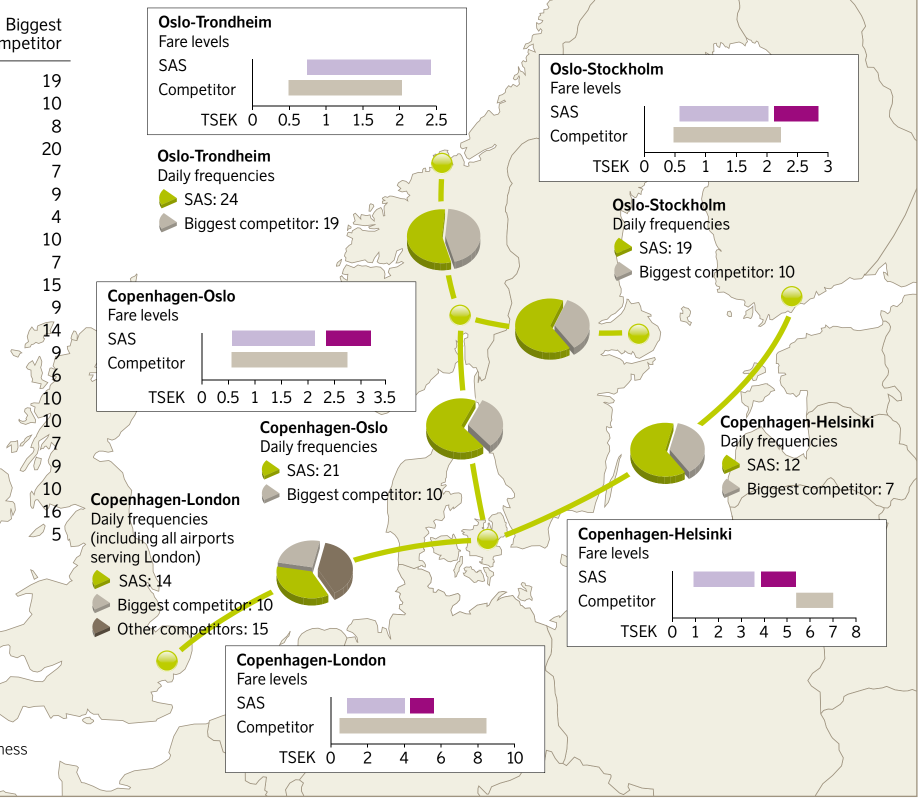

Competitive fares, an unbeatable route network, attractive departure times and a strong environmental commitment make SAS and its partners the obvious choice.

## Key business destinations - networks and frequencies

*The fare example is for a one-way ticket for 1 person with 1 checked bag, seat reservation and payment by credit card and is based on the booking system from December 6, 2009 to April 2010.*

| Daily frequency* | SAS | Biggest competitor |
|---|---|---|
| Oslo-Trondheim | 24 | 19 |
| Oslo-Stockholm | 19 | 10 |
| Oslo-London | 10 | 8 |
| Oslo-Bergen | 23 | 20 |
| Oslo-Helsinki | 5 | 7 |
| Oslo-Amsterdam | 4 | 9 |
| Oslo-Paris | 5 | 4 |
| Stockholm-London | 12 | 10 |
| Stockholm-Copenhagen | 20 | 7 |
| Stockholm-Gothenburg | 15 | 15 |
| Stockholm-Luleå | 14 | 9 |
| Stockholm-Helsinki | 15 | 14 |
| Stockholm-Amsterdam | 3 | 9 |
| Stockholm-Paris | 4 | 6 |
| Copenhagen-London | 14 | 10 |
| Copenhagen-Oslo | 21 | 10 |
| Copenhagen-Helsinki | 12 | 7 |
| Copenhagen-Amsterdam | 7 | 9 |
| Copenhagen-Paris | 7 | 10 |
| Helsinki-Oulu | 10 | 16 |
| Helsinki-Vaasa | 6 | 5 |

* Source: APG.

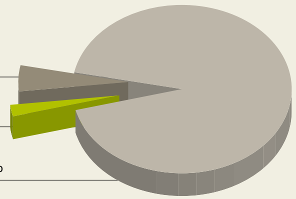



### Loyalty program

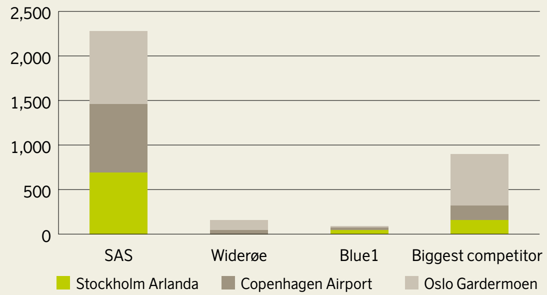
| EuroBonus members, 000 | 2009 | 2008 | Change |
|---|---|---|---|
| Number of members | **2,679** | 2,849 | –6.0% |
| in Denmark | **529** | 524 | 3.0% |
| in Norway * | **731** | 925 | –21.0% |
| in Sweden | **738** | 736 | 0.2% |
| in Finland | **226** | 213 | 6.4% |
| international | **455** | 665 | –1.4% |
| Total Gold members | **64** | 71 | –10.6% |
| Total Silver members | **136** | 156 | –12.8% |

* *The main reason for the decrease in 2009 is the deregistration of members who had not been active for five years*

### SAS EuroBonus members




### Departures per week from SAS hubs in Scandinavia




*Source: APG.*

Core SAS

| Status Core SAS | | |
|---|---|---|
| *All figures* **are** *estimates* | **Implemented** | **Remaining** |
| ASK (seat capacity), level effect | –18% | 2% |
| Number of employees | –2,900 | 1,700 |
| Aircraft fleet | –18 | 3 |
| Earnings impact 2009, billion SEK | 2.2 | 5.6 |

| Measures in Core SAS | | |
|---|---|---|
| **MSEK** | **Annual effect total 2009-2011** | **Of which implemented** |
| *August 2009* | | |
| Flight operations | ~900 | ~650 |
| Ground | ~450 | ~350 |
| Other production | ~700 | ~600 |
| Technical maintenance | ~950 | ~650 |
| Purchasing | ~450 | ~300 |
| Sales and market | ~400 | ~250 |
| Cargo | ~150 | ~100 |
| Other | ~500 | ~350 |
| *Total August 2009* | *~4,500* | *~3,250* |
| *November 2009* | | |
| Purchasing, administration, etc. | ~700 | ~200 |
| Collective agreements | ~100 | ~50 |
| *Total November 2009* | *~800* | *~250* |
| *February 2010* | | |
| Administration | ~550 | |
| Production | ~100 | |
| Lean program SGS | ~250 | |
| Technical maintenance | ~300 | |
| Purchasing | ~250 | |
| Blue1/Widerøe/Cargo | ~50 | |
| Collective agreements, prod. improvements | ~500 | |
| *Total February 2010* | *~2,000* | |
| *March 2010* | | |
| New collective agreements | ~500 | |
| *Total March 2010* | *~500* | |
| **Total** | **~7,800** | **~3,500** |

## Pillar 3

# Improved cost base

**Cost-reduction measures totaling SEK 4 billion were presented when Core SAS was launched. To further bolster the Group's financial position the cost savings program has now been expanded to a total of SEK 7.8 billion.**

Of the cost program's original SEK 4 billion framework, SEK 1.3 billion comprised collective agreement savings and SEK 2.7 billion derived from other measures. In the second quarter of 2009, additional savings measures totaling MSEK 500 were identified in technical procurement and SGS, Widerøe and Blue1. The execution of the cost program has progressed as planned and 72% of the SEK 4.5 billion total has been implemented. In November 2009, further cost-cutting measures of approximately MSEK 800 were identified and are now being implemented. MSEK 75 of this amount will have an effect on earnings in 2009. 66% of the SEK 5.3 billion was implemented in 2009. The total effect on earnings for 2009 came to SEK 2.2 billion.

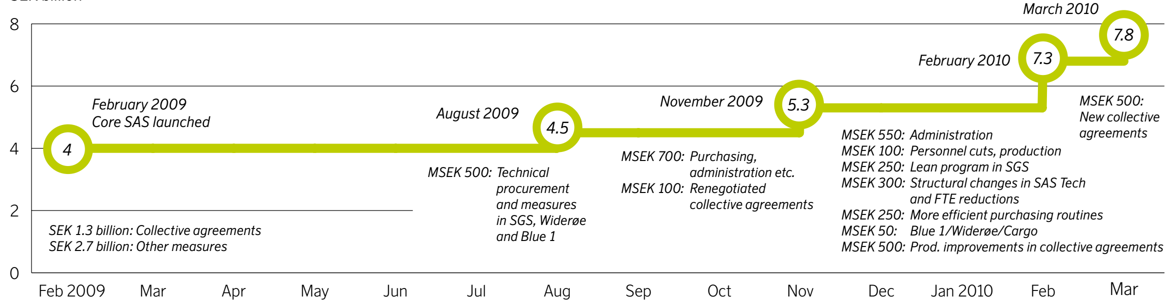
### New measures in 2010 totaling SEK 2.5 billion

To further improve profitability the Core SAS cost savings program has been considerably strengthened by measures totaling SEK 2.0 billion. The savings are found in seven key areas: *administration* (further centralization and streamlining involving approximately MSEK 550 in personnel cuts); *permanent personnel cuts* of ~MSEK 100 in production; *lean program* in SGS (~MSEK 250 worth of process and planning efficiency gains); *streamlining* in SAS Tech (~MSEK 300 in structural changes in, for example, maintenance programs and set-up of line stations, and further FTE reductions); further *purchasing-related savings* (~MSEK 250 derived from purchasing freezes, shipping services, and improved purchasing routines etc.); Blue1/Widerøe/Cargo (~MSEK 50 in salary freezes, etc.); and productivity improvements of ~MSEK 500 in collective agreements. In addition to the cost-cutting measures described above, there is a final agreement with the flight deck and cabin unions for further yearly cost savings totaling SEK 0.5 billion. These measures involve pay reductions and pay freezes, reduced fringe benefits/expense allowances and cuts in pensions and other benefits.

### Cost program totaling SEK 7.8 billion from March 2010

The Core SAS cost savings program now amounts to a total of SEK 7.8 billion, which includes personnel reductions totalling ~4,600 FTEs. The earnings effect of the entire cost program in 2009 totaled SEK 2.2 billion. The remaining earnings effect in 2010 is estimated at SEK ~2.5-2.9 billion and between SEK ~2.1-2.5 billion in 2011, with the remainder in 2012. The cost program is being continuously monitored by a program office, which has dedicated resources. Restructuring costs for full-year 2009 amounted to MSEK 1,767. In 2010 and 2011 restructuring costs for the entire cost program are expected to amount to SEK 1 billion.

**Time line for cost-saving measures in Core SAS**
SEK billion



Core SAS

Pillar 4

# Streamlined organization and customer-oriented culture

**The SAS organization has been considerably simplified under Core SAS. The most significant change was disincorporation of the national companies, which previously had overall responsibility for the operations in their respective countries. The new organization has resulted in a more efficient and simplified SAS, with a stronger customer orientation.**

The long-haul operation, SAS International, ceased to be a separate business unit in the beginning of 2009. Three production bases have been established with responsibility for both short- and long-haul services in Core SAS. The operations of SAS Ground Services have been integrated in these bases. The earnings of SAS Tech and the remaining parts of SAS Cargo have been consolidated in Scandinavian Airlines. The subsidiaries Widerøe and Blue1 remain independent companies within the Group.

In 2010 further steps have been taken to simplify and streamline the SAS organization. The Commercial and Sales units have been combined, a simplified and centralized staff structure with shorter decision-making paths has been adopted and production management has been further centralized.

### Customer-oriented culture

SAS's brand promise, Service And Simplicity, shapes the Group's culture with its pledge to minimize travel time and maximize perceived customer value. The Service And Simplicity concept is to permeate the entire Group, management and employees alike.

**FTE reductions in Core SAS**

| | Original plan 2009-2011 | From Q3 2009 | From Feb 2010 | Total |
|---|---|---|---|---|
| Planned FTE reduction | 3,000 | +~600 | +1,000 | ~4,600 |
| Number carried out in 2009 | 2,800 | 100 | - | 2,900 |
| **Percentage** | **93%** | **17%** | **-** | **63%** |

### Personnel reductions under Core SAS

With the expanded Core SAS cost savings program, personnel reductions in 2009-2011 will increase to approximately 4,600 FTEs. Of the originally announced cuts of 3,000 people, 2,800 left SAS in 2009. The savings measures identified during the third quarter of 2009 include a reduction of an additional 600 FTEs. 100 of these FTEs left SAS in 2009. The new cost saving initiatives totaling SEK 2.0 billion are expected to lead to a further reduction in 2010 and 2011 of about approximately 1,000 FTEs.

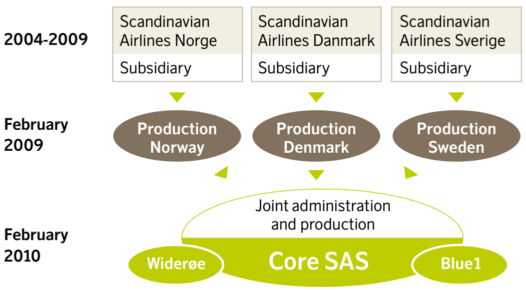
### The Group's business model - management and reporting

Management by business segment is as follows:

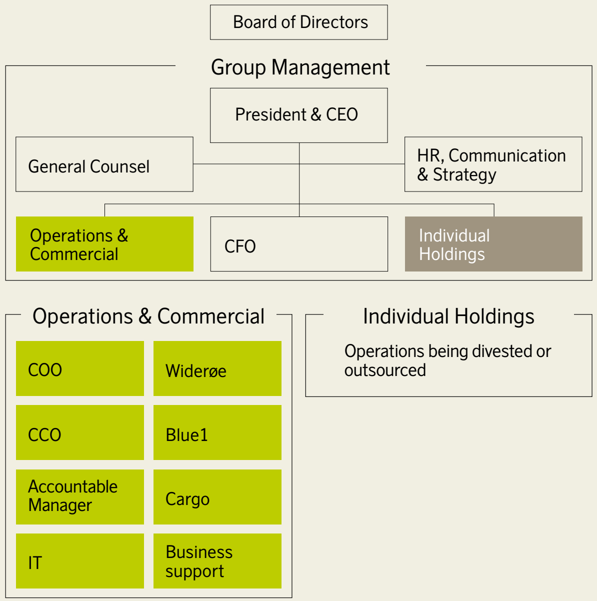
- *Scandinavian Airlines*, which includes airline operations in the consortium of Scandinavian Airlines System, SAS Ground Services (SGS) in Sweden, Norway and Denmark, SAS Tech and the remaining parts of SAS Cargo.
- *Blue1* is a wholly owned subsidiary based in Finland.
- *Widerøe* is a wholly owned subsidiary based in Norway.

Along with certain shared services and management functions, the three segments comprise Core SAS. Other operations include Individual Holdings, the Parent Company SAS AB (Group functions) and other costs not allocated to the segments. The operations in Individual Holdings are to be discontinued gradually.

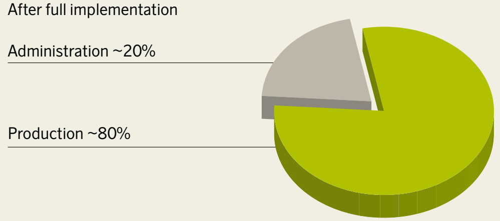
**The way to a more simplified and efficient organization**




**Efficient decision-making organization**




**Breakdown of employees in Core SAS**
After full implementation



Core SAS

## A competitive SAS

### Summary and status

- A SAS focused on the Nordic home market.
- Divestments of non-core business: Spanair, airBaltic, bmi and Cubic.
- Increased focus on profitable business routes. Since the launch of Core SAS, Scandinavian Airlines has stopped flying 57 routes in mostly southern Europe.
- MSEK 3,500 worth of cost-cutting measures carried out in 2009.
- New commercial products introduced under Service And Simplicity: Mobile boarding passes, expanded offerings in lounges and through EuroBonus with more partners and opportunities to earn points.
- Europe's most punctual airline.
- Flexible fleet strategy with low investment need.

### Outlook, strengths and opportunities

- The broadest and largest network in the Nordic countries tailored to the needs of business travelers in an attractive home market lays the groundwork for the best customer offerings and profitability.
- A further SEK 2.5 billion in addition to previously planned cost-cutting measures of SEK 5.3 billion are being implemented. These include a final agreement on changes in collective agreements for savings of MSEK 500.
- Competitive and innovative commercial customer offerings for both business and leisure travelers.
- The strongest air travel brand in the Nordic countries.
- Strong capital structure and strong financial preparedness.

### Financial position before and after new share issue

| Ceteris paribus | Target | Status at Dec 31, 2009 | | After new rights issue 2010 |
|---|---|---|---|---|
| Adjusted debt/equity ratio | <1.00 | 1.70 | → | 0.87 |
| Equity/assets ratio | 20% | 27% | → | 39% |
| Financial preparedness, % of revenues | >20% | 17% | → | 28% |

Pillar 5

# Strengthened capital structure

To facilitate the implementation of Core SAS a rights issue of approximately SEK 6 billion was carried out in the spring of 2009. The rights issue was oversubscribed by 24.2%. However, to bolster the SAS Group's liquidity position and provide conditions for recovery, the balance sheet must be strengthened further. This will support the implementation of the remaining parts of Core SAS. In 2010 SAS is therefore planning to carry out a new rights issue of approximately SEK 5 billion in new common shares.

**Tied-up capital in the aircraft fleet**

The cost of investing in a short-range aircraft (jet) is approximately MUSD 40-60. Because it represents a massive amount of tied-up capital, SAS has to build a long-term financial base that enables renewal and flexibility. The purpose of Core SAS is to improve profitability and strengthen the capital structure to enable future investment. Expenditure on aircraft is usually financed through a combination of free cash flow, loans and leasing. The Group's aircraft investments must take into account flexibility in the aircraft fleet, lowest cost, environmental considerations and the effect on the Group's financial position and counterparty risks.

After the issue, the Group's equity, based on the balance sheet as of December 31, 2009, will be strengthened (from approximately SEK 11 billion to approximately SEK 16 billion) and shareholders' equity in relation to total assets will improve (from approximately 27% to 35%). The Swedish, Danish and Norwegian Governments have each expressed their support for the process to the Board of Directors and stated that they will propose that their respective parliaments approve subscription for their pro rata shares of the rights issue, subject to certain conditions. The Knut and Alice Wallenberg Foundation, through FAM, has expressed to the Board of Directors its support for the process and confirmed its intention, subject to certain conditions, to subscribe for its pro rata share of the rights issue. The conditions that must be met are that a final agreement on cost savings must be reached with the flight deck and cabin unions and that the refinancing of SEK 2 billion of the Group's bonds maturing in 2010 must be secured. A final agreement on changes in the collective agreements was reached in March 2010. The participation of the three governments and FAM in the new rights issue is also subject to the condition that all of these owners reach a final decision to subscribe for their respective pro-rata shares. In total, the four shareholders named above hold 57.6% of all outstanding shares and votes in SAS.

J.P. Morgan, Nordea and SEB Enskilda, acting as Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners, DnB Markets and The Royal Bank of Scotland, acting as Joint Lead Managers and Joint Bookrunners, and Danske Markets, acting as Co-lead Manager, have confirmed their expectation, subject to certain conditions, to enter into an underwriting agreement on a several basis for the remaining 42.4% of the shares to be issued in the new rights offering.

The new rights issue will substantially improve SAS's financial key ratios. Adjusted net debt (including capitalized leasing costs) based on the balance sheet as of December 31, 2009, is expected to decrease from approximately SEK 19 billion to approximately SEK 14 billion, which corresponds to an improvement of the adjusted net debt in relation to EBITDAR from approximately 8.5 to approximately 6.3.

### Renegotiating loans and credits

In the third quarter of 2009, the SAS Group entered into a loan facility of approximately MUSD 160 with EDC Export Development Canada as part of the financing of deliveries of CRJ aircraft and Q400NGs. Total new long-term borrowing connected with aircraft acquisitions amounted during the year to MSEK 2,080. In 2009 SAS amortized revolving credit facilities by a net amount of SEK 1,480. In the beginning of 2010 the SAS Group renegotiated approximately SEK 5 billion worth of facilities to extend the maturity date from 2012 to 2013, provided that the rights issue is implemented. A process is taking place to secure refinancing or extend the maturity date for the majority of the Group's bond loans maturing in 2010 (approximately SEK 2 billion in aggregate principal amount).

# SAS's cost performance in context

**The unit cost is the most common and most relevant way to compare cost levels among airlines. Within the framework of Core SAS, the objective is to get down to a unit cost level on par with the leading market challengers, taking into consideration that SAS offers a premium product.**

At the beginning of 2002, Scandinavian Airlines had among the highest unit costs of network carriers in Europe (AEA), around 30% higher than the average. In terms of earnings this could be partially offset by Scandinavian Airlines having a higher yield and thus higher revenues than its competitors.

To lower the unit cost, Turnaround 2005, a savings program that from 2001 to 2005 reduced the SAS Group's costs by SEK 14.2 billion, was initiated and carried out. Adjusted for fuel and currency, Scandinavian Airlines lowered its unit cost by just over 30% compared with 2002 and was somewhat lower than for the majority of European network carriers. The cost savings were largely returned to customers in the form of lower fares. During this period, the low-cost carriers (LCCs) began to enter the market with a substantially lower cost level, prompting a need for further cost-cutting to remain competitive.

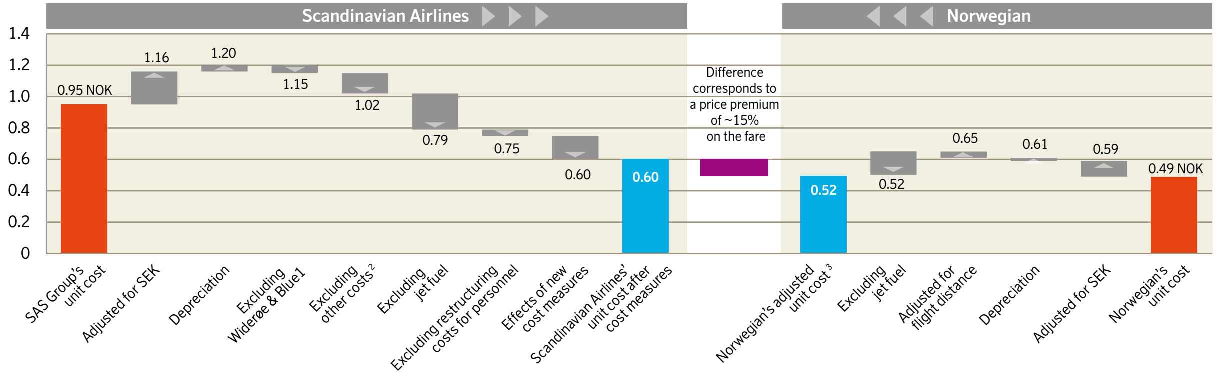
**The unit cost after Core SAS is fully implemented**

For correct comparison between airlines' costs, especially their unit costs, it is important to adjust a number of parameters. Examples of such adjustments are effects of average flight distances, currencies, non-recurring effects of hedging instruments on fuel costs and the share of intercontinental traffic. When comparing unit costs for personnel, there are further factors to take into account, such as the degree of outsourcing.

In a comparison with Norwegian, the unit costs must also be adjusted for non-recurring effects and dissimilarities between the carriers' business models and operations. Examples are Scandinavian Airlines' revenues and costs for external ground services, technical maintenance, Cargo and ticket sales for other airlines. After full implementation of the expanded cost savings program in Core SAS, Scandinavian Airlines is expected to reach an adjusted unit cost of SEK 0.60/ASK. This is comparable to Norwegian's adjusted unit cost of SEK 0.52/ASK (no account has been taken of any coming cost reductions). Compared with Norwegian's, Scandinavian Airlines product offerings justify a price premium of approximately 15%.

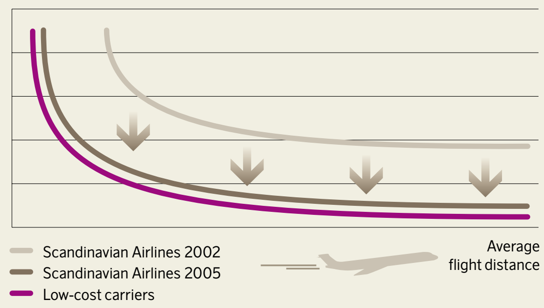
Scandinavian Airlines' price premium includes offerings such as access to lounges, Fast Track, an attractive network connected to Star Alliance and no hidden fees. *Definitions & concepts, p. 124.*

**SAS Group's total unit cost compared with Norwegian** [1]




[1] With 2009 as base year.
[2] Refers to costs for external revenues attributable to SAS Ground Services, SAS Tech, SAS Cargo, aircraft leased out, ticket sales for Lufthansa, etc.
[3] Excluding effects of any future cost reductions.

**Scandinavian Airlines' unit cost was lowered substantially from 2002 to 2005**

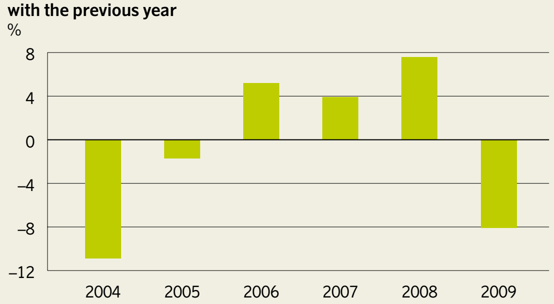



**SAS's measures 2001-2011**

| Program | Year | Scope [1] |
|---|---|---|
| Turnaround 2005 | 2001-2005 | SEK 14.2 billion [2] |
| S11 | 2007-2008 | SEK 2.8 billion [3] |
| P08 | 2008 | SEK 1.5 billion [4] |
| Core SAS | 2009- | SEK 7.8 billion |

[1] *The cost programs cannot be totaled.*
[2] *Group program, also included the hotel business, Spanair, etc.*
[3] *SEK 1 billion transferred to Core SAS.*
[4] *No unit cost-lowering effects in P08.*

**Change in Scandinavian Airlines' total unit costs compared with the previous year**




**Comments on the comparison of unit costs**

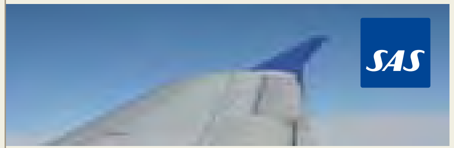
*In an initial analysis the difference in unit cost between SAS and Norwegian may appear substantial. This is due in part to big differences in business models, which makes an initial comparison misleading. To compare Scandinavian Airlines' unit cost with Norwegian's, the subsidiaries in the SAS Group must first be excluded. Scandinavian Airlines has considerable outside revenue from ground handling, cargo, technical maintenance, etc., which needs to be excluded, since it entails corresponding extra costs. Moreover, restructuring costs that are non-recurring items as well as jet fuel costs have been eliminated for greater comparability (derivative instruments can have a profound impact on jet fuel costs; e.g., SAS had a negative effect of approximately SEK 2 billion from hedging in 2009). To see the effects of future cost-cutting measures, the effects of the remaining SEK 5.6 billion have been included. Finally, the SAS Group has included depreciation in the unit cost, for greater comparability on account of differing capital structures regarding aircraft fleets, etc. The diagram does not take into account any savings carried out by the competitor in the corresponding period, since they are difficult to estimate.*

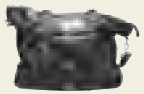

Airlines
RCU

As a traveler I earn EuroBonus points and my company earns SAS Credits

# Competitive total fare

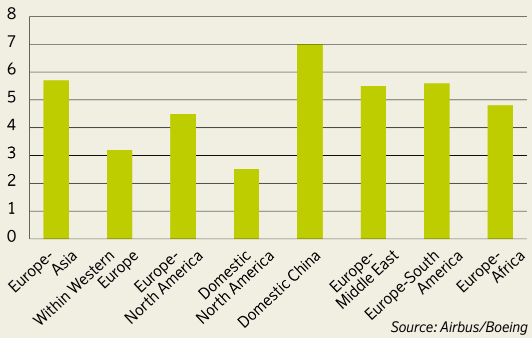
*A sample competitive total fare with SAS, Europe's most punctual airline. Refers to a one-way journey on 25 Sept. 2009, Stockholm Arlanda - Luleå (SEK).*




| | | SAS | LCC-competitor |
|---|---|---|---|
|  | **Ticket** *Example Stockholm-Luleå on 25 Sept. 2009. Departure 7:15p or 7:55p.* | 1,101* | 1,006 |
|  | **1 checked bag** *On SAS you may take along 20 kg of baggage free of charge (1 or 2 bags) and 8 kg carry-on.* | +0 | +50 |
|  | **Seat reservation** *On SAS you can check in and choose your seat beginning 22 hours prior to departure!* | +0 | +50 |
|  | **Credit card fee** | +0 | +49 |
| | **Total fare** | 1,101 | 1,155 |

** The ticket price includes a SEK 25 Internet service charge.*

**Expected yearly market growth in global traffic flows 2009-2028**




*Source: Airbus/Boeing*

# Market and competition

In 2009 the global market situation adversely impacted the real economy, resulting in significantly lower growth and weak market conditions for airlines the world over. This also affected business travel, which declined substantially, in turn impacting yields for the entire industry.

The economy shrank, and forecasts were gradually revised downward. Like other network carriers, the SAS Group adjusted its capacity to the new market realities. The historically severe yield pressure which affected the airline industry in 2009 eased slightly at year-end, and this trend was particularly positive for long-haul routes. The passenger load factor for most network carriers is now inching upward, and the trend is continuing in a positive direction.

## Competition and the business environment

The effects of the global recession were felt in the entire airline industry in 2009, and most competitors carried out significant savings measures to deal with the record fall in yield and drop-off in demand. The industry organization IATA estimates that airline industry losses in 2009 totaled USD 11 billion, and the Association of European Airlines (AEA) estimates that the yield on intercontinental routes for European carriers fell the most, plummeting 20-30% during the second and third quarters. Consolidation in the airline industry continued, and during the year, for example, Lufthansa concluded its acquisition of Austrian Airlines and Brussels Airlines and acquired a majority stake in bmi.

## Lower global capacity

In the airline industry, adjustments of supply/capacity are crucial for turning around a negative earnings and yield trend. Globally, comprehensive actions were taken by the established carriers in 2009, which is why global capacity is estimated to have decreased by 3%. In Europe, AEA airlines reduced capacity by 5.2%. Further capacity cuts are expected in early 2010, which should result in a better balance between supply and demand.

## Performance of the home market

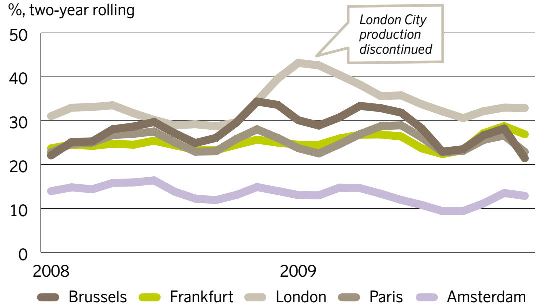
Market performance in the airline industry in 2009 remained very weak, and passenger traffic growth was negative in Europe and the Nordic region compared with the year-earlier period. Passenger volume in the Nordic region fell in 2009 by around 7%, with competition continuing to be stiff and several carriers increasing capacity in the region. For example easyJet increased its service to Sweden, and Norwegian continued to establish a base in Copenhagen in the wake of Sterling's bankruptcy in 2008. Several U.S. airlines also increased their exposure to Northern Europe.

The SAS Group concluded that capacity reductions were necessary and decided already in May 2008 to reduce capacity. In 2009 the Group reduced its capacity compared with 2008 by 15.3% as a part of the Core SAS strategy, which is around 7 percentage points more than the industry in the Nordic region. During the year, 18 aircraft were taken out of service. Even though the yield fell in 2009, owing to higher passenger load factors Scandinavian Airlines was able to post relatively better RASK performance (revenue per available seat kilometer) toward year-end than many of its competitors.

## Market share in Europe and globally

The SAS Group is the leading carrier in Northern Europe with the most destinations and frequencies and the biggest market share. Owing to capacity measures implemented primarily on non-business-related destinations, the SAS Group lost market share in 2009. Measured as a percentage of production in the Nordic region, market share in 2009 was 32%, down around 3 percentage points. However, the market share was relatively stable among the majority of key business destinations.

**SAS's market share on key business destinations departing from Oslo, Stockholm and Copenhagen**
%, two-year rolling



For example, SAS increased its market share to London from Sweden. Market share also rose to a number of key European destinations such as Paris and Brussels from Sweden, Norway and Denmark measured in number of passengers. At the same time, SAS reduced its capacity somewhat more than its competitors in several of these markets. Measured by passenger volume the SAS Group is one of Europe's ten largest airlines.

## Europe's most punctual airline

*Punctuality and regularity*

SAS minimizes lines, waiting times and hassle on the ground and in the air, which is one reason why during 2009, Scandinavian Airlines was the most punctual airline in Europe and the third most punctual airline in the world among major carriers according to FlightStats. Since punctuality and regularity are priorities for business travelers, they are essential to SAS from a commercial standpoint. However, safety always comes first.

### Capacity and yield performance 2009

| | Yield (%) | Capacity change (%, ASK) |
|---|---|---|
| Air France-KLM | –14.1%[1] | –4.3% |
| Air Berlin | n.a. | –2.6% |
| Austrian | n.a. | –11.2% |
| Blue1 | –12.0% | –4.5% |
| British Airways | –15.8%[1] | –3.8% |
| Cimber Air[2] | –25% | 219% |
| Continental | –15.8% | –5.2%[3] |
| Delta | –14.0% | –6.4%[3] |
| Finnair | –11.5% | –10.3% |
| Lufthansa | –12.9%[4] | –1.3% |
| Norwegian Air Shuttle | approx. –4% | 17.6% |
| Scandinavian Airlines | –5.2% | –16.3% |
| Swiss | n.a. | –1.9% |
| Widerøe | 4.0% | 0.8% |

[1] *Currency-adjusted, nine months to December 2009.* [2] *Refers to May-October.* [3] *Refers to Average Seat Miles.* [4] *Refers to Lufthansa Group, January-September 2009.*

*Source: Airline traffic reports.*

# Competitors in SAS's markets in 2009

*GDP and passenger growth 2009*

**The Nordic home market**

**Scandinavian Airlines**
Norwegian
Cimber Sterling
Malmö Aviation
Finnair

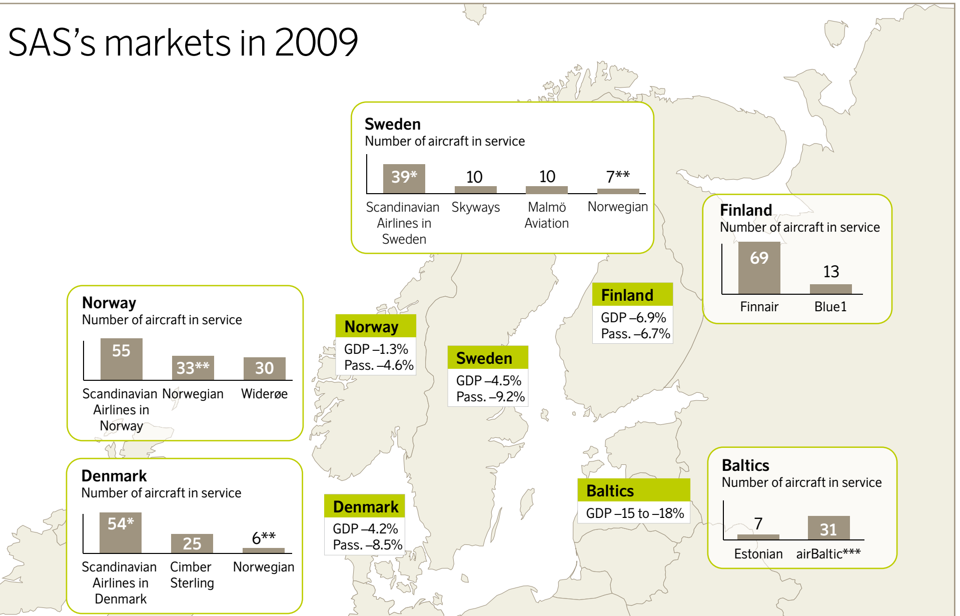
**Widerøe**
Norwegian
DAT

**Blue1**
Finnair
easyJet

**Europe & Global**

**Scandinavian Airlines**
Lufthansa
Norwegian
Air France-KLM
Air Berlin
British Airways
Ryanair
Finnair
Continental
German Wings
transavia

**Blue1**
Finnair




* *The breakdown of Scandinavian Airlines' intercontinental fleet between Sweden and Denmark varies, but for this overview it is two aircraft in Sweden and seven in Denmark.*

** *Estimated number.*

*** *airBaltic was sold out of the SAS Group in 2008.*

*SAS Group's number of aircraft excludes aircraft on wet lease.*

*Sources: Number of aircraft: airline websites.*

*GDP growth: Global Insight.*

### Punctuality at departure and regularity

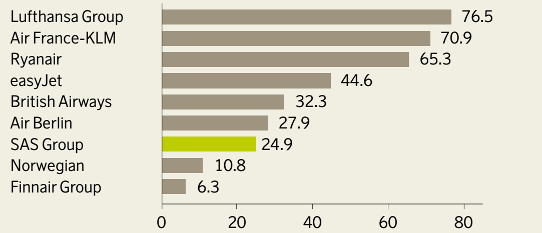
| | Punctuality within 15 min. Target | Punctuality within 15 min. Outcome | Regularity Target | Regularity Outcome |
|---|---|---|---|---|
| Scandinavian Airlines | 91% | 90.1% | - | 99.3% |
| Widerøe | 90% | 89.6% | 98,5% | 97.1% |
| Blue1 | 90% | 87.9% | 98,5% | 97.8% |

**Punctuality within 15 minutes at arrival**

| | |
|---|---|
| Scandinavian Airlines | 89.1% |
| KLM | 88.5% |
| Lufthansa | 83.2% |
| Finnair | 82.6% |
| Air France | 80.5% |
| Norwegian | 80.1% |
| British Airways | 78.8% |
| easyJet | 73.5% |
| Iberia | 68.0% |

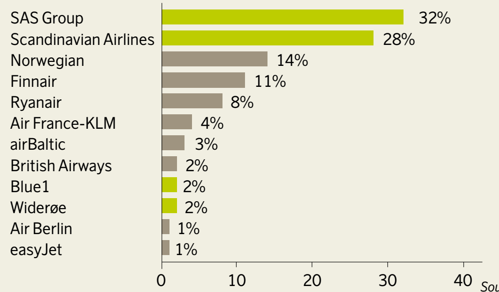
*Source: FlightStats*

**Total passenger volume 2009** Million passengers



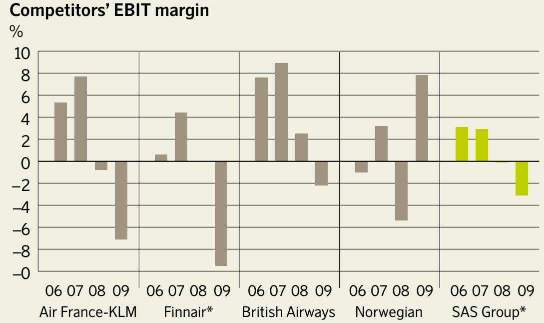

*Source: Company reports.*

**Market share Nordic region 2009** Based on production data, ASK




*Source: APG.*

**Competitors' EBIT margin**

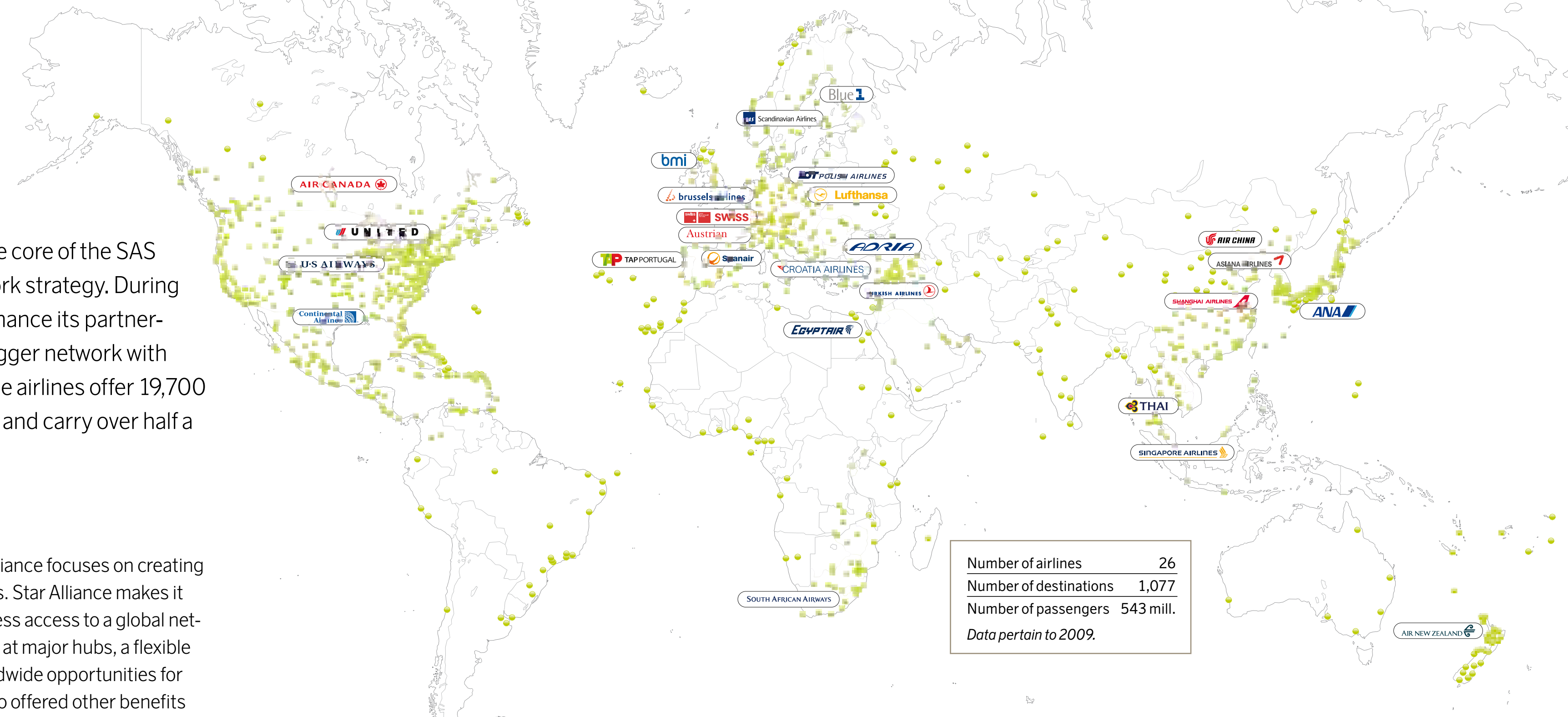



* *Before non-recurring items*

*Source: Company reports.*

# Star Alliance™

Membership in Star Alliance is the core of the SAS Group's global partner and network strategy. During 2009 the Group continued to enhance its partnerships to offer travelers an even bigger network with more choices. The 26 Star Alliance airlines offer 19,700 daily departures to 175 countries and carry over half a billion passengers every year.




| | |
|---|---|
| Number of airlines | 26 |
| Number of destinations | 1,077 |
| Number of passengers | 543 mill. |

*Data pertain to 2009.*

*Facts about Star Alliance and competing alliances* *see p. 46.*

A STAR ALLIANCE MEMBER

### Customer benefits

The SAS Group's cooperation in Star Alliance focuses on creating competitive products for frequent flyers. Star Alliance makes it possible to offer SAS customers seamless access to a global network with shorter and quicker transfers at major hubs, a flexible and smooth travel experience and worldwide opportunities for using bonus points. Passengers are also offered other benefits through access to Star Alliance-member airlines' loyalty programs and lounges.

### Star Alliance

The world's first and biggest airline alliance, Star Alliance was founded in May 1997 by SAS and four other leading carriers. Approved airlines are continually admitted into the alliance, and in 2009 Continental Airlines and Brussels Airlines became members. At the end of 2009 Star Alliance had 26 members. TAM Airlines (Brazil) and Aegean Airlines (Greece) are expected to join in 2010.

**Star Alliance hubs**

| | |
|---|---|
| **Europe** | Vienna, London (Heathrow), Manchester, Warsaw, Brussels, Frankfurt, Munich, Copenhagen, Oslo, Stockholm, Madrid, Barcelona, Zurich, Geneva, Basel, Lisbon, Istanbul, Ankara |
| **Africa** | Cairo, Johannesburg |
| **North America** | Toronto, Montreal, Vancouver, Chicago, San Francisco, Denver, Los Angeles, Washington D.C., Charlotte, Newark (N.J.), Houston, Cleveland, Philadelphia, Phoenix, Pittsburgh, Las Vegas |
| **Asia and Oceania** | Auckland, Beijing, Guangzhou/Shenzhen, Mumbai, Guam Delhi, Tokyo, Osaka, Nagoya, Seoul Incheon, Shanghai, Singapore Changi, Bangkok, Chiang Mai, Phuket, Hat Yai |

### Bilateral partnerships

Besides its membership in Star Alliance the SAS Group cooperates with a number of selected airlines on a bilateral basis. Each partnership is aimed at offering SAS Group passengers a wider array of destinations, a smooth travel experience and the opportunity to earn and use bonus points through EuroBonus with a large number of airlines. Since 1996 Scandinavian Airlines and Lufthansa have had a well-developed joint venture for traffic between Scandinavia and Germany.

### Sustainable development

Star Alliance has concluded an agreement with three international organizations, including UNESCO. The purpose of the initiative is to help bring about prudent use of natural resources in all countries and regions that Star Alliance members serve by taking responsibility and contributing to economic, social and environmental sustainability. In December 2008 Star Alliance prepared guidelines for its members in their efforts to support fundamental human rights, labor rights, free competition and reduced environmental impact. Star Alliance has collaborated on the introduction of the EU Emissions Trading Scheme, which covers a majority of the carriers. See p. 104.

### Antitrust immunity - Continental Airlines

SAS, United, Air Canada, Lufthansa, Austrian, TAP, LOT, Swiss and bmi submitted a joint application in July 2008 to the U.S. Department of Transportation (DOT) for multilateral immunity from U.S. antitrust rules concerning cooperation between Continental Airlines and the other carriers in Star Alliance. In July 2009 a decision was issued by DOT that for SAS's part resulted in immunity with certain exceptions.

# Flight safety and quality

The safety culture in the SAS Group is at a high level and is based on the values, skills and experience of employees throughout the organization. The safety culture includes actively learning, adapting and modifying individual and organizational behavior to constantly improve operations and reduce exposure to risk.

Safety work at SAS has a prominent position with a desire for constant improvements and a shared sense of the importance of safety for customers and for SAS. The management of SAS is deeply committed to safety issues, and the Group's safety policy is documented and applied in all operations.

### Flight safety and certification

The SAS Group has a high level of flight safety thanks to extensive quality control routines and the dedication of its employees and management. All SAS Group airlines are IOSA-certified. IOSA certification may be viewed as the airline industry's equivalent to ISO 9000 certification.

### Flight safety work's four main areas:

- *Documented quality system:* Basic documentation and work instructions based on EU legislation. To this SAS adds its own experience and experience from the airline industry to maintain a low exposure to risk.
- *Organizational learning:* The SAS Group questions prevailing practices and continuously looks for shortcomings and weaknesses in its operations. Learning in the organization is for example based on interdisciplinary collaboration, information technology, process orientation and development in a creative and supportive environment, characterized by security and challenges, curiosity and commitment.
- *Identifying risks:* Systematic use of available information and data to identify risks to customers, employees, property or the environment.
- *Risk management:* Identification of potential risks by performing risk assessments and devising strategies to minimize risk exposure to acceptable levels.

**SAS flight safety processes**

| Flight operations | Ground operations | Technical operations |
|---|---|---|
| Authority<br>Planning<br>Communication<br>Navigation<br>Monitoring<br>Cabin safety | Aviation security<br>Load control<br>Passenger handling<br>Clearance<br>Hazardous goods<br>Abnormal situations | Operations<br>Planning<br>Materials<br>Service<br>Production<br>Ground equipment |

| Cause | Analysis | Actions |
|---|---|---|
| Performance<br>Cooperation<br>Human/machine<br>Equipment<br>Procedure<br>Management/control<br>External factors | Every reported incident is analyzed and classified according to criteria in RAMS (Risk Assessment Method in SAS). All incidents are investigated. | Once the fundamental cause is established, a decision is made on corrective actions. Actions are followed up to check on the result. |

### Incident reporting

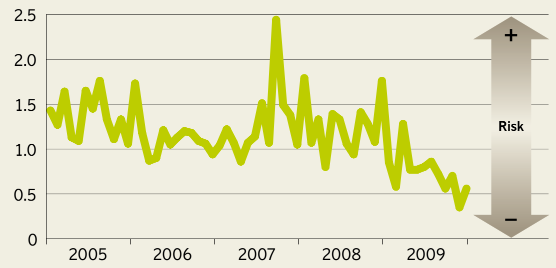
During the year, a new and improved system for reporting incidents was introduced. The aim of incident reporting is for everyone in the SAS Group to be able to report actual or perceived departures from published procedures and instructions as well as flight operation incidents. The data gathered is then used to identify potential risk areas through trends and analyses.

The database is used to compare SAS with other airlines in an international collaboration through IATA. SAS and 100 other airlines are connected to a common database, the "IATA Safety Trend Evaluation, Analysis & Data Exchange System," where they can access safety analyses focusing on global trends.

### Green Flights

As a part of SAS's efforts to reduce its environmental impact and boost safety, there is a close collaboration within the Group and with outside parties to minimize jet fuel consumption. The work is being carried out in the Flight Operations Department, since reducing fuel consumption is closely linked to flight operation considerations. Through fuel-saving measures, SAS reduced its fuel consumption on comparable flights by 2% in 2009. See p. 107.

**Scandinavian Airlines' Risk index 2005-2009**




**Reported incidents**

| | R1 | R2 | R3 | R4 | R5 |
|---|---|---|---|---|---|
| Flight operations | 0 | 0 | 19 | 399 | 1,252 |
| Ground operations | 0 | 0 | 1 | 172 | 1,110 |
| Technical operations | 0 | 0 | 10 | 191 | 270 |
| Aviation security | 0 | 0 | 0 | 47 | 266 |
| **Total 2009** | **0** | **0** | **30** | **809** | **2,898** |
| *Total 2008* | *0* | *0* | *76* | *1,027* | *3,100* |
| *Total 2007* | *3* | *1* | *62* | *1,254* | *3,271* |

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

*The SAS Group follows up on and reports incidents in internal risk categories to improve quality and decide on corrective actions. The SAS Group reports to the civil aviation authorities in Scandinavia according to ICAO regulations. The table reports the total number of incidents per risk classification. Of these incidents, 745 were reported to the Scandinavian civil aviation authorities. The production unit in Norway reported separately until September 30, 2009.*

| Definition | Examples of risk events |
|---|---|
| **R1** | Incident that causes serious damage to the aircraft, near-collision with the ground, severe icing that causes a change in altitude. |
| **R2** | Technical fault that causes control problems, use of Check List with a serious impact on flight operation. |
| **R3** | Tail strike, near miss when landing, balance problems causing abnormal motion in connection with rotation. |
| **R4** | Bird strike that does not cause damage, rejected takeoff at low speed, hard landing. |
| **R5** | Incident without any effect on flight safety, such as a reading lamp or oven that does not work. |

# Policy framework for civil aviation, aviation security and quality processes

**In the airline industry new thinking and a new attitude are required with regard to rules and policies. There is a need for new thinking where airlines, airports, air traffic management and governments work together toward common goals, so that aviation can continue to be an engine of economic growth, employment, increased trade and greater prosperity.**

Profound changes in the operating environment characterize the world of the airline industry. At the same time, many stakeholders along the value chain act as if nothing has happened. SAS is monitoring and is trying to influence developments, in European institutions through a permanent presence in Brussels as well as at a national level.

## Developments in the EU

In 2009 decisions were made that may be of great importance for the cost-effectiveness of the service providers to the airline industry. They involve the “Single European Sky,” which has the potential of sharply reducing emissions, delays and costs through more efficient use of airspace, and a directive concerning the way airports may price their services.

A directive relating to safety charges is still the subject of discussions in the EU. At the same time there is an active effort to eventually rescind the prohibition against liquids in passengers’ hand baggage. This requires the availability of new technology, otherwise the change in the rules may be detrimental to customers and the industry as a whole.

Consumer protection has been a focus area in the EU, and there is an ongoing debate on compulsory bankruptcy insurance, new rules for compensation for delayed baggage, etc.

In the financial area, new rules are being discussed for derivatives trading, which may have serious consequences for the airline sector, since these instruments are often used in fuel, interest rate and currency hedging.

In view of the crisis in the airline industry, a decision was made in the summer of 2009 to freeze the rules in the EU slot regulations, allowing airlines to reduce their capacity without losing their slots for the following summer. Given the market situation, the industry is working for a continuation of the freeze.

The Scandinavian level of activity, with regard to bilateral negotiations, was low during the year. New aviation agreements were signed with Japan at a marginally more liberal level than previously, as well as with Iraq and Turkey.

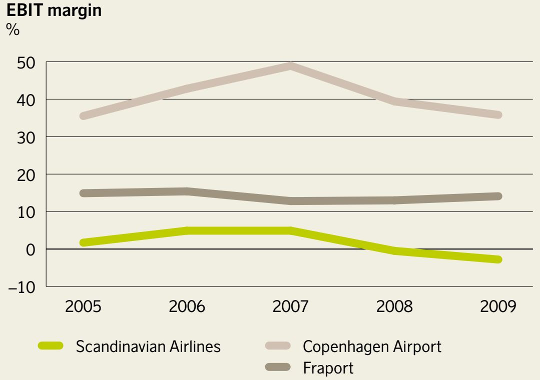
## The UN climate conference in Copenhagen

The aviation industry agreed in 2009 on a common global position ahead of the UN summit in Copenhagen (COP15) in December. Airlines, airports, air traffic control organizations and manufacturers stand behind these objectives, details of which may be found in the SAS Sustainability Report. See pp. 102-122.

**SAS Group infrastructure costs 2009**

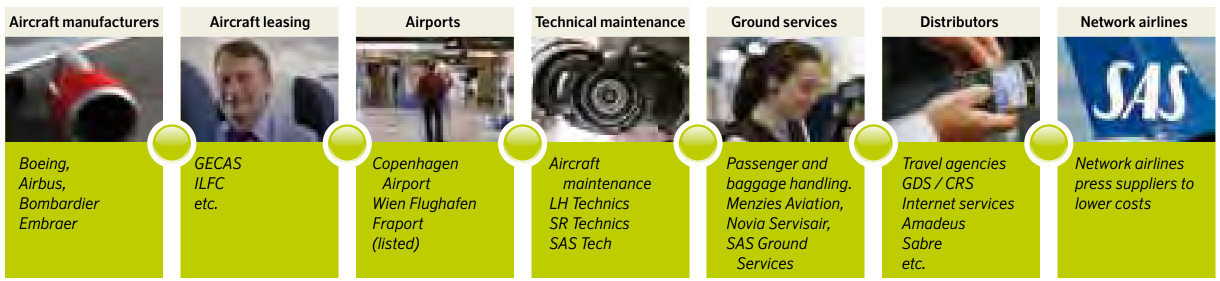
| MSEK | Airport & passenger fees | Overflight fees |
|---|---|---|
| Denmark | 1,163 | 145 |
| Norway | 1,580 | 288 |
| Sweden | 850 | 273 |
| International | 1,503 | 770 |
| **Scandinavian Airlines total** | **5,096** | **1,475** |
| Widerøe & Blue1 | 727 | 167 |
| **SAS Group total** | **5,823** | **1,643** |

**EBIT margin**




*Source: Company reports.*

**Aviation industry value chain**



### Infrastructure costs

Aviation is the only mode of transportation that pays the full cost of its infrastructure. These costs represent one of SAS's largest single expense items and amounted to MSEK 7,466 in 2009, 2.4% lower than the previous year. The intention of SAS and the entire airline industry was to seek reduced or unchanged fees for 2010. This was in sharp contrast to providers' proposals, which varied between +9% and +32% compared to 2009. Following intense negotiations, SAS's demands were acknowledged as valid, though some degree of cost increase appears to be unavoidable.

One fundamental problem with overflight charges is the Eurocontrol Convention, which states that all cost increases may be passed on to users without requiring any efficiency enhancements. This is a principle that needs to be resolved politically as soon as possible.

*Fee freeze at Copenhagen Airport*

A new, long-term agreement was signed with Copenhagen Airport during the year that included a fee freeze and a new strategic cooperation agreement with SAS.

### Aviation security in 2009

The SAS Security Department continuously monitors disturbances in the wider world, with customer and employee safety in all situations as SAS's primary concern. In 2009 threats to SAS Group airlines were generally at a minimum, even if in some instances there was a higher level of security in some countries.

### Incidents with laser pointers

Illegal shining of laser pointers at aircraft is a growing problem. If it hits pilots in the cockpit, the powerful beam may impair their vision for an indeterminate period. During the year the number of reported incidents was up sharply in Scandinavia. Police, civil aviation authorities and airlines are cooperating to report the problem, ascertain its extent and, if possible, prevent it. At SAS the issue is considered a flight safety and working environment matter.

### SAS Group Security Standards

SAS Group Security Standards represent a group-wide set of rules concerning security issues in the areas of aviation, property, training, personnel and IT. Synergies have been realized through improving the shared records for storing inspection reports that has been established by the SAS Security Department.

### Secure payments

Credit card fraud via online sales is a serious threat to companies engaging in e-commerce. The airline and travel industry is severely affected by this kind of fraud. PCI DSS (Payment Card Industry Data Security Standard) is a set of requirements by the largest credit card companies. These rules govern the way SAS handles credit card data internally. A compliance program is being implemented throughout the entire SAS Group. Plans and activities are regularly communicated to the largest payment banks.

Since March 2009 fraud screening has been done of all online and call center purchases to minimize losses to credit card fraud. In 2009 the SAS Fraud Screening System is estimated to have stopped fraud amounting to MSEK 40 .

Fraudulent repayment of revenue (called charge back) is estimated to have been reduced by around 50-60%. Less fraud improves SAS's chances for favorable agreements with credit card industry players. In 2009, the number of fraud attempts against SAS declined from around 1% of online sales to 0.17%.

### IT security

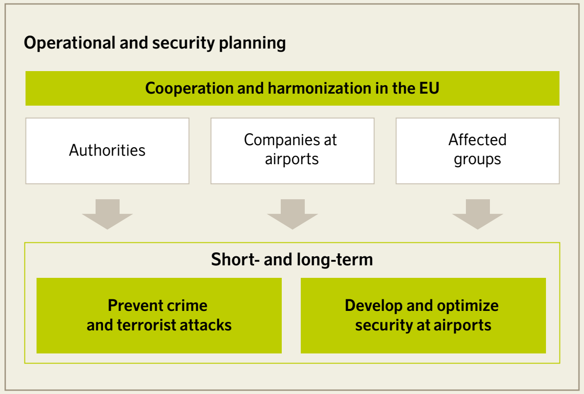
The SAS Group uses the latest technology to ensure adequate IT security. The Group installs an increasing number of business applications to benefit its customers, partners and suppliers. Access to these applications via the Internet is protected by Internet firewalls. When access takes place via a communication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

SAS employees need to be able to telecommute, and their need for access to the internal network is growing. Their access is secured by dialup products with one-time passwords, encrypted communication and personal firewalls on the PC.

On the Group's networks 152,000 computer viruses were detected and rejected in 2009. Operations were not appreciably affected by computer viruses in 2009.

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

**SAS first with automated biometric check-in in Scandinavia**
Biometrics lets you identify yourself with your finger instead of a photo ID when you travel with checked baggage. Your fingerprint is saved during the flight and deleted once you land.





*The overarching objective of the SAS Group's security work is to control risk exposure. These actions are intended to ensure that Group employees and customers perceive the SAS Group as reliable from a security standpoint.*

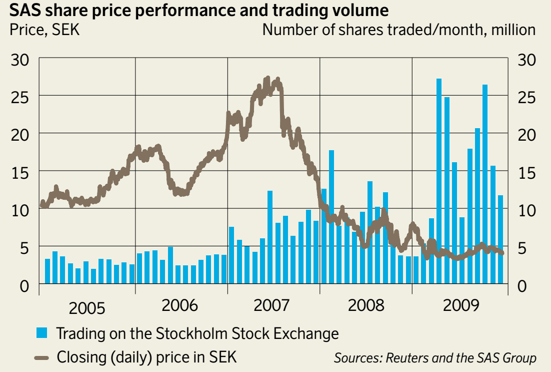
# The capital market

A key part of communication with the capital market is the continual reporting of results, such as the Annual Report, interim reports and monthly traffic figures. In connection with interim reports SAS holds press and telephone conferences as well as analyst meetings.

### Important events in the capital market

- In April 2009 the SAS Group concluded a rights issue, which raised just over SEK 6 billion of new equity. The rights issue was oversubscribed by 24.2%.
- In February 2010 SAS announced a new rights issue amounting to approximately SEK 5 billion to strengthen SAS's liquidity position and to provide support for the implementation of the remaining parts of Core SAS. The rights issue has support from the three government owners and the largest private owner, the Knut and Alice Wallenberg Foundation through FAM. The participation of the three states and FAM in the rights issue is subject to, among other things, all four major shareholders' deciding to subscribe on a pro rata basis, refinancing approximately SEK 2 billion of the Group's bonds maturing in 2010, final agreements with the flight deck and cabin unions and parliamentary approval (where necessary). A final agreement on changes in the collective agreements was reached in March 2010. A consortium of banks has confirmed its expectation, subject to certain conditions, to enter into an underwriting agreement on a several basis for the remaining 42.4% of the shares to be issued in the rights offering.

**SAS share price performance and trading volume**




*Sources: Reuters and the SAS Group*

# The capital market

**The SAS Group's overall objective is to create value for its shareholders over a business cycle. The SAS Group always aims to provide the market with prompt, relevant and timely information about its operations' performance, and in both 2009 and 2010, a large number of meetings with investors were held.**

### Profitability targets
The SAS Group's profitability target is an EBT margin of 7%. Based on operating revenue in 2009, this is equivalent to earnings before tax of SEK 3.1 billion.

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

### Investor Relations activities
In connection with interim reports, the SAS Group arranges teleconferences for capital market players. These teleconferences can also be viewed via a webcast link directly on the website and are also normally available for two months afterward. Transcripts are also available on the website. To supplement the teleconferences, meetings with analysts are held on an ongoing basis in Scandinavia and London.

The SAS Group regularly holds meetings with institutional investors and held a number of roadshows in the spring of 2009 and in 2010 in Europe and the U.S. Presentations to private shareholders were also arranged at various sites in Scandinavia.

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

### Dividend
The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividend be paid to SAS AB's shareholders for the 2009 fiscal year. The reasoning behind this proposal is the weak financial position and cash flow of the SAS Group, since it is essential to have financial scope at our disposal to manage future restructuring and investment.

### Taxes
Going forward, the SAS Group's cash flow will be positively impacted by approximately MSEK 8,000 in unutilized tax loss carryforwards in continuing operations. Deferred tax assets have been recognized for approximately 90% of the accumulated loss carryforwards.

### Defined-benefit pensions
Defined-benefit pension plans are reported in accordance with IAS 19. Defined-benefit pension plans in Sweden are insured with Alecta for salaried employees and cabin personnel and with Euroben for pilots. All SAS personnel in Norway have defined-benefit pensions insured with Vital. There are also unfunded pension plans relating to early retirement pensions in Sweden and Norway. Only pilots have defined-benefit pension plans in Denmark, which are insured with Danica.

IAS 19 is being revised and a discussion paper has been released by the IASB. The proposed changes, which mean that actuarial gains and losses may no longer be amortized over the remaining average period of service, but continuously recognized directly in equity or the income statement, will likely come into effect on January 1, 2013, at the earliest. As a result of this change, accumulated actuarial gains and losses existing on the effective date of the revised IAS must then be recognized in their entirety in shareholders' equity. See Note 15. p. 74.

### Financial strategies
- Financial flexibility is to be maintained through ample liquidity, secure access to funding and an active dialog with the capital market along with open reporting and a sound information policy.
- The job of finance operations is to identify, manage and handle the Group's financial risks. See also p. 33.
- Since the aircraft fleet is regarded as a financial asset, optimization of fleet financing is achieved by taking operating efficiency requirements, tax effects, financing costs, tied-up capital, and market value into consideration. See also pp. 29-30.
- Jet fuel and currency exposure are hedged to a certain degree, supplementing the financial strategy aimed at giving the SAS Group greater ability to adapt to sudden changes in market prices. See also pp. 33-34.

### Analysts who monitor SAS

| Scandinavian equity analysts | Contact |
|---|---|
| ABG Sundal Collier | Lars Heindorff |
| Danske Markets Equities | Johannes Møller |
| Enskilda Securities | Steven Brooker |
| First Securities | Hans Erik Jacobsen |
| Handelsbanken | Fasial Kalim Ahmad |
| LD Markets | Brian Börsting |
| Nordea | Finn Bjarke Petersen |
| Orion Securities | Alexander Solovjov |
| Sydbank | Jacob Pedersen |
| **International equity analysts** | **Contact** |
| Citigroup | Andrew Light |
| Davy Stockbrokers | Stephen Furlong |
| Goldman Sachs | Hugo Scott Gall, Julia Winarso |
| J.P. Morgan Cazenove | Edward Stanford |
| Morgan Stanley | Penelope Butcher |
| Nomura Bank | Andrew Evans |
| RBS | Andrew Lobbenberg |
| **Sustainability analysts** | **Contact** |
| Storebrand Kapital | Hege Haugen |
| Robur | Anna Nilsson |
| GES Investment Services | Martin Persson |

# The share

In the spring of 2010 a new rights issue of approximately SEK 5 billion will be implemented. The four major shareholders' participation in the offering is conditioned upon, *inter alia*, a final agreement being reached with the unions and successful refinancing of approximately SEK 2 billion of the Group's bond loans. A final agreement on changes in the collective agreements was reached in March 2010. Further information regarding the rights issue may be found in a separate prospectus, which will be available on the SAS Group website: www.sasgroup.net under Investor relations.

### 2009 rights issue

The SAS Group carried out a rights issue in 2009 as well, which increased the number of shares from 164.5 million to 2,467.5 million. The number of shareholders rose by 58% to 56,462. The largest owners are the Danish, Norwegian and Swedish governments.

### Share price performance

The SAS share had a negative return of 34.9% in 2009. Compared with a weighted average of competitors' share price performance, the SAS share had a 38 percentage point weaker performance. The SAS Group's share price performance was affected primarily by the rights issue and a very tough market for the airline industry with severe pressure on yields.

### Share volatility

After a weak start of the 2009 trading year with high volatility, the stock market stabilized in March. For the SAS share, the rights issue in April meant that the number of shares traded rose in absolute terms, which also reduced the volatility. In the period 2007-2009, the SAS share, which has a historically higher risk than its comparative index, had a volatility of 7.7%, adjusted for the rights issue.

### Beta value

A share with a beta value greater than 1 is an indication that the share is more sensitive to market fluctuations than the average share, while a beta value less than 1 indicates that the share is less sensitive than the average. The SAS share's historic beta value, based on its July 2001 price, was 1.34 on December 31, 2009. The beta value is measured against the FTSE World Market Index.

### Trading

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

### Liquidity and Index

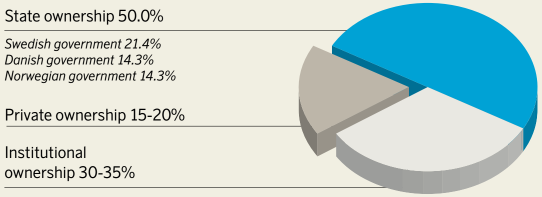
Trading volume increased substantially during 2009, compared with the previous year, owing to the rights issue, whereby 14 new shares were issued for each existing share. Adjusted for the offer, the increase in the total number of shares traded was 42%, and the number of SAS shares traded rose by 66% on the Stockholm Stock Exchange, by 18% on the Copenhagen Stock Exchange, but fell by 46% on the Oslo Stock Exchange. Adjusted for the three Scandinavian governments' 50 percent share of the SAS Group, trading equaled 208% (146%) of outstanding shares. In 2009 the breakdown of trading between the stock exchanges was as follows: Stockholm 73%, Copenhagen 24% and Oslo 3%. Total trading in 2009 amounted to SEK 8.4 (9.1) billion, a decrease of 8% compared with 2008.

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

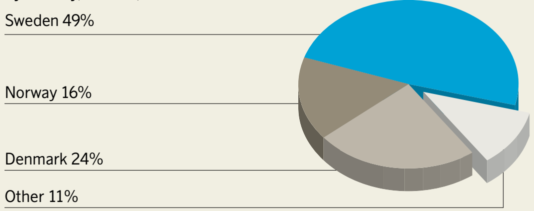
### Diffusion of ownership and changes

Holdings in Scandinavia amount to approximately 89%, with Sweden accounting for 49%, Denmark 24% and Norway 16%. Holdings outside the EEA are approximately 5%, of which 3.5% are in the U.S. In 2009 the holdings in Sweden and Norway increased, but declined in Denmark.

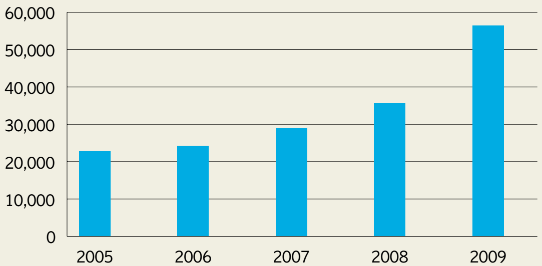
**Breakdown of SAS Group share capital**
By owner category, Dec. 31, 2009




**Breakdown of SAS Group share capital**
By country, Dec. 31, 2009




**Shareholders in the SAS Group**
Number




*In 2009 a rights issue was implemented, and the number of shareholders increased markedly.*

# SAS share data

**Top 15 shareholders in the SAS Group***

| December 31, 2009 | No. of shares | Holding |
|---|---|---|
| Swedish government | 528,750,000 | 21.4% |
| Danish government | 352,500,000 | 14.3% |
| Norwegian government | 352,500,000 | 14.3% |
| Knut and Alice Wallenbergs Foundation | 186,419,700 | 7.6% |
| State of New Jersey Com Pens Fund | 51,947,755 | 2.1% |
| Unionen | 34,594,800 | 1.4% |
| Danmarks Nationalbank | 34,339,410 | 1.4% |
| Fjärde AP-fonden (The Fourth AP Fund) | 27,792,791 | 1.1% |
| Government of Norway | 25,549,998 | 1.0% |
| Första AP-fonden (The First AP Fund) | 23,215,237 | 0.9% |
| Six Sis AG, W8IMY | 21,156,404 | 0.9% |
| Andra AP-fonden (The Second AP Fund) | 20,016,202 | 0.8% |
| Carlson Sverige Koncis | 17,490,924 | 0.7% |
| MLI Gef A/C Client | 16,624,060 | 0.7% |
| Lindberg, Per | 15,360,203 | 0.6% |
| Other shareholders | 759,242,516 | 30.8% |
| **Total** | 2,467,500,000 | 100.0% |

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

| **Distribution of shares** Dec 31, 2009 | No. of shareholders | No. of votes | % of share capital | % of all shareholders |
|---|---|---|---|---|
| 1-1,000 | 26,006 | 10,516,499 | 0.4% | 46.1% |
| 1,001-10,000 | 23,338 | 93,781,522 | 3.8% | 41.3% |
| 10,001-100,000 | 6,556 | 172,682,598 | 7.0% | 11.6% |
| 100,001-1,000,000 | 469 | 125,775,689 | 5.1% | 0.8% |
| 1,000,001-10,000,000 | 75 | 247,351,256 | 10.0% | 0.1% |
| 10,000,001- | 18 | 1,741,363,958 | 70.6% | 0.0% |
| Unknown owners | | 76,028,478 | 3.1% | |
| **Total** | 56,462 | 2,467,500,000 | 100.0% | 100.0% |

| **Shareholders per exchange** | **2009** | 2008 | 2007 |
|---|---|---|---|
| Stockholm | **18,152** | 5,542 | 4,870 |
| Copenhagen | **35,840** | 28,663 | 22,586 |
| Oslo | **2,470** | 1,489 | 1,597 |
| **Total** | **56,462** | 35,694 | 29,053 |

| **Millions of shares traded per exchange** | **2009** | 2008* | Difference |
|---|---|---|---|
| Stockholm | **1,868** | 1,124 | 66% |
| Copenhagen | **606** | 514 | 18% |
| Oslo | **87** | 159 | –46% |
| **Total** | **2,560** | 1,797 | 42% |

** Adjusted for the rights issue in April 2009.*

| **Share-related key data, SEK** | **2009** | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Market capitalization, mill. | **9,944** | 6,235 | 13,654 | 19,164 | 17,190 |
| No. of shares traded, mill. | **2,560** | 1,798 [1] | 223.8 | 153.6 | 150.0 |
| No. of shares, mill. | **2,467.5** | 2,467.5 [1] | 164.5 | 164.5 | 164.5 |
| Revenue/share | **18.20** [2] | 21.43 [2] | 307.59 | 304.88 | 337.39 |
| Earnings per share | **–1.19** [2] | –2.58 [2] | 3.87 | 28.10 | 1.06 |
| Cash flow from operating activities/share | **–1.38** [2] | –1.07 [2] | 17.42 | 12.78 | 9.16 |
| Dividend | **0.00** | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend as % of earnings after tax | **0%** | 0% | 0% | 0% | 0% |
| Book equity/share | **4.62** [2] | 2.96 [2] | 104.13 | 99.49 | 69.93 |
| Dividend yield, average price | **0.0%** | 0.0% | 0.0% | 0.0% | 0.0% |
| P/E ratio, average | **neg** | neg | 34 | 3 | 71 |
| P/CE ratio, average | **neg** | neg | 8 | 8 | 8 |
| Total assets/share | **17.22** [2] | 17.57 [2] | 296.47 | 311.03 | 352.68 |

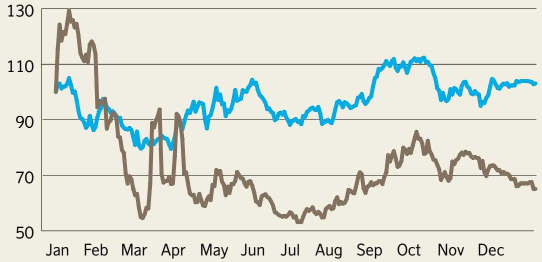
| **Price-related key data, SEK** | **2009** | 2008 [1] | 2007 [1] | 2006 [1] | 2005 [1] |
|---|---|---|---|---|---|
| Market capitalization/equity at year-end | **87%** | 85% | 80% | 117% | 142% |
| Share price at year-end | **4.03** | 6.19 | 13.55 | 19.03 | 17.07 |
| Highest share price during the year | **8.00** | 13.43 | 27.35 | 19.03 | 17.07 |
| Lowest share price during the year | **3.29** | 4.36 | 13.55 | 11.80 | 10.21 |
| Average price | **4.55** | 7.58 | 21.45 | 15.68 | 12.34 |

*[1] The historically related key figures have been adjusted for the rights issue implemented in April 2009. [2] Calculated on 2,465.5 million outstanding shares.*

| **Change in share capital*** | Event | No. new shares | Total no. of shares | Par value/share, SEK | Nominal share capital |
|---|---|---|---|---|---|
| 2001 - May | Company registration | 50,000 | 50,000 | 10 | 500,000 |
| 2001- July | Non-cash issue | 155,272,395 | 155,322,395 | 10 | 1,553,223,950 |
| 2001 - August | Non-cash issue | 6,494,001 | 161,816,396 | 10 | 1,618,163,960 |
| 2002 - May | New share issue | 2,683,604 | 164,500,000 | 10 | 1,645,000,000 |
| 2009 - April | Rights issue | 2,303,000,000 | 2,467,500,000 | 2.50 | 6,168,750,000 |

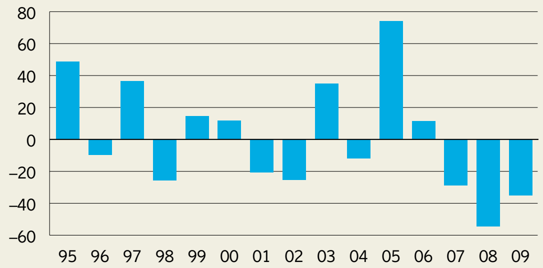
** Before SAS AB was formed in 2001 the SAS Group was listed through SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.*

**Share price performance, the SAS share and a European industry average 2009**
Index = 100

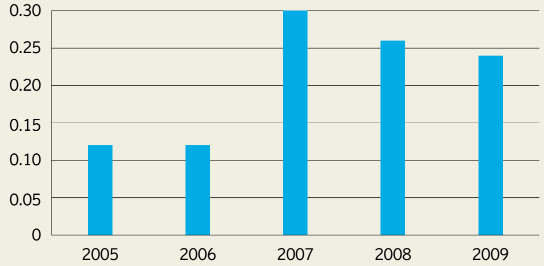



*Source: Reuters.*

**The SAS share's long-term annual shareholder return**
%




**SAS share trading volume in SEK of total trading on Stockholm Stock Exchange, 2005-2009**
%

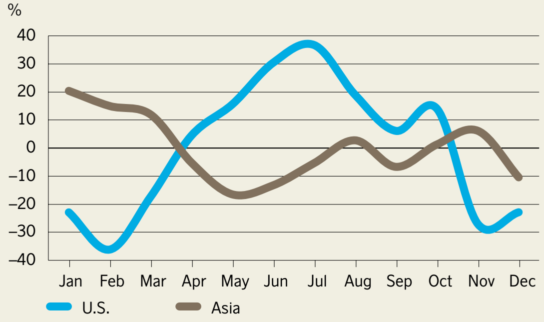



*Sources: Stockholm Stock Exchange and the SAS Group.*

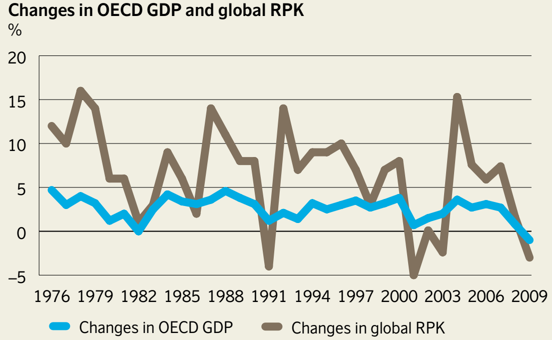
**Trading codes - share distribution, ISIN-code SE0000805574**

| SAS AB | Reuters | Bloomberg | Share distrib. |
|---|---|---|---|
| Stockholm | SAS.ST | SAS SS | 1 419 mill. |
| Copenhagen | SAS.CO | SAS DC | 665 mill. |
| Oslo | SASNOK.OL | SAS NO | 383 mill. |

Normal seasonal pattern on routes to the U.S. and Asia



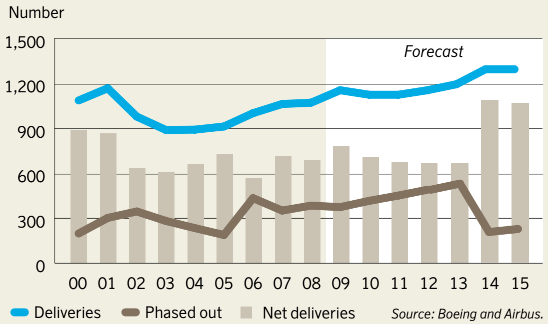

Changes in OECD GDP and global RPK




| Aircraft orders received | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Airbus | 310 | 900 | 1,458 | 824 |
| Boeing | 142 | 662 | 1,413 | 1,044 |
| **Total** | **452** | **1,562** | **2,871** | **1,868** |

*Source: Boeing and Airbus.*

Aircraft deliveries - whole world 2000-2015




*Source: Boeing and Airbus.*

# External factors, cycles and trends

The airline industry is particularly sensitive to changes in the economy and to other external factors beyond the airlines' control. The industry felt the full force of the global financial crisis in 2009. According to IATA, the total revenue shortfall in the airline industry is expected to have been 15%, or around USD 80 billion. At the end of 2009, signals pointed to the beginnings of stabilization in the world economy.

The global airline industry adjusted to the dramatically receding demand, reducing capacity by 3%, which however did not match the drop-off in demand of around 3.5%. The fall in demand subsided at the end of 2009. GDP is expected to have fallen by 1% on average among OECD countries in 2009. In 2010, GDP in the OECD is expected to be negative as well.

## Changes in airline industry capacity

The airline industry's available capacity and ability to adjust it are crucial for the industry's profitability. To effectively reduce capacity, airlines need to have a diversified aircraft fleet and/or leases with a high degree of flexibility. The capacity cutbacks in 2009 resulted in an approximately 30% increase in the number of aircraft parked at desert facilities in the U.S. How many of these will be phased out permanently depends on how the market performs.

The number of aircraft ordered from Airbus and Boeing declined in 2009, because several airlines canceled already placed orders and fewer new orders were placed. Even so, the world's total aircraft fleet is expected to grow in coming years by around 3-4%. Due to the lower demand, the secondhand value of aircraft fell by over 20% in the 18 months prior to the end of 2009. This has prompted substantial write-downs of the value of aircraft among airlines globally. The SAS Group reduced its capacity more than the industry during the year and took 18 aircraft out of service, which resulted in MSEK 1,429 in impairment for owned aircraft.

The SAS Group has a large number of aircraft on operating leases, which reduces the Group's exposure to impairment and results in greater flexibility in the aircraft fleet. A maturity profile of the leases is found on p. 29.

## Seasonal variations and capacity management

In the SAS Group's markets, demand is seasonally low in December-February and high in April-June and September-November, primarily due to changes in demand from the business market. The SAS Group has optimized its seasonal adjustments in recent years by adjusting production.

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

## Geographic exposure

Greater geographic diversity reduces sensitivity to local events. The SAS Group is primarily exposed to the Nordic markets, with around 76% of its passenger revenue from this market. SAS's large network and access to substantial traffic flows through its membership in Star Alliance give the Group a more advantageous risk profile than most of its local competitors.

## Future trends

The market is expected to stabilize during 2010, even if great uncertainty continues to reign. Capacity adjustments already approved are expected to have a favorable impact on the balance between airline industry supply and demand. With the expanded cost savings program in Core SAS, the SAS Group is implementing vigorous measures that will bolster the SAS Group's competitiveness.

*Renewable jet fuel*

The introduction of renewable jet fuel is eventually expected to impact the airline industry. The SAS Group is working actively to be among the first to use a Jet A-1 50/50 blend, once it is certified. The Group is in contact with a number of possible manufacturers of bio-jet fuel, with the aim of cutting greenhouse gas emissions 20% by 2020. See also p. 103 and p. 107.

# Highly flexible market-adapted fleet

**The SAS Group serves numerous markets and has a well-suited fleet. During the year the SAS fleet was reduced by 18 aircraft and now consists of 240 aircraft, of which just over half are leased, resulting in great flexibility. The average age of the SAS Group fleet is 11.5 years, which is in line with other market players.**

In 2009 SAS added a new aircraft type to its fleet: the CRJ900, a regional jet with 88 seats. Since January 2010, 12 CRJ900s have been based in Copenhagen, enabling SAS to maintain high frequencies to key business destinations.

Besides differences in size and performance, there is substantial variation in the age of the aircraft. At the end of 2009 there were 16 aircraft that were less than one year old, while there were also aircraft that were more than 20 years old. Older aircraft often have higher fuel consumption and higher maintenance costs than new aircraft, but on the other hand have very low capital costs. The capital cost of the oldest aircraft in the SAS fleet amounts to 20-25% of that of new aircraft. For that reason it is cost-effective to allow the aircraft to remain on the ground to meet seasonal and cyclical fluctuations.

### Well-suited fleet

The shortest air route the Group operates is Kirkenes-Vadsø in Northern Norway, which is 37 kilometers long with an average flight time of just under 10 minutes. This route is served by a Q100, which is a turboprop aircraft for 39 passengers. Copenhagen-Tokyo is the SAS Group's longest route. 8,700 kilometers, it takes on average nearly 11 hours to fly. The route is served by an A340-300, which carries 245 passengers. The average aircraft in the SAS fleet has 123 seats, which corresponds to the 737-600 aircraft type.

### Reduction in the fleet - higher aircraft surplus

The SAS Group's aircraft fleet can be divided into three categories: *aircraft in own use, aircraft leased out and surplus aircraft.* During the year, the number of aircraft in own use declined from 208 to 191. The SAS Group will reduce the number of aircraft in own use by a further three aircraft in 2010.

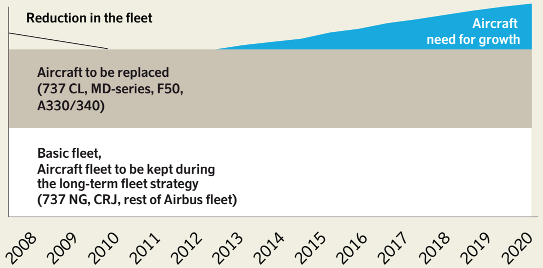
In 2009 the SAS Group took delivery of 16 new aircraft: two Boeing 737-800s, one Boeing 737-700, ten Bombardier CRJ900s (regional jet) and three Bombardier Q400 NGs (turboprop). The three Boeing aircraft replaced owned MD-82 aircraft, while the Bombardier aircraft primarily replaced leased aircraft. In addition to the new aircraft, the SAS Group added three used

### Well-suited fleet

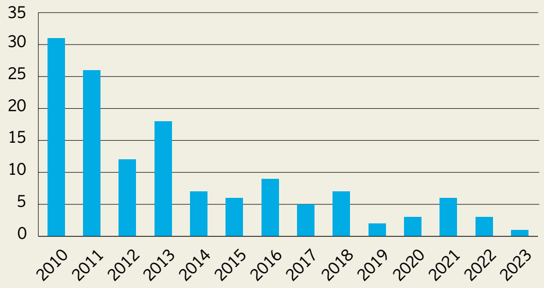
| | Description | 2008 | 2009 | 2010 (Core SAS) [1] |
|---|---|---|---|---|
| **Scandinavian Airlines** | *Copenhagen Airport.* Limited domestic traffic. Feeder traffic to/from Oslo Airport and Arlanda. Heavy traffic flows on European and intra-Scand. routes. | 38 short-range aircraft<br>13 regional jets | 28 short-range aircraft<br>19 regional jets | 27 short-range aircraft<br>17 regional jets |
| | *Oslo Airport Gardermoen.* Heavy traffic flows to a lot of cities in domestic traffic.<br>Heavy traffic flows on European and intra-Scand. routes. | 55 short-range aircraft<br>2 regional jets<br>6 turboprops | 50 short-range aircraft<br><br>5 turboprops | 49 short-range aircraft<br><br>5 turboprops |
| | *Stockholm-Arlanda.* Heavy traffic flows for domestic traffic. Heavy traffic flows on European and intra-Scand. routes. | 39 short-range aircraft<br>1 regional jet | 37 short-range aircraft | 36 short-range aircraft |
| | *Long-haul.* Traffic to Asia and North America from CPH and ARN. | 11 long-range aircraft | 9 long-range aircraft | 9 long-range aircraft |
| **Widerøe** | Primarily domestic traffic to small towns in Norway. | 30 turboprops | 30 turboprops | 32 turboprops |
| **Blue1** | Domestic traffic in Finland.<br><br>Traffic to Scandinavia and the rest of Europe. | 5 short-range aircraft<br>6 regional jets<br>2 turboprops | 5 short-range aircraft<br>7 regional jets<br>1 turboprops | 5 short-range aircraft<br>5 regional jets<br>3 turboprops |

[1] *According to current planning as of December 31, 2009.*


**Long-term fleet strategy**
Number




**Maturity profile, operating leases**
Number

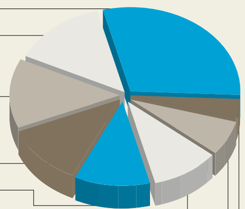



## Average age of aircraft fleets

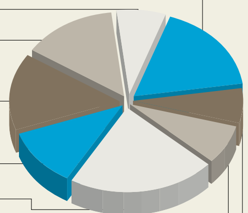
| Airline | Age (years) |
|---|---|
| AEA (including subsidiaries) | 10.0 |
| Air France-KLM | 9.6 |
| British Airways | 11.5 |
| Cimber Air | 11.3 |
| Delta Air Lines | 13.6 |
| Finnair | 6.6 |
| Lufthansa | 12.2 |
| Lufthansa Group | 11.0 |
| Malmö Aviation | 15.7 |
| Norwegian | 11.0 |
| SAS Group | 11.5 * |
| Scandinavian Airlines | 11.1 * |

** Pertains to aircraft in own service.*
*Sources: Ascend Worldwide Ltd; SAS internal database.*

**Operational operating expenses - average long-haul**




**Operational operating expenses - average short-haul**




aircraft to the fleet. During the year, 37 aircraft were phased out through the return of leases and sales.

In 2009 SAS signed contracts with the North American airline Allegiant Air to deliver a total of 20 MD-80 aircraft in 2010. There are two contracts, which cover two and 18 aircraft, respectively. This takes care of a large part of the aircraft surplus due to the capacity reductions. At year-end, 17 aircraft were parked to be readied and delivered to Allegiant, and they have been excluded from the reported fleet. Twelve of the aircraft were with Scandinavian Airlines and five with Spanair. The aircraft with Spanair had to be formally returned to the SAS Group before delivery to Allegiant.

### Little need for investment in the short term - good replacement options in the medium term

The MD-80 and 737 Classic compare well economically with newly built aircraft. At an oil price of 700 USD/MT, the MD-80 has a cost per seat that is about 10% lower than for a new aircraft of the same size. The price of oil can double without increasing the cost per seat of the MD-80. This cost advantage is because low capital costs compensate for added costs for fuel and maintenance.

The replacement of remaining MD-80s and 737 Classics will begin around 2014-2015, when there may be three interesting options to choose from. Bombardier is expected to begin manufacturing its new CSeries aircraft with new engine technology and new, lighter materials already in 2013. Compared with today's newly built aircraft, the CSeries is estimated to provide fuel savings of 16%. According to Airbus and Boeing, no completely new short- and medium-range aircraft will arrive until after 2020. Even so, aircraft manufacturers are exploring the possibility of fitting new engines to current 737s and A320s as early as 2015-2016, which should provide fuel savings of just over 10% and improved environmental performance.

Next generation engines are quieter than engines currently available. The CSeries will have a noise exposure area that is 25% the size of aircraft with today's engines.

See the Sustainability Report pp. 102-122.

## SAS Group's total aircraft fleet

| | At Dec. 31, 2009 | Average age | Owned | Leased | Wet leased | Total | Leased out | Order | Parked |
|---|---|---|---|---|---|---|---|---|---|
| **Long-range 11** | Airbus A330/A340 | 7.6 | 5 | 6 | | **11** | | | 2 |
| **Short-range 156** | Airbus A319/320/321 | 6.6 | 5 | 10 | | **15** | 3 | | |
| | Boeing 737Classic | 16.8 | | 15 | | **15** | | | 2 |
| | Boeing 737NG | 8.8 | 22 | 46 | | **68** | 4 | 1 | |
| | Boeing 717 | 9.4 | | 5 | | **5** | 5 | | |
| | Douglas MD-80 | 20.2 | 28 | 17 | | **45** | 6 | | 13 |
| | Douglas MD-90 | 12.9 | 8 | | | **8** | 3 | | |
| **Regional jets 25** | Avro RJ | 8.8 | | 7 | | **7** | | | |
| | Bombardier CRJ200 | 9.5 | | | 7 | **7** | | | |
| | Bombardier CRJ900NG | 0.6 | 11 | | | **11** | | 1 | |
| **Turboprops 48** | deHavilland Qseries* | 12.4 | 25 | 16 | | **41** | 4 | 3 | 7 |
| | Fokker F50 | 19.8 | | 5 | | **5** | | | |
| | ATR 42/72 | 16.8 | | | 2 | **2** | | | |
| | **Total** | **12.0** | **104** | **127** | **9** | **240** | **25** | **5** | **24** |
| | **By airline and leased out aircraft** | | | | | | | | |
| | Scandinavian Airlines | 11.6 | | | | **172** | 25 | 2 | |
| | Widerøe | 13.5 | | | | **30** | | 3 | |
| | Blue1 | 11.2 | | | | **13** | | | |
| | Leased out aircraft | 12.6 | | | | **25** | | | |
| | **Total** | **12.0** | | | | **240** | **25** | **5** | **24** |

** Includes 7 deHavilland Q400s withdrawn from service.*

*Under prevailing practice, the number of reported wet leases at Dec. 31, 2008, would have been three units higher.* Technical information on the fleet see p. 123.

# Financing, investment, liquidity and tied-up capital

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

A SEK 6 billion rights issue was implemented during the first half of 2009 and was oversubscribed by 24.2%. To further strengthen SAS's liquidity and to support the implementation of remaining parts of Core SAS, the Board has decided to implement a new rights issue of approximately SEK 5 billion in the spring of 2010. In the beginning of 2010 the SAS Group renegotiated approximately SEK 5 billion worth of facilities to extend the maturity date from 2012 to 2013, subject to the completion of the rights issue. A process is taking place to secure refinancing or extend the maturity date for the majority of the bond loans maturing in 2010 (approximately SEK 2 billion).

## Financing

The SAS Group uses commercial paper, bank loans, bond loans, subordinated loans and leasing as sources of financing. In 2009, a new loan facility of approximately MUSD 160 was signed with Export Development Canada (EDC). The facility is linked to the purchase of CRJ and Q400 aircraft included in the order from Bombardier placed in the spring of 2008. In 2009, 29 aircraft were sold. Proceeds from these aircraft sales totaled MSEK 1,628.

At the opening of 2009 the Group had MSEK 3,042 in unutilized credit facilities. At the end of 2009 the Group had contracted credit facilities of MSEK 8,622, of which MSEK 3,629 (3,042) was unutilized. At the end of 2009 the Group's interest-bearing debt amounted to MSEK 14,660 (16,117), of which approximately MSEK 3,500 matures in 2010. Amortization in 2009 totaled MSEK 3,060, of which MSEK 1,480 pertains to amortization of the revolving credit facility of a total of MEUR 366, which had been fully utilized at the beginning of the year. All new long-term borrowing in 2009 was linked to aircraft purchases and amounted to approximately MSEK 2,080. The capital market uses a multiple of seven in calculations of relevant key ratios, including in regard to adjusted debt/equity ratios. In the loan market, the present value calculation is more relevant since it measures contracted leasing commitments. At the end of 2009, the Group's capitalized net leasing cost (x 7) was MSEK 12,817 (13,573) and the present value of the leasing contracts was MSEK 6,849 (9,305).

### Airline industry ratings

| | Moody's | Standard & Poor's |
|---|---|---|
| SAS Group | Caa1 * | B– |
| Air Canada | C | CCC+ |
| American Airlines | | B– |
| British Airways | Ba3 | BB |
| Continental | B2 | B |
| Delta Air Lines | B2 | B |
| Lufthansa | Ba1 | BBB– |
| Northwest Airlines | B2 | B |
| Qantas | Baa2 | BBB |
| Southwest Airlines | Baa3 | BBB |
| United Airlines | | B– |
| US Airways | Caa1 | B– |

** In February 2010, Moody's changed its ratings outlook to "rating on watch down."*

## Fixed rate period

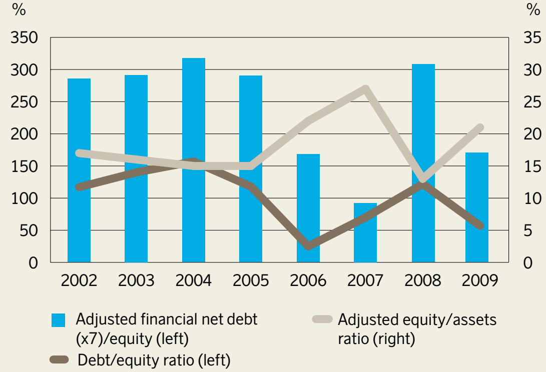
On December 31, 2009, the SAS Group's financial net debt amounted to MSEK 6,504. Its objective is to keep the average fixed rate period of its financial net debt at 3.5 years. Various derivative instruments such as long-term interest rate swaps, FRAs and futures are used to adjust fixed rate terms. The average fixed rate period during the year was approximately 2.9 years in accordance with the policy.

## Creditworthiness

The SAS Group shall maintain a level of indebtedness that over the long term permits the Group to be viewed as an attractive borrower. The long-term objective is to regain an investment grade credit rating. The Group has targets for equity/assets and debt/equity ratios.

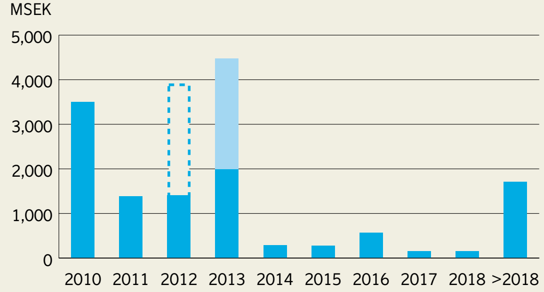
The adjusted equity/assets ratio improved in 2009, amounting

**Debt/equity ratio and adjusted equity/assets ratio**



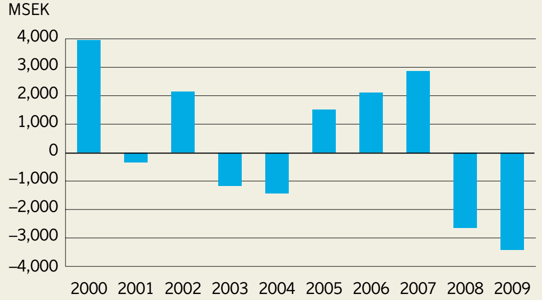

*The SAS Group shall maintain a level of indebtedness that over the long term permits the Group to be viewed as an attractive borrower. The adjusted equity/assets ratio improved in 2009, amounting at year-end to 21% (13%).*

**Amortization of interest-bearing liabilities**



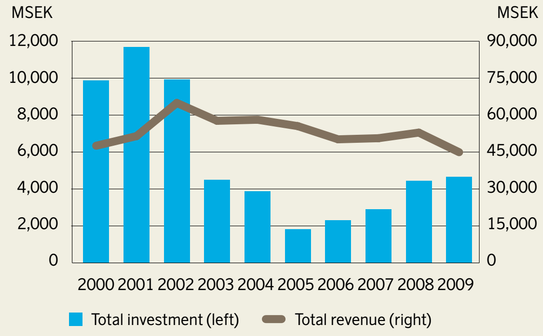

*At the beginning of 2010 the SAS Group renegotiated about SEK 5 billion worth of facilities expiring in 2012 to 2013. The renegotiations are conditioned upon the implementation of the rights issue in 2010. MEUR 240 had been utilized at year-end 2009.*

**Cash flow from operating activities, 2000-2009**




*The Group improved its cash flow in 2005-2007. In 2008 it had a negative cash flow due to weak operating income. In 2009 the negative trend continued.*

**Total investment and revenue**

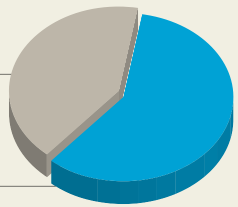



*Excluding Spanair and airBaltic for 2007 and 2008.*

**Breakdown of the SAS Group's total aircraft fleet**
At December 31, 2009

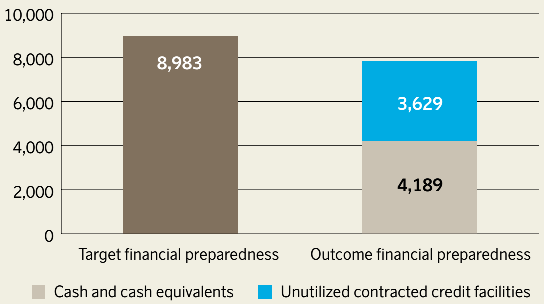
Market value owned aircraft
SEK 12.2 billion

Market value operating leased aircraft
SEK 17.4 billion



*43% of the Group's aircraft are owned. They represent 41% of the total market value of the aircraft fleet.*

**Financial preparedness**
At December 31, 2009, MSEK




*Cash and cash equivalents of MSEK 4,189 and contracted unutilized credit facilities of MSEK 3,629 provide financial preparedness totaling MSEK 7,818 or 17% of annual operating revenue of MSEK 44,918. Cash and cash equivalents amount to 9% of operating revenue.*

at year-end to 21% (13%). The financial net debt of MSEK 6,504 decreased by MSEK 2,408 during the year. At the end of 2009 the SAS Group's lease-adjusted financial net debt (7 x annual leasing costs) relative to shareholders' equity was 170% (308%).

The SAS Group is rated by three credit rating agencies. During 2009, Standard and Poor's lowered its long-term rating from B to B–. Moody's lowered its rating from B2 to Caa1. The Japanese Rating and Investment Information Inc's rating remained unchanged in 2009 .

## Investment

Investment for the year in continuing and discontinued operations amounted to MSEK 4,661 (4,448), of which aircraft, other flight equipment and prepayments accounted for MSEK 4,047. In 2009 the SAS Group purchased three new Boeing 737s, ten CRJ-900s, three Q400 NGs and five used Q400s that were previously on operating leases, one A321, one MD-87 and one Q100. Of the 30 MD-aircraft reclassified from leased to owned in the second quarter, 12 aircraft remain, since 18 aircraft were sold in December 2009.

## Environment-related investment

During 2009 SAS's environment-related investment totaled MSEK 16.5 (17.6). Most of this is attributable to investment relating to winglets on delivered 737NGs.

## Distribution of owned and leased aircraft

At December 31, 2009, the market value of the SAS Group's owned and leased aircraft amounted to approximately SEK 29.6 (34.6) billion. The Group has guidelines concerning the composition of owned and leased aircraft. Important criteria are assessments of capital costs, residual value risk and operational flexibility. The SAS Group decides whether to own or lease on the basis of its fleet policy:

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

## Financial preparedness

On December 31, 2009, financial preparedness amounted to MSEK 7,818, of which cash and cash equivalents came to MSEK 4,189 and unutilized credit facilities MSEK 3,629. This provides a financial preparedness level of 17%. The SAS Group's cash and cash equivalents shall be held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P–1 according to Moody's.

## Working capital

SAS optimizes, manages and follows up its operating capital by engaging in projects aimed at releasing capital. All larger units are required to report and explain the reasons for changes in balance sheet items in working capital. All companies/units are covered by a working capital policy. Companies are measured by KPIs in some of the major balance sheet items.

In 2009, cash flow from operating activities amounted to MSEK –3,414, of which MSEK –2,342 is cash flow from operations and MSEK –1,072 comes from changes in working capital.

The SAS Group has, where operating liabilities exceed assets, net working capital of approximately SEK 10.1 (8.4) billion as of December 2009. Working capital improved in 2009 by SEK 1.7 billion.

## Contracted credit facilities

**Committed credit facilities**

| Dec. 31, 2009, MSEK | Total | Utilized | Unutilized | Maturity |
|---|---|---|---|---|
| Revolving credit facility, MEUR 366 | **3,789** | 2,485 | 1,304 | 2012[1] |
| Revolving credit facility, MUSD 140 | **1,007** | 965 | 42 | 2013 |
| Revolving credit facility, MNOK 82 | **102** | 102 | 0 | 2011 |
| Revolving credit facility, MUSD 125 | **902** | 686 | 216 | 2013 |
| Bilateral bank facilities | **500** | - | 500 | 2012[1] |
| Bilateral bank facilities | **500** | - | 500 | 2013[1] |
| Bilateral bank facilities | **250** | - | 250 | 2012[1] |
| Credit facility, MUSD 160 | **1,154** | 517 | 637 | 2011 |
| Other facilities | **418** | 238 | 180 | 2010 |
| **Total** | **8,622** | **4,993** | **3,629** | |

| **Leasing costs, MSEK** | **2009** |
|---|---|
| Capitalized leasing costs (x 7)[2] | **12,817** |
| Leasing costs (NPV) | **6,849** |

| **Aircraft on firm order** | **Total** |
|---|---|
| CAPEX (MUSD) | **98** |
| No. of aircraft | **5** |

[1] *Maturity date renegotiated to 2013 subject to completion of the proposed rights issue.* [2] *Excluding restructuring costs.*

# Risks, risk management and sensitivity analysis

**The SAS Group works strategically to refine and improve its risk management. Risk management includes identifying both new risks and known risks, such as changes in oil prices or exchange rates. The Group monitors the comprehensive risks centrally, while portions of risk management are situated out in operations and include identifying, action plans and policies.**

### Broad diversification of risk

The airline industry is exposed to external factors such as acts of terrorism, war, cyclical developments, jet fuel prices and epidemics. More company-specific risks include geographic exposure of operations, IT security, exchange rates, liquidity and insurance coverage. This considerable risk exposure makes it strategically crucial to have high variability in the cost base to deal with oscillations in demand.

The SAS Group works to ensure flexibility through even distribution of aircraft leases, alternative production models (wet lease for expansion), flexible agreements, improved planning processes and volume-variable agreements, among other methods, which are a part of the Core SAS strategy.

### Currency and fuel hedging

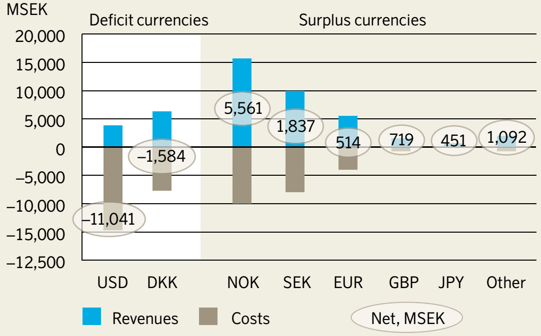
In December 2009, the SAS Group hedged 56% of its anticipated fuel consumption for 2010. Hedging was achieved primarily through swaps supplemented with capped options. Under current plans for flight capacity, the cost of jet fuel in 2010 is expected to be in line with the table on page 34, assuming different prices and USD exchange rates. The SAS Group's policy has been and is to handle changes in jet-fuel costs primarily through price adjustments and yield management.

In December 2009, the SAS Group had hedged 61% of its anticipated USD deficit for the next twelve months. A specification of hedging on a quarterly basis is provided on page 34. The SAS Group has hedged its USD deficit using a combination of forward contracts, purchased call options and issued put options in zero-cost solutions, and independently purchased call options. Other currencies are to be hedged at a rate of 60-90%, in accordance with the financial policy.

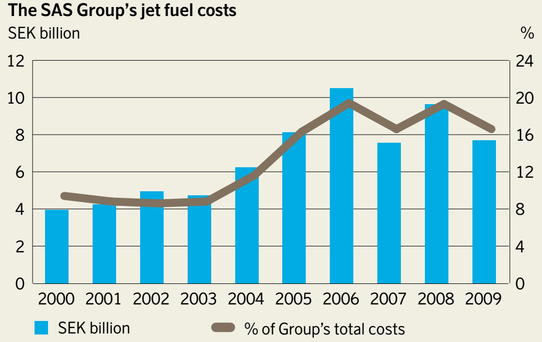
### Risk management in the SAS Group

| | |
|---|---|
| **Strategic risks** | **Explanation and action** |
| Strategy and brand | → The SAS Group continuously monitors its strategy and brand. The introduction of the Core SAS strategy is a response to new market realities and one of its aims is to ensure a strong brand.<br>→ The concept "Service And Simplicity" aims to strengthen the brand with customers and highlight SAS's added value. See also pp. 8 and 9. |
| **Market risks** | **Explanation and action** |
| Market impact | → The Group is active in several markets and is therefore affected by different economic cycles, mitigating the Group's exposure. The SAS Group is especially sensitive to global trends and events. Economic growth in 2009 was negative in many of the countries where the SAS Group is primarily exposed. The Group adjusts its production to ensure the right capacity in each market to reduce business risk. See also pp. 18-19. |
| Competition | → The airline industry is highly competitive since new airlines continually enter the market. Changes in customer behavior and more and more low-fare carriers in the SAS Group's home market may result in competition stiffening further. To meet this, SAS needs to lower its cuts to a competitive level. See also p. 12 and p. 15. |
| **Operating risks** | **Explanation and action** |
| Jet fuel price | → The SAS Group annually hedges between 40-60% of its anticipated fuel consumption. This is done primarily to create enough time to adapt operations to market conditions. Jet fuel costs represent around 17% of the Group's operating expenses. The SAS Group's strategy for dealing with higher jet fuel prices is based on hedging of jet fuel, yield management and fare adjustments. Hedging is achieved primarily through swaps supplemented with capped options. |
| Insurance coverage | → The SAS Group's airline insurance contracts are of the all risks type and cover the aircraft fleet, spare parts and other technical equipment as well as liability exposure associated with airline operations. Airline insurance costs fell in 2009 by around 18% and amounted to approximately MUSD 17 (21). |
| **Environmental risks** | **Explanation and action** |
| Laws and regulations | → Environmental laws and regulations, including restrictions on noise levels and greenhouse gas emissions, may have an adverse impact on the SAS Group. The Group works continuously on sustainability issues to comply with international requirements. The airline industry is regulated by ICAO. See also p. 117. |
| **Compliance risks** | **Explanation and action** |
| Rules and the Code of Conduct | → The SAS Group identifies and manages compliance risks through various kinds of internal policies and rules and develops internal guidelines as well as a Code of Conduct to manage these risks. See also p. 93. |
| **Financial risks** | **Explanation and action** |
| Interest rate risk | → The SAS Group is a net borrower and thus benefits from lower interest rates. With a one percent reduction of the average interest rate the SAS Group's net annual interest cost would be positively impacted by MSEK 46. The average term for the Group's interest-bearing liabilities in 2009 was approximately 2.9 years in accordance with the policy |
| Refinancing risk /Liquidity risk | → Refinancing risk concerns the risk of SAS not being able to finance its operations. Ensuring this requires a sound financial position and active measures to ensure access to credit. Its objective is for financial preparedness to equal 20% of the Group's annual revenues. |
| Credit risk | → Credit risks are distributed among many actors and are minimized by entering into transactions only with parties with high creditworthiness. SAS invests cash and cash equivalents mainly in Swedish government securities, certificates of deposit and mortgaged-backed bonds with short terms and good liquidity. |
| Currency risk | → The Group operates internationally and is exposed to various currencies. Transaction risk arises during exchange rate fluctuations that affect the amount of commercial revenues as well as costs. Currency exposure is managed by hedging on an ongoing basis 60-90% of the Group's surplus and deficit currencies based on a 12-month rolling liquidity forecast. The largest currency exposure for SAS is USD. |

**Currency breakdown in the SAS Group, 2009**




**The SAS Group's jet fuel costs**




**Estimated jet fuel cost 2010, MSEK** [1]

| *Full-year value* | 6.0 SEK/USD | 7.0 SEK/USD | 8.0 SEK/USD |
|---|---|---|---|
| 400 USD/tonne | 4,320 | 5,040 | 5,760 |
| 600 USD/tonne | 5,046 | 5,887 | 6,728 |
| 800 USD/tonne | 5,712 | 6,664 | 7,616 |
| 1,000 USD/tonne | 6,345 | 7,402 | 8,460 |

*Pertains to the full-year values for SEK/USD and the jet fuel price per tonne. The SAS Group's hedging of jet fuel at December 31, 2009, was taken into account.*

| **Jet fuel hedging 2010** | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| Options | 17% | 11% | 3% | 6% |
| Strike price (USD/tonne) | 626 | 647 | 682 | 779 |
| Swaps | 49% | 47% | 49% | 42% |
| Price (USD/tonne) | 683 | 691 | 712 | 753 |

*56% of the SAS Group's estimated jet fuel need is hedged for 2010.*

## Legal issues

*SAS Cargo*

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

A decision resulting from the investigation being conducted by the European Commission is expected in 2010 and may be announced in the first quarter. It is the opinion of Group Management that SAS will probably be fined by the Commission. The final amount of the fine could be impacted by a variety of factors, including the arguments SAS has made in its defense. Taking the nature of the allegations into account, an adverse outcome is likely to have a substantial negative financial impact on SAS. However, it is impossible to quantify such a potential liability and for this reason, no provisions have been made in the SAS's financial statements with respect to the European Commission investigation.

SAS is cooperating with the authorities in other jurisdictions, such as Switzerland and South Korea, in conjunction with the investigations of these authorities into possible price fixing in the airfreight market. A formal investigation was launched by the South Korean authorities against several airlines, including SAS, but in relation to SAS, the investigation is not of any material importance.

It cannot be ruled out that other authorities may launch formal investigations or bring charges against SAS in the future. Moreover, a number of class-action lawsuits brought against SAS Cargo and other air cargo carriers in the United States are pending in a consolidated civil case in New York. SAS continues to be engaged in settlement negotiations relating to this civil case. Furthermore, a related lawsuit is pending in Canada.

Since it is impossible to quantify the potential liability of the lawsuits in New York and Canada or predict the outcomes of any other suits in other jurisdictions, no provisions have been made in SAS's financial statements with respect to the litigation. For more detailed information, see the Report by the Board of Directors p. 52.

*Norwegian Air*

Norwegian Air Shuttle has brought a claim against the Group regarding the alleged use of inappropriate information, which Norwegian Air Shuttle regarded as business secrets, for such purposes as undercutting fares. On May 19, 2008, Norwegian Air Shuttle was awarded damages of MNOK 132 plus MNOK 7 for legal costs. The Group has appealed the decision, and judgment in the case is expected to be rendered during the first quarter of 2010. The Group has not made any provisions for this in its consolidated balance sheet.

## SAS Group's sensitivity analysis

*Approximate relationships between main operational key figures for the SAS Group's financial and environmental results. While the earnings impact refers to full-year effects for 2009 (which means they differ from Note 26) and cannot be totaled it illustrates the earnings sensitivity (excluding hedging of currency and fuel) of Scandinavian Airlines, Widerøe and Blue1.*

| **Airline operations, annual effects** | | Scandinavian Airlines | Widerøe | Blue1 | **Group total** |
|---|---|---|---|---|---|
| *Passenger traffic* | 1% change in RPK, MSEK | 210 | 20 | 10 | **240** |
| *Passenger load factor* | 1 percentage point change in passenger load factor, MSEK | 310 | 30 | 20 | **360** |
| *Unit revenue (Yield)* | 1% change in passenger revenue per passenger km, MSEK | 290 | 25 | 15 | **330** |
| *Unit cost* | 1% change in airline operations' unit cost, MSEK | 280 | 20 | 20 | **320** |
| *Jet fuel* | 1% change in the price of jet fuel, MSEK | 70 | 3 | 4 | **77** |
| | 1% change in consumption of jet fuel, equivalent tonnes of $CO_2$ | 34,550 | 1,180 | 2,100 | **37,950** |

| **Net currency effect and interest rate sensitivity, MSEK** | | **Group total** |
|---|---|---|
| *Revenues and costs* | 1% weakening of SEK against USD | **–110** |
| | 1% weakening of SEK against NOK | **55** |
| | 1% weakening of SEK against DKK | **–15** |
| | 1% weakening of SEK against EUR | **5** |
| | 1% weakening of SEK against JPY | **5** |
| | 1% weakening of SEK against GBP | **5** |
| | 1 percentage point decline in average interest rate | **46** |

SAS's attractive offerings make it easy to travel and easy to be a customer

# Core SAS operations

SAS's airline operations comprise Scandinavian Airlines, Widerøe and Blue1. Including charter, a total of 26.3 million passengers were carried in 2009, and revenue approximately totaled around SEK 45 billion.

## Markets

- Scandinavian Airlines' base is the Nordic countries, from which it flies to 100 destinations in the Nordic region and to the rest of Europe, the U.S., Asia and the Middle East. Scandinavian Airlines had on average 707 scheduled daily departures in 2009.
- Widerøe's primary market is Norway and the airline flies to 43 destinations, seven of which outside Norway. Widerøe provides regional air service based on a combination of commercial and contracted routes and operates 269 flights daily.
- Blue1's primary market is Finland and the airline flies to 24 destinations, of which 14 are international. Blue1 operates 66 flights daily.

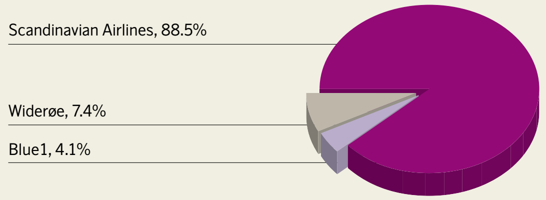
## Punctuality and regularity

Scandinavian Airlines was Europe's most punctual airline in 2009, attaining punctuality at arrival of 89.1%. Punctuality at departure was 90.1%, with regularity of 99.3%. Widerøe's punctuality was 89.6%, with regularity of 97.1%. Blue1's punctuality was also among the best in Europe at 87.9%, with regularity of 97.8%. Traffic data & key figures see p. 44.

| | | Outcome | | |
|---|---|---|---|---|
| **Customer satisfaction** | Target | **2009** | 2008[1] | 2007 |
| Scandinavian Airlines | 68 | **64** | - | 60 |
| Widerøe | 65 | **66** | - | 60 |
| Blue1 | 73 | **70** | - | 69 |

[1] *No values available for 2008.*

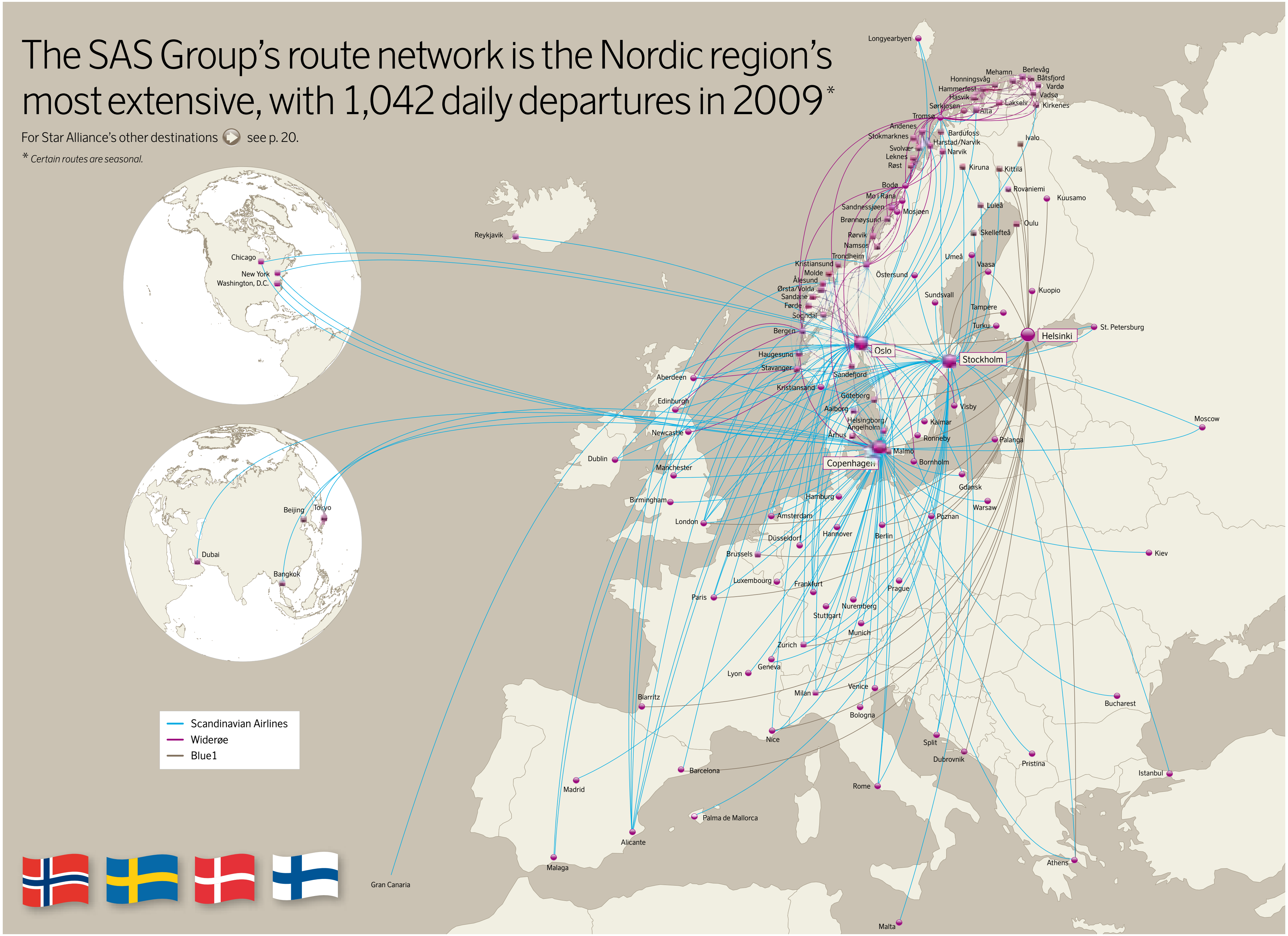
**Revenue breakdown by airline**



# The SAS Group's route network is the Nordic region's most extensive, with 1,042 daily departures in 2009*

For Star Alliance's other destinations see p. 20.

* *Certain routes are seasonal.*



# Scandinavian Airlines

The Nordic region's largest carrier, Scandinavian Airlines serves both business and leisure travelers. The airline carried 21.4 million passengers to 100 destinations in 2009 on 707 scheduled daily departures. Scandinavian Airlines is a founding member of the world's largest airline alliance, Star Alliance, which allows Scandinavian Airlines to offer a global network and enables the EuroBonus loyalty program to be used globally.

### Important events in 2009

- SAS is Europe's most punctual airline.
- SAS launched boarding passes for mobile phones.
- SAS reintroduced EuroBonus for domestic travelers in Sweden following a decision of the Swedish Competition Authority.
- For the second year in a row, SAS was chosen Norway's best domestic airline by the travel industry.
- The SAS Credits loyalty program was launched.

### Targets

The profitability target is an EBIT margin of at least 9%. The environmental target for 2011 is an index of 93. See p. 119.

### Earnings and market performance

The year was marked by the financial crisis, which adversely impacted the demand for air travel, especially by business travelers, and thus yield performance. Market conditions and the competitive situation were challenging during the year, especially in the Norwegian domestic market.

Scandinavian Airlines adjusted its capacity to the lower demand, reducing it in line with the Core SAS strategy. A number of routes with high proportions of leisure travelers were closed down, and overall during the year, capacity shrank by 16.3%, while the number of passengers fell by 15.7% and totaled 21.4 million. The passenger load factor fell marginally by 0.3 percentage points to 71.6%, but saw a positive trend during the second half of the year, and was the highest ever recorded for a December. Scandinavian Airlines' yield fell by 5.2%. A new commercial concept was launched - Service And Simplicity - with improved offerings that maximize value for the individual customer.

Owing to lower passenger volumes and the lower yield, revenue fell during the year by 16.5% to MSEK 39,696. Operating expenses decreased at same time by 13.7%, totaling MSEK 38,574. Scandinavian Airlines is implementing cost-saving measures that will reduce costs in line with Core SAS. The effects of these measures as well as lower jet fuel prices meant that the unit cost for Scandinavian Airlines fell by 8.1% during the year. Adjusted for lower fuel prices, the reduction was 1.5%. Income before non-recurring items during the year amounted to MSEK –1,522, a deterioration of MSEK 1,334 compared with the previous year.

### Strengthened customer relations

In a weak market, relations with key major corporate customers were strengthened by introducing new and more flexible offerings. Small and medium-sized companies were offered SAS Credits, which proved to be a success. In 2009 Scandinavian Airlines won contracts with StatoilHydro and the Norwegian government. A contract was also won from the Swedish government for domestic travel.

EuroBonus had 2.7 million members at year-end, a decline of 6.0%. The decline occurred primarily because over 111,000 members who were added in connection with the takeover of Braathens in Norway had not been active and were thus deregistered. The number of members rose in Denmark, Finland and Sweden by just over 30,000.

### Improved customer satisfaction

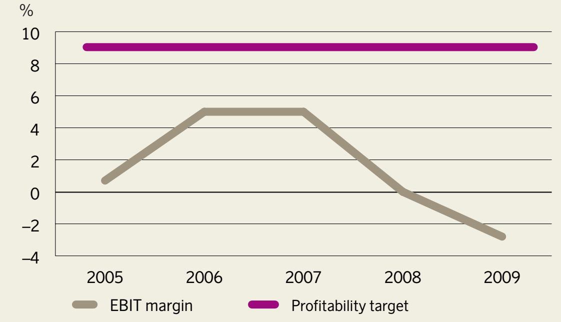
In 2009, SPET, Scandinavian Airlines' ongoing measurement of customer satisfaction, posted improvements over the previous year. Helping to contribute to improvements in customer satisfaction were the good basic quality with regard to punctuality and regularity, and perceived value for money, which was the highest ever. Scandinavian Airlines' ground services, with an option to check in via the Internet, mobile phone or self-service kiosk, also received high praise.

| Key figures, MSEK | 2009 | 2008* | 2007* |
|---|---|---|---|
| Share of home market | **39%** | 43% | 44% |
| Revenue | **39,696** | 47,536 | 45,355 |
| Passenger revenue | **28,613** | 34,099 | 33,031 |
| Charter revenue | **2,164** | 1,653 | 1,906 |
| EBIT before non-recurring items | **–1,094** | –18 | 1,677 |
| EBIT margin before non-recurring items | **–2.8%** | 0% | 3.7% |
| EBT before non-recurring items | **–1,522** | –188 | 1,270 |
| Environmental index | **96** | 100 | 97 |
| Average number of employees (of which 44% women in 2009) | **14,438** | 16,286 | 16,448 |

** Adjusted and includes all units in Core SAS.*

*More key figures see page 44.*

**Scandinavian Airlines, EBIT margin before non-recurring items**

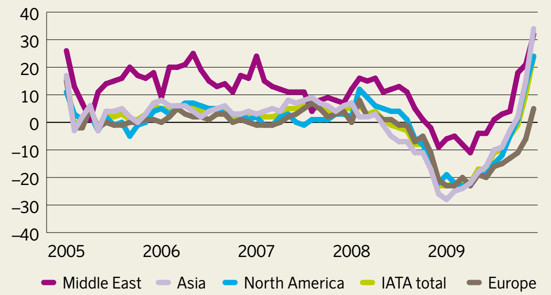



*Self Service Bagdrop was introduced at Stavanger, Trondheim, Bergen, Tromsø and Bodø airports in Norway. Further airports will be added in 2010. SAS Self Service Bagdrop is fully automated and is supplemented with SAS's biometric solutions.*

| SAS Cargo<br>Freight and mail, tonne km (000) | 2009 | 2008 | Change |
|---|---|---|---|
| Intercontinental | 392,139 | 546,108 | –28.2% |
| Europe | 45,945 | 23,666 | 94.1% |
| Intra-Scandinavian | 651 | 1,606 | –59.5% |
| **Total international** | 438,735 | 571,380 | –23.2% |
| Denmark | 11 | 15 | –26.6% |
| Norway | 209 | 362 | –42.2% |
| Sweden | 134 | 198 | –32.2% |
| **Total domestic** | 355 | 575 | –38.3% |
| All Cargo | 148,524 | 307,434 | –51.7% |
| **Total SAS Cargo** | **587,614** | **879,389** | **–33.2%** |

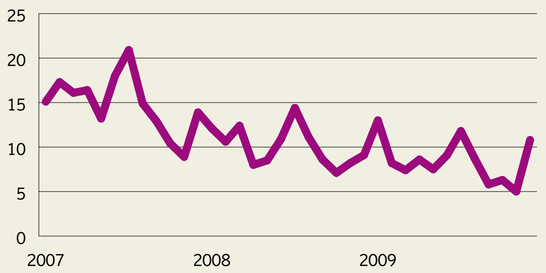
| SAS Cargo - Key figures | 2009 | 2008 |
|---|---|---|
| Flown tonnes | 150 | 252 |
| Tonne km (million) | 588 | 879 |
| Cargo yield/tonne km | 1,47 | 1,67 |

**Freight growth according to IATA by region, FTK**




| SAS Ground Services (SGS)<br>Key figures by country | Denmark | Norway | Sweden |
|---|---|---|---|
| Number of flights handled, thousands | 91 | 180 | 92 |
| Baggage quality (reports per 10,000 passengers) | 200 | 40 | 35 |

**SAS, delayed baggage**
Per 1,000 passengers




### Punctuality and regularity

Scandinavian Airlines aims to be Europe's most punctual airline. The carrier was Europe's most punctual airline for arrivals in April-October 2009 and the second most punctual for departures. In all, punctuality (departures within 15 minutes) in 2009 was 90.1%, a sharp improvement of 5.2 percentage points compared with 2008. The target is punctuality of 91%, reached during six months in 2009. Scandinavian Airlines continues to work to maintain and improve this high level. Regularity was 99.3%, which was a 0.7 percentage point improvement compared with 2008.

### Sustainability work

The environmental index improved by a total of 4 points. See p. 119.

### Aircraft fleet

Scandinavian Airlines had 148 aircraft in service at year-end. The fleet comprised nine long-range aircraft, 115 short-range aircraft and 24 regional jets and turboprop aircraft. The number of Boeing aircraft totaled 103 (of which 26 are MD-80s), and Airbus and Bombardier accounted for 21 and 18 aircraft, respectively. The average age of the fleet was 11.1 years. Scandinavian Airlines reduced its fleet in service by 17 aircraft in 2009 and a further three aircraft will be phased out in 2010 as part of Core SAS. At the same time, the fleet was renewed by the delivery of 13 new aircraft. Technical information see p. 123.

# Units in Scandinavian Airlines

### SAS Cargo

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

*Environmental and quality targets*

The environmental target for 2011 is a reduction in carbon dioxide emissions for the vehicle fleet to 148 g/tonne km, See p. 121. Its quality objective is Cargo Arrived As Agreed 98%.

*Market performance*

The global airfreight market shrank in 2009 by 10.1% compared with 2008. The lower demand resulted in greater price competition, which SAS Cargo dealt with by expanding cost-saving measures. In 2009 total cost-saving measures implemented at SAS Cargo in line with Core SAS totaled MSEK 180. These measures can be divided into the following categories:

- Personnel reductions
- Shutdowns of certain operations
- Further cost savings primarily related to handling and IT.

Moreover, actions were taken aimed at improving sales; for example, destinations with higher yields were given priority.

During the year, intercontinental capacity was reduced by 22%, since operations in All Cargo were shut down and Scandinavian Airlines stopped serving a number of long-haul routes. At the end of 2009 there were signs the airfreight market in Europe was beginning to grow again, but at a substantially lower absolute level than in previous years. The freight market on the routes to Asia performed especially well. To improve competitiveness and preserve SAS Cargo's market position, new sales methods were introduced, the price structure was differentiated and alternative distribution strategies introduced. For information on SAS Cargo and legal issues, see the section on risk p. 34.

### SAS Ground Services

SAS Ground Services, SGS, is the Nordic region's leading full-service provider in ground handling. SGS offers ground services for passengers, baggage and aircraft. SGS's primary operations are in Scandinavia, but it also operates in the U.K. and provides ground handling at a total of 32 airports. Outside Scandinavia, operations are on contract, but at major destinations they are supervised by SGS personnel. A key part of SGS's service is efficient solutions for automated check-in and boarding. SGS is a leader in developing new efficient and customer-friendly systems. For example, in 2009, fully automated baggage drops were introduced at a number of airports in Norway.

*Environmental and quality targets*

SGS has specific targets for quality (safety, punctuality and service), the environment and management. For 2011 SAS Ground Services has a goal of achieving an environmental index of 95. The environmental index for 2009 deteriorated to 103 (96). The deterioration is explained by the fact that resource use and the environmental impact could not be adjusted in time to the decline in production.

*Market performance*
Lower volumes and pressure on prices reduced revenues for ground handling companies in 2009. Within Core SAS, SGS is implementing extensive cost savings aimed at improving efficiency. For example, in 2009 the operations in Finland and France were outsourced in accordance with the Core SAS strategy. A process to outsource the line stations in Scandinavia and the U.K. also began.

The number of passengers handled decreased by 9% to 53.3 million, and the number of flights handled fell by 9% to around 363,000 in 2009. Quality improved gradually during the year to one of the best in Europe, and the percentage of delayed baggage fell to the lowest ever measured.

## SAS Tech

SAS Tech is a leading supplier of technical aircraft maintenance to the airline industry in the Nordic countries. SAS Tech's product portfolio includes Line Maintenance (regular maintenance), Engineering, Engine Management, Material Management & Logistics and Technical Training. SAS Tech offers servicing of Airbus, Boeing 737 and MD-80 aircraft and customized services to external airlines. SAS Tech operates maintenance services at eight airports in Scandinavia.

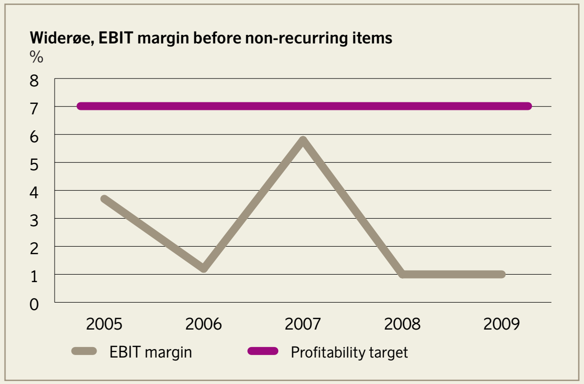
In 2009 parts of heavy maintenance were outsourced, and in January 2010 the subsidiary Air Maintenance Estonia was sold as part of the Core SAS strategy.

*Environmental and quality targets*
The environmental target for 2011 is an index of 90. The objective is to achieve operational excellence to meet and surpass customers' quality and delivery standards. The environmental index for 2009 was 100 (88). The deterioration is explained by the fact that resource use and the environmental impact could not be adjusted in time to the decline in production.

*Market performance in 2009*
The market for technical maintenance was challenging due to stiff competition, overcapacity and pressure on prices. The airlines cut capacity substantially during the year, which also affected demand for technical maintenance. Within Core SAS, the SAS Group is carrying out cost-cutting measures in technical maintenance of around MSEK 1,250, which should improve efficiency significantly. At the same time, in 2009 quality measured by flights canceled due to technical problems rose for both short-haul and long-haul aircraft, compared with 2008.

| Widerøe key figures, MSEK | 2009 | 2008 | 2007 |
|---|---|---|---|
| Share of home market | 13% | 13% | 13% |
| Revenue | 3,329 | 3,502 | 3,051 |
| Passenger revenue | 2,403 | 2,200 | 2,000 |
| EBIT before non-recurring items | 34 | 33 | 177 |
| EBIT margin before non-recurring items | 1.0% | 1.0% | 5.8% |
| EBT before non-recurring items | 57 | 2 | 162 |
| Environmental index | 78 | 83 | 92 |
| Average number of employees (of which 33% women in 2009) | 1,203 | 1,329 | 1,358 |

*More key figures* see page 44




# Widerøe

Widerøe flies on regular routes as well as routes contracted by the Norwegian government. Widerøe is the largest regional airline in the Nordic countries, with 269 daily flights to 36 domestic and seven international destinations, including summer destinations. The regular routes account for around two-thirds of Widerøe's operations, while contract flights on the short field network account for the remaining third. Widerøe carried 2.1 million passengers in 2009. Norway's oldest airline, Widerøe celebrated its 75th anniversary in 2009.

## Important events in 2009

- Widerøe won contracts for 15 out of 18 regional routes on the short field network in Norway for the period April 2009 to March 2012.
- A travel portal for mobile phones was launched during the year.
- Widerøe celebrated its 75th anniversary with a number of market activities and special deals.
- Widerøe put three new Q400 NGs into service during the year.
- Widerøe was Europe's most punctual airline in November and December 2009 according to flightstats.com

## Targets

The profitability target is an EBIT margin of at least 7%. The environmental target for 2011 is an index of 82. See p. 119.

## Earnings and traffic results

Despite a challenging start to the year, Widerøe's earnings performance stabilized in 2009, with earnings improving during the second half. The improvement was due to positive traffic results and the fact that the implementation of cost-cutting measures, which lagged behind somewhat at the beginning of the year, had an effect from mid-year.

Passenger traffic rose by 2.1%, owing to market activities and improved demand in the second half. During the year, Widerøe moved capacity from international routes to Norwegian domestic traffic, which saw stronger demand. On the international routes, capacity fell by 13.4%, while it rose by 9.0% on the Norwegian domestic routes. Total capacity increased during the year by 0.8%. The growth in passenger traffic was higher than the capacity increase, which meant that the passenger load factor rose by 0.8 percentage points to 60.5%.

Revenue during the year was MSEK 3,329, a decrease of 4.9% compared with the previous year. Owing to a move from longer international routes to shorter domestic routes, the unit cost rose 3%, but fell in the last quarter by 8%. Total operating expenses fell by 6.1% to MSEK 3,007, thanks to cost-cutting measures and a shorter average flight distance. The number of employees fell during the year, partly because ground services are no longer being performed by the airline itself or to the same extent as previously.

Income before non-recurring items amounted to MSEK 57, an improvement of MSEK 55, which is primarily explained by lower costs in combination with a 4% higher yield.

Widerøe participates in the EuroBonus program.

Traffic data & key figures see pp. 44.

## Aircraft fleet

Widerøe's fleet consists of 30 Q100/Q300/Q400 aircraft, with capacity of between 39 and 76 passengers. The average age of the fleet is 13.5 years. The smaller aircraft, the Q100/Q300s, primarily fly on the short field network, while the larger Q400s serve the larger airports. In 2009 three Q400 NGs were phased in in the aircraft fleet, replacing three older Q400s being phased out. Moreover, the fleet was enlarged by one Q100. Technical information see p. 123.

# Blue1

A wholly owned Finnish subsidiary in the SAS Group, Blue1 operates around 66 daily flights to 24 destinations. The airline has the primary responsibility for the SAS Group's air service to, from and within Finland. Blue1 is also responsible for sales in the Finnish market for SAS Group airlines. Blue1's business concept is to offer travel to and from central airports, a network with transfers and value-for-money supplementary services. Blue1 has been a full member of Star Alliance since January 1, 2010, and has a code-share partnership on all routes with Scandinavian Airlines. Blue1 carried 1.5 million passengers in 2009.

## Important events in 2009

- During the year, Blue1 opened five new destinations, two winter destinations: Kuusamo and Ivalo in Finnish Lapland in February in addition to the Kittilä route, and three summer destinations: Split, Dubrovnik and Biarritz.
- Bilateral negotiations on traffic rights to Russia began early in the year, and Blue1 applied for the right to fly the Kittilä-Moscow route.
- E-payment and SMS check-in were introduced as new services in the spring, and the share of off-airport check-in was up sharply toward year-end.
- Terminal 1 at Helsinki-Vantaa Airport opened on August 5 as a Star Alliance terminal. The terminal, including Fast Track and a new SAS Business Lounge, was fully completed at year-end.
- Production was continually being adjusted to lower demand, especially in the business segment. The focus on domestic with higher frequencies, timetable adjustments and product improvements resulted in a higher market share.
- Blue1 was certified according to ISO 14001.

## Targets

The long-term financial target is an EBIT margin of at least 9%. The environmental target for 2011 is an index of 80. See p. 119.

## Earnings and traffic results

Overall market performance in Finland was substantially weaker than in the other Nordic countries. Despite capacity cutbacks and planned implementation of cost-savings and optimization measures, the decline in business travel in particular seriously affected profitability, which deteriorated.

Passenger traffic decreased by 3.9% owing to lower demand, and the number of passengers totaled 1.5 million, down 9.2%. Capacity was adjusted to the lower demand and was reduced by 4.5%, which improved the passenger load factor by 0.4 percentage points. The yield fell by 12%, primarily due to a decline in business travel and lower fares.

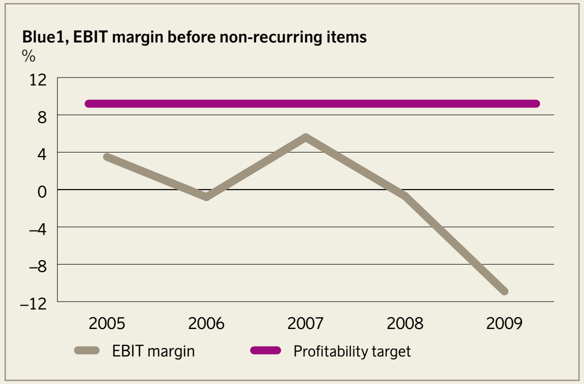
Total revenue amounted to MSEK 1,819, MSEK 181 lower than in the previous year. Operating expenses were at the same level as the previous year, amounting to MSEK 1,903. The unit cost fell during the year by 2.7% and was favorably affected by a relatively higher share of traffic to Europe with a longer average flight distance, in addition to streamlining measures. Income before non-recurring items was MSEK –200, a deterioration of MSEK 190, primarily owing to reduced demand and a lower yield. Around half of the revenue shortfall was compensated for by cost savings in all areas.

## Aircraft fleet

Blue1 has a fleet consisting of seven Avro RJ85s, five Boeing MD-90s and a turboprop on a wet lease. The average age of the fleet is 11.2 years. In 2009 two Avro RJ85s were phased in in the fleet, while one Avro RJ100 was phased out. On wet lease Blue1 replaced two SAAB 2000s with an ATR72-200 during the year. Technical information see p. 123.

| Blue 1 key figures, MSEK | 2009 | 2008 | 2007 |
|---|---|---|---|
| Share of domestic market | **17%** | 16% | 17% |
| Revenue | **1 819** | 2 000 | 2 019 |
| Passenger revenue | **1 658** | 1 753 | 1 784 |
| EBIT before non-recurring items | **–198** | –13 | 113 |
| EBIT margin before non-recurring items | **–10.9%** | –0.7% | 5.6% |
| EBT before non-recurring items | **–200** | –10 | 117 |
| Environmental index | **86** | 88 | 89 |
| Average number of employees (of which 52% women in 2009) | **430** | 460 | 506 |

*More key figures* *see page 44*



# Individual Holdings

## Divestments and outsourcing in progress

**To ensure full management focus on Core SAS and the measures in progress, companies that are not part of the core business have been moved from Core SAS operations and are collectively referred to as Individual Holdings. Individual Holdings includes the affiliated companies Estonian Air, Skyways and Air Greenland. Spirit Air Cargo and Trust are included as two wholly owned subsidiaries within SAS Cargo. Individual Holdings is not reported financially as a separate unit.**

The SAS Group's holdings in airBaltic were divested in December 2008, and Cubic was divested in February 2009. SAS also sold its majority holding in Spanair, corresponding to 80.1%, to Consorci de Turisme de Barcelona and Catalana d'Inciatives (IEASA) and outsourced SGS Finland to ISS A/S.

SAS's 20% participation in bmi was sold in the third quarter of 2009 to Lufthansa/LHBD Holding Ltd. Under the agreement, all of SAS's shares in bmi were purchased by LHBD for approximately MGBP 19. In addition, Lufthansa paid an additional MGBP 19 to SAS for the cancelation of its rights resulting from the shareholder agreement dated 1999. In total, SAS received a cash consideration of MGBP 38 resulting in a capital gain of approximately MSEK 426. SAS will receive an additional payment from Lufthansa if further value in bmi can be realized within a period limited to two years. Following the transaction, SAS will have a maximum exposure of MGBP 19 for a period limited to two years in the event bmi becomes insolvent. See also Core SAS, Pillar 1 p. 9.

**Operations being divested or outsourced**

| *Divested* | *To be divested* | *To be outsourced* |
|---|---|---|
| AeBal | Air Greenland | SAS Ground Services *(parts of operations)* |
| Cubic Air Cargo | Estonian Air | SAS Tech *(parts of operations)* |
| airBaltic | Spirit Air Cargo | |
| Spanair | Trust | |
| bmi | Spanair *19.9%* | |
| SAS Ground Services *(parts of operations)* | Skyways | |

SAS also has an interest-bearing receivable from Spanair of MEUR 129 and a receivable of MEUR 30 from IEASA. SAS is also leasing out a total of 19 aircraft to Spanair on market terms and remains for a limited period as guarantor of MEUR 24 for certain operational measures at Spanair. In addition, there are loan commitments of MEUR 20 to Spanair. SAS also has a receivable of around MSEK 498 from airBaltic where the largest part is to be repaid in 2010 with a smaller part in 2012. AeBal/Air Quantum was divested in 2008. The company suspended its flights in January 2010 and, for this reason, SAS established a provision of MSEK 133 as at December 31, 2009, to cover any losses on outstanding guarantees and aircraft leases.

The subsidiary Air Maintenance Estonia was divested to the private equity and venture capital investor BaltCap in January 2010. The completion of the sale is subject to relevant regulatory approvals.

SAS also intends to divest Air Greenland, Skyways and Trust. A process aimed at divesting Spirit is under way. SAS's intention to divest Estonian Air remains, and a dialogue is being pursued with investors, including the principal owners. Other sales/outsourcing in such units as SAS Tech and SAS Ground Services are proceeding according to plan.

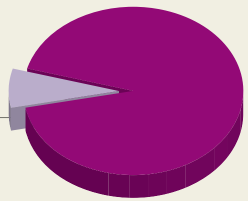
### Income from discontinued operations 2009

Cubic Air Cargo was divested in February, generating a capital gain of MSEK 3.

Income from discontinued operations totaled MSEK –327 (–5,395). The January-December 2009 period includes Spirit's earnings after tax of MSEK –108 and a restatement of the capital gain from the sales of airBaltic in 2008 of MSEK –86 and Aerolineas de Baleares (AeBal) of MSEK –133. The corresponding period in 2008 includes earnings after tax in divested operations amounting to MSEK –1,876, non-recurring items in Spanair of MSEK –914 and losses pertaining to divestments of MSEK –2,605.

**Individual Holdings**

Share of SAS Group employees employed by consolidated units in Individual Holdings 8%




SAS
SAS

# Facts *Definitions & concepts,* *See p. 124.*

## Traffic data

| MSEK | Scandinavian Airlines 2009 | 2008 | Change | Widerøe 2009 | 2008 | Change | Blue1 2009 | 2008 | Change |
|---|---|---|---|---|---|---|---|---|---|
| Number of passengers, (000) | **21,383** | 25,355 | –15.7% | **2,053** | 2,034 | 0.9% | **1,463** | 1,611 | –9.2% |
| Revenue passenger kilometers (RPK), mill. | **23,241** | 27,890 | –16.7% | **666** | 653 | 2.1% | **1,321** | 1,374 | –3.9% |
| Available seat kilometers (ASK), mill. | **32,440** | 38,776 | –16.3% | **1,102** | 1,093 | 0.8% | **2,029** | 2,125 | –4.5% |
| Passenger load factor | **71.6%** | 71.9% | –0.3 pts. | **60.5%** | 59.7% | 0.8 pts. | **65.1%** | 64.7% | 0.4 pts. |
| Yield, currency-adjusted, SEK | - | - | –5.2% | - | - | 4.0% | - | - | –12.0% |
| Total unit cost, including charter | - | - | –8.1% | - | - | 3.0% | - | - | –2.7% |
| Unit cost, operational | - | - | –7.7% | - | - | - | - | - | - |
| RASK, currency-adjusted | - | - | –7.3% | - | - | - | - | - | - |

## Key figures

| | Scandinavian Airlines 2009 | 2008[4] | 2007[4] | Widerøe 2009 | 2008 | 2007 | Blue1 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|
| Revenue, MSEK | **39,696** | 47,536 | 45,355 | **3,329** | 3,502 | 3,051 | **1,819** | 2,000 | 2,019 |
| EBIT before non-recurring items, MSEK | **–1,094** | –18 | 1,677 | **34** | 33 | 177 | **–198** | –13 | 113 |
| EBIT margin before non-recurring items | **–2.8%** | 0% | 3.7% | **1.0%** | 1.0% | 5.8% | **–10.9%** | –0.7% | 5.6% |
| EBT before non-recurring items, MSEK | **–1,522** | –188 | 1,270 | **57** | 2 | 162 | **–200** | –10 | 117 |
| Number of destinations | **100** | 122 | 107 | **43** | 44 | 43 | **24** | 24 | 27 |
| Average flight distance, scheduled, km | **816** | 832 | 814 | **221** | 257 | 221 | **719** | 710 | 704 |
| Number of aircraft | **172**[1] | 181[1] | 198[1] | **30** | 30 | 28 | **13** | 13 | 13 |
| Number of daily departures (average) | **707** | 831 | 822 | **269** | 273 | 264 | **66** | 66 | 74 |
| Aircraft, block hours/day | **8.0** | 8.2 | 8.0 | **6.2** | 7.0 | 6.7 | **7.8** | 7.7 | 8.5 |
| Regularity | **99.3%** | 98.6% | 97.6% | **97.1%** | 95.6% | 96.7% | **97.8%** | 97.9% | 98.9% |
| Punctuality (% within 15 min.) | **90.1%** | 84.9% | 79.3% | **89.6%** | 87.1% | 87.2% | **87.9%** | 84.8% | 84.1% |
| Average number of employees[2] | **14,438** | 16,286 | 16,448 | **1,203** | 1,329 | 1,358 | **430** | 460 | 506 |
| of which women | **44%** | 43% | 41% | **33%** | 33% | 35% | **52%** | 52% | 52%[3] |
| Total sick leave, % | **7.1** | - | - | **5.1** | 6.1 | 5.0[3] | **6.7** | 6.2 | 8.7 |
| Total no. of occupational injuries > 1 day sick leave | **252** | 323 | - | **15** | 13 | - | **5** | 0 | 11[3] |

[1] *Including aircraft being leased out.* [2] *For other employee key figures, see Note 3* *page 66.* [3] *Not examined by an external party.* [4] *According to Core SAS.*

**Scandinavian Airlines'** traffic declined in 2009 by 16.7% owing to capacity reductions and a 15.7% decline in the number of passengers to 21.4 million. The passenger load factor fell marginally during the year by 0.3 percentage points, totaling 71.6%. During the second half of the year, the passenger load factor improved, while traffic and passenger volumes stabilized somewhat. The capacity reductions were evenly distributed across the various geographic parts of SAS's route network. The yield fell during the year by 5.2%, and the total unit cost was down 8.1% owing to lower jet fuel prices and cost-cutting measures. See p. 37

**Widerøe's** traffic rose in 2009 by 2.1% thanks to a solid performance of the Norwegian regional route network. During the year, Widerøe redeployed some of its capacity from international to domestic routes, which resulted in capacity on Norwegian domestic increasing by 9%, while traffic was up by 11.1%. Total passenger load factor improved by 0.8 percentage points to 60.5%. The yield increased during the year by 4%, positively affected by shorter average flight distances and market activities. See p. 40

**Blue1's** traffic fell in 2009 by 3.9% owing to capacity reductions on traffic from Finland to Scandinavia. Blue1's traffic on its European routes was up by 4.1%. Blue1's yield declined in 2009 by 12% on account of longer average flight distances and weak demand. The unit cost fell by 2.7%. See p. 41

| Block hours | 2009 | 2008 | 2007 |
|---|---|---|---|
| *Scandinavian Airlines* | | | |
| Pilots | **550** | 584 | 560 |
| Cabin | **616** | 640 | 604 |
| *Widerøe* | | | |
| Pilots | **414** | 467 | 436 |
| Cabin | **413** | 434 | 411 |
| *Blue1* | | | |
| Pilots | **617** | 597 | 658 |
| Cabin | **732** | 716 | 696 |

## Scandinavian Airlines Traffic data by market

| Intercontinental routes | 2009 | 2008 | Change |
|---|---|---|---|
| Number of passengers (000) | **1,124** | 1,366 | –17.8% |
| Revenue pass. km (RPK), mill. | **8,001** | 9,767 | –18.1% |
| Available seat km (ASK), mill. | **9,954** | 11,700 | –14.9% |
| Passenger load factor | **80.4%** | 83.5% | –3.1 pts. |

| European routes | 2009 | 2008 | Change |
|---|---|---|---|
| Number of passengers (000) | **8,065** | 9,641 | –16.3% |
| Revenue pass. km (RPK), mill. | **9,322** | 11,150 | –16.4% |
| Available seat km (ASK), mill. | **13,314** | 16,280 | –18.2% |
| Passenger load factor | **70.0%** | 68.5% | +1.5 pts. |

| Intra-Scandinavian routes | 2009 | 2008 | Change |
|---|---|---|---|
| Number of passengers (000) | **2,943** | 3,434 | –14.3% |
| Revenue pass. km (RPK), mill. | **1,458** | 1,687 | –13.6% |
| Available seat km (ASK), mill. | **2,297** | 2,766 | –16.9% |
| Passenger load factor | **63.5%** | 61.0% | +2.5 pts. |

| Danish domestic routes | 2009 | 2008 | Change |
|---|---|---|---|
| Number of passengers (000) | **677** | 795 | –14.9% |
| Revenue pass. km (RPK), mill. | **141** | 190 | –25.5% |
| Available seat km (ASK), mill. | **228** | 290 | –21.4% |
| Passenger load factor | **62.0%** | 65.4% | –3.4 pts. |

| Norwegian domestic routes | 2009 | 2008 | Change |
|---|---|---|---|
| Number of passengers (000) | **6,042** | 7,056 | –14.4% |
| Revenue pass. km (RPK), mill. | **3,023** | 3,546 | –14.8% |
| Available seat km (ASK), mill. | **4,660** | 5,430 | –14.2% |
| Passenger load factor | **64.9%** | 65.3% | –0.4 pts. |

| Swedish domestic routes | 2009 | 2008 | Change |
|---|---|---|---|
| Number of passengers (000) | **2,532** | 3,063 | –17.3% |
| Revenue pass. km (RPK), mill. | **1,296** | 1,550 | –16.4% |
| Available seat km (ASK), mill. | **1,987** | 2,309 | –14.0% |
| Passenger load factor | **65.2%** | 67.1% | –1.9 pts. |

# Statement of income

| | Scandinavian Airlines | | | Widerøe | | | Blue1 | | |
|---|---|---|---|---|---|---|---|---|---|
| **MSEK** | **2009** | 2008 | 2007 | **2009** | 2008 | 2007 | **2009** | 2008 | 2007 |
| Passenger revenue | **28,613** | 34,099 | 33,031 | **2,403** | 2,200 | 2,000 | **1,658** | 1,753 | 1,784 |
| Charter revenue | **2,164** | 1,653 | 1,906 | **2** | 1 | 14 | **10** | 9 | 7 |
| Other traffic revenue | **2,737** | 3,479 | 2,902 | **151** | 181 | 91 | **39** | 69 | 72 |
| Other revenue | **6,182** | 8,305 | 7,516 | **773** | 1,120 | 945 | **112** | 168 | 157 |
| **Revenue** | **39,696** | 47,536 | 45,355 | **3,329** | 3,502 | 3,051 | **1,819** | 2,000 | 2,019 |
| Payroll expenses | **–15,226** | –14,804 | –13,894 | **–1,259** | –1,284 | –1,115 | **–371** | –352 | –305 |
| Selling costs | **–462** | –549 | –525 | **–48** | –52 | –52 | **–143** | –157 | –160 |
| Jet fuel | **–7,021** | –8,847 | –6,933 | **–291** | –332 | –240 | **–373** | –459 | –382 |
| Government user fees | **–3,708** | –4,024 | –3,722 | **–490** | –448 | –403 | **–202** | –179 | –179 |
| Catering costs | **–1,104** | –1,239 | –1,263 | **–49** | –53 | –48 | **–49** | –68 | –76 |
| Handling costs | **–1,839** | –1,981 | –1,897 | **–246** | –242 | –198 | **–257** | –211 | –210 |
| Technical aircraft maintenance | **–2,689** | –3,013 | –2,917 | **–157** | –78 | –89 | **–202** | –191 | –192 |
| Computer and telecommunications | **–1,801** | –1,918 | –1,944 | **–108** | –46 | –44 | **–27** | –23 | –25 |
| Other operating expenses | **–4,724** | –8,297 | –7,319 | **–358** | –669 | –435 | **–280** | –257 | –233 |
| **Operating expenses** | **–38,574** | –44,672 | –40,504 | **–3,007** | –3,203 | –2,624 | **–1,903** | –1,898 | –1,762 |
| **Income before depreciation and leasing costs, EBITDAR** | **1,121** | 2,864 | 4,851 | **324** | 298 | 426 | **–85** | 102 | 257 |
| Leasing costs for aircraft | **–2,149** | –2,132 | –2,156 | **–143** | –119 | –98 | **–115** | –110 | –136 |
| **Income before depreciation, EBITDA** | **–1,028** | 732 | 2,695 | **180** | 179 | 328 | **–199** | –8 | 121 |
| Depreciation | **–1,640** | –1,343 | –1,200 | **–147** | –159 | –152 | **–6** | –5 | –7 |
| Share of income in affiliated companies | **–93** | –4 | –25 | **0** | 0 | 0 | **0** | 0 | 0 |
| Capital gains/losses | **–99** | –10 | 41 | **1** | 14 | 12 | **0** | 0 | 0 |
| **Operating income, EBIT** | **–2,860** | –625 | 1,511 | **34** | 33 | 188 | **–205** | –13 | 113 |
| Net financial items | **–428** | –170 | –407 | **24** | –18 | –15 | **–2** | 3 | 4 |
| **Income before tax, EBT** | **–3,288** | –794 | 1,104 | **58** | 15 | 173 | **–207** | –10 | 117 |
| **Income before non-recurring items** | **–1,522** | –188 | 1,270 | **57** | 2 | 162 | **–200** | –10 | 117 |


# Calculation of important key figures

*All revenues and expenses are adjusted for currency and restructuring costs*

**Return on capital employed (ROCE)**

$$\frac{\text{Operating income + Financial income}}{\text{Total assets – Non-interest-bearing liabilities}}$$

**Financial net debt**

Interest-bearing liabilities – interest-bearing assets – net pension funds

**RASK**

$$\frac{\text{Total traffic revenue}}{\text{Total ASK}}$$

**Income before non-recurring items**

Income before tax adjusted for impairments, restructuring costs, capital gains and other non-recurring items.

**Equity/assets ratio**

$$\frac{\text{Book equity + Minority interests}}{\text{Total assets}}$$

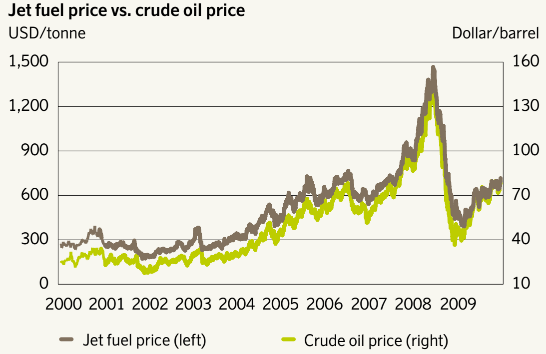
**Total unit cost**

$$\frac{\text{Operating expenses + aircraft leasing – non-traffic-related revenue}}{\text{Total ASK (scheduled + charter)}}$$

**Yield**

$$\frac{\text{Passenger revenue}}{\text{RPK (Scheduled)}}$$

**Jet fuel price vs. crude oil price**

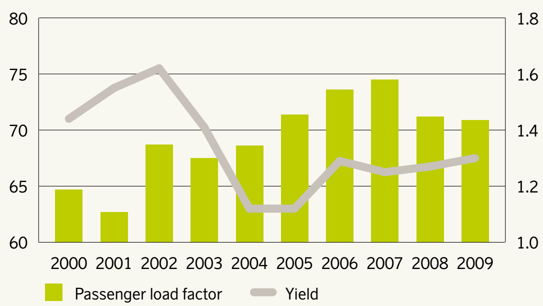


# The Group's operational key figures

| Passenger traffic-related key figures | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Number of destinations served, scheduled | **134** | 157 | 158 | 164 | 147 | 146 | 130 | 123 | 128 | 92 |
| Number of flights, scheduled | **380,470** | 427,201 | 423,807 | 552,899 | 554,838 | 530,597 | 502,145 | 536,768 | 445,584 | 460,496 |
| Number of passengers, total (000) [1] | **26,967** | 30,936 | 31,381 | 43,138 | 41,033 | 38,253 | 36,399 | 38,775 | 25,103 | 25,310 |
| Number of passengers, scheduled (000) | **24,898** | 29,000 | 29,164 | 39,059 | 36,312 | 34,250 | 31,005 | 32,562 | 24,689 | 25,155 |
| Available seat kilometers, total (mill.) [1] | **39,934** | 45,764 | 44,433 | 63,555 | 62,445 | 60,173 | 54,800 | 54,235 | 38,120 | 36,334 |
| Available seat kilometers, scheduled (mill.) | **35,571** | 41,993 | 40,019 | 54,907 | 53,689 | 51,478 | 47,634 | 47,079 | 36,765 | 34,754 |
| Revenue passenger kilometers, total (mill.) [1] | **29,025** | 33,097 | 33,082 | 46,770 | 44,566 | 41,287 | 36,985 | 37,237 | 23,906 | 23,519 |
| Revenue passenger kilometers, scheduled (mill.) | **25,228** | 29,916 | 29,365 | 39,247 | 35,864 | 33,312 | 30,403 | 30,882 | 23,567 | 23,243 |
| Passenger load factor, total (%) [1] | **72.7** | 72.3 | 74.5 | 73.6 | 71.4 | 68.6 | 67.5 | 68.7 | 62.7 | 64.7 |
| Average passenger distance, total (km) | **1,076** | 1,070 | 1,054 | 1,084 | 1,086 | 1,079 | 1,016 | 960 | 952 | 929 |
| **Weight-related key figures** [2] | | | | | | | | | | |
| Available tonne km, ATK, total (mill. tonne km) | **5,052** | 5,991 | 5,812 | 7,775 | 7,614 | 7,302 | 6,227 | 6,084 | 4,922 | 4,699 |
| Available tonne km, scheduled (mill. tonne km) | **4,463** | 5,291 | 4,987 | 6,461 | 6,376 | 6,068 | 5,201 | 5,171 | 4,873 | 4,660 |
| Available tonne km, other (mill. tonne km) | **589** | 700 | 827 | 1,314 | 1,238 | 1,233 | 1,026 | 914 | 49 | 38 |
| Revenue tonne km, RTK, total (mill. tonne km) | **3,327** | 4,136 | 4,210 | 5,496 | 5,299 | 4,629 | 4,133 | 4,191 | 3,066 | 3,050 |
| Passengers and excess baggage (mill. tonne km) | **2,863** | 3,268 | 3,265 | 4,489 | 4,298 | 3,844 | 3,234 | 3,312 | 2,295 | 2,237 |
| Total load factor, scheduled (%) | **65.9** | 69.0 | 72.4 | 70.7 | 69.6 | 63.4 | 66.4 | 68.9 | 62.3 | 64.9 |
| Traffic revenue/RTK (SEK) | **11.04** | 10.12 | 9.72 | 9.46 | 8.80 | 9.39 | 10.89 | 12.31 | 12.66 | 12.20 |
| **Key figures for costs and efficiency** | | | | | | | | | | |
| Total unit cost [5] | **1.01** | 0.95 | 0.87 | 0.78 | 0.73 | 0.74 | 0.84 | 0.92 | 1.05 | 0.95 |
| Jet fuel price paid before hedging, average (USD/tonne) | **831** | 1 120 | 786 | 707 | 564 | 434 | 314 | 268 | 295 | 311 |
| **Revenue-related key figures** | | | | | | | | | | |
| Passenger revenue/Revenue passenger km, scheduled, yield (SEK) | **1.30** | 1.27 | 1.25 | 1.12 | 1.10 | 1.11 | 1.27 | 1.48 | 1.55 | 1.44 |
| Passenger revenue/Available passenger km, scheduled, (SEK) | **0.92** | 0.91 | 0.92 | 0.80 | 0.73 | 0.72 | 0.81 | 0.97 | 1.00 | 0.96 |
| **Environmental key figures** | | | | | | | | | | |
| $CO_2$, gram/RPK | **127** | 129 | 130 | 131 | 136 | 154 | 158 | 159 | 176 | 179 |
| Climate index [3] (Environmental index [4] until 2004) | **93** | 97 | 95 | 95 | 100 | 76 | 78 | 78 | 87 | 88 |

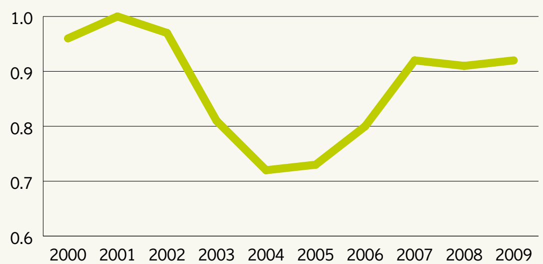
[1] *Total production includes scheduled traffic, charter, ad hoc flights and bonus trips, etc. This means that the figures deviate from the traffic statistics of the respective airlines.*
[2] *Excludes Blue1 in 2000-2004 and Braathens in 2002-2003.* [3] *Adjusted from 2005 to reflect the current Group's climate impact.* [4] *Refers to Scandinavian Airlines.*
[5] *Includes depreciation of aircraft.* *Definitions and concepts* *See p. 124.*

**Passenger load factor and yield performance**
%, SAS Group total SEK/RPK




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

**The Group's passenger revenue/ASK**
SEK per available seat kilometer




*The Group's passenger revenue/ASK rose in 2005-2007 thanks to a higher passenger load factor and yield. The lower factor and yield in 2009 had a negative effect, but the negative performance in absolute terms was counteracted by currency effects.*

# Star Alliance™

| Star Alliance 2009 * | Pass./year (mill.) | Yearly op. rev. (USD bill.) | Dest. | Aircraft |
|---|---|---|---|---|
| Air Canada | 33 | 10.4 | 171 | 335 |
| Air China | 34 | 7.6 | 121 | 220 |
| Air New Zealand | 13 | 3.6 | 49 | 96 |
| All Nippon Airways | 47 | 13.9 | 77 | 216 |
| Asiana Airlines | 14 | 3.9 | 82 | 69 |
| Austrian Airlines | 11 | 3.7 | 130 | 100 |
| Blue1** | 1 | 0.2 | 24 | 13 |
| bmi | 5 | 1.9 | 48 | 54 |
| Continental Airlines | 67 | 15.2 | 262 | 604 |
| Egyptair | 7 | 1.4 | 69 | 50 |
| LOT Polish Airlines | 4 | 1.1 | 50 | 51 |
| Lufthansa | 56 | 36.5 | 206 | 534 |
| Scandinavian Airlines | 21 | 5.2 | 120 | 197 |
| Shanghai Airlines | 9 | 1.9 | 71 | 59 |
| Singapore Airlines | 18 | 11.1 | 65 | 109 |
| South African Airways | 7 | 2.7 | 36 | 52 |
| Spanair | 9 | - | 27 | 48 |
| Swiss | 14 | - | 76 | 77 |
| TAP Portugal | 9 | 3.1 | 26 | 69 |
| Thai Airways | 20 | 6.2 | 74 | 88 |
| Turkish Airlines | 23 | 4.6 | 145 | 130 |
| United Airlines | 63 | 20.2 | 200 | 409 |
| US Airways | 55 | 12.1 | 206 | 356 |

| Regional members | Pass./year (mill.) | Yearly op. rev. (USD bill.) | Dest. | Aircraft |
|---|---|---|---|---|
| Adria Airways | 1 | 0.3 | 21 | 15 |
| Croatia Airlines | 2 | 0.3 | 29 | 11 |

| World's largest alliances | Pass./year (mill.) | Yearly op. rev. (USD bill.) | Dest. | Aircraft |
|---|---|---|---|---|
| Star Alliance™ | 543 | 167.1 | 1,071 | 3,962 |
| SkyTeam™ | 359.6 | 110.4 | 859 | 1,941 |
| oneworld™ | 308.9 | 102.6 | 635 | 2,280 |

| World's largest alliances, share of world total | ASK | RPK | Pass. | Yearly op. rev. |
|---|---|---|---|---|
| Star Alliance™ | 26.3% | 26.0% | 24.6% | 28.0% |
| SkyTeam™ | 16.6% | 16.1% | 15.1% | 16.9% |
| oneworld™ | 15.9% | 15.8% | 13.0% | 16.7% |
| **Total** | 58.8% | 57.9% | 52.7% | 61.6% |

* *Excluding Brussels Airlines, which joined Star Alliance in December 2009.*
** *Full member as of January 1, 2010.*
*Sources: Airline Business Magazine, September 2009 and alliance websites.*
*More information regarding Star Alliance* *See p. 20.*

A STAR ALLIANCE MEMBER

SAS Group

# Ten-year financial overview

| Statements of income, MSEK | **2009** [2] | 2008 [2] | 2007 [2] | 2006 [2] | 2005 [2] | 2004 [3] | 2003 [3,5] | 2002 [3,5] | 2001 [5] | 2000 [1,5] |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | **44,918** | 52,870 | 50,598 | 50,152 | 55,501 | 58,093 | 57,655 | 64,906 | 51,433 | 47,540 |
| Operating income before depreciation | **–1,311** | 997 | 2,677 | 2,618 | 2,548 | 1,779 | 597 | 3,463 | 743 | 3,710 |
| Depreciation, amortization and impairment | **–1,845** | –1,550 | –1,457 | –1,757 | –2,170 | –2,846 | –3,046 | –2,953 | –2,443 | –2,192 |
| Share of income in affiliated companies | **–258** | –147 | 32 | 59 | 76 | 157 | 39 | –409 | –70 | –1 |
| Income from the sale of shares in subsidiaries and affiliated companies | **429** | - | - | - | 41 | 5 | 651 | 817 | –24 | 1,033 |
| Income from the sale of aircraft and buildings | **–97** | 4 | 41 | 85 | 182 | 113 | 649 | –320 | 1,165 | 490 |
| Income before tax, EBT | **–3,423** | –969 | 1,044 | 177 | –246 | –1,833 | –1,699 | –543 | –1,140 | 2,829 |
| Income from discontinued operations | **–327** | –5,395 | –135 | 4,528 | 577 | - | - | - | - | - |
| Income before capital gains and non-recurring items in continuing and discontinued operations | **–2,247** | –1,947 | 824 | 1,279 | 114 | –1,701 | –2,450 | –829 | –2,282 | 1,291 |
| Income before capital gains and non-recurring items in continuing operations | **–1,754** | –339 | 1,234 | 727 | –106 | - | - | - | - | - |
| **Balance sheets, MSEK** | | | | | | | | | | |
| Non-current assets | **29,636** | 26,840 | 26,663 | 31,189 | 36,439 | 38,458 | 42,768 | 46,845 | 42,407 | 33,422 |
| Current assets, excluding liquid assets | **8,670** | 10,741 | 13,216 | 9,172 | 12,893 | 10,748 | 9,441 | 9,244 | 8,693 | 7,024 |
| Cash and cash equivalents | **4,189** | 5,783 | 8,891 | 10,803 | 8,684 | 8,595 | 9,066 | 10,721 | 11,662 | 8,979 |
| Total shareholders' equity | **11,389** | 7,312 | 17,149 | 16,388 | 12,081 | 11,044 | 12,926 | 15,261 | 15,807 | 17,651 |
| Long-term liabilities | **13,069** | 19,160 | 11,274 | 17,847 | 23,608 | 25,193 | 25,633 | 27,096 | 24,569 | 14,895 |
| Current liabilities | **18,037** | 16,892 | 20,347 | 16,929 | 22,327 | 21,564 | 22,716 | 24,453 | 22,386 | 16,879 |
| Total assets | **42,495** | 43,364 | 48,770 | 51,164 | 58,016 | 57,801 | 61,275 | 66,810 | 62,762 | 49,425 |
| **Cash flow statements, MSEK** | | | | | | | | | | |
| Cash flow from operating activities | **–3,414** | –2,651 | 2,866 | 2,102 | 1,507 | –1,440 | –1,167 | 2,138 | –350 | 3,949 |
| Investment | **–4,661** | –4,448 | –2,908 | –2,299 | –1,827 | –3,865 | –4,488 | –9,919 | –11,676 | –9,886 |
| Sale of non-current assets, etc. | **2,050** | 1,535 | 2,695 | 9,784 | 2,797 | 6,853 | 5,535 | 6,055 | 8,382 | 5,559 |
| Cash flow before financing activities | **–6,025** | –5,564 | 2,653 | 9,587 | 2,477 | 1,548 | –120 | –1,726 | –3,644 | –378 |
| Rights issue | **5,808** | - | - | - | - | - | - | 197 | - | - |
| Dividend | **-** | - | - | - | - | - | - | - | –754 | –666 |
| External financing, net | **–1,524** | 2,480 | –4,492 | –7,438 | –2,426 | –2,016 | –1,480 | 588 | 7,081 | 1,528 |
| Cash flow for the year | **–1,741** | –3,084 | –1,839 | 2,149 | 51 | –468 | –1,600 | –941 | 2,683 | 484 |
| **Key figures** | | | | | | | | | | |
| Gross profit margin, % | **–2.9** | 1.9 | 5.3 | 5.2 | 4.6 | 3.1 | 1.0 | 5.3 | 1.4 | 7.8 |
| EBT margin, % | **–3.9** | –0.6 | 2.4 | 1.5 | 0.1 | –1.7 | - | - | - | - |
| Return on capital employed (ROCE), % [4] | **–11.7** | –19.6 | 6.7 | 18.2 | 5.0 | –1.1 | 0.0 | 3.5 | 0.0 | 10.9 |
| Return on book equity after tax, % [4] | **–26.8** | –47.6 | 3.8 | 37.8 | 1.4 | –14.9 | –11.7 | –1.4 | –6.3 | 13.6 |
| Adjusted equity/assets ratio, % [6] | **20** | 13 | 27 | 22 | 15 | 15 | 16 | 17 | 20 | 28 |

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

[2] *For a description of reporting of discontinued operations,* *See p. 42.*

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

[4] *Includes income from discontinued operations.*

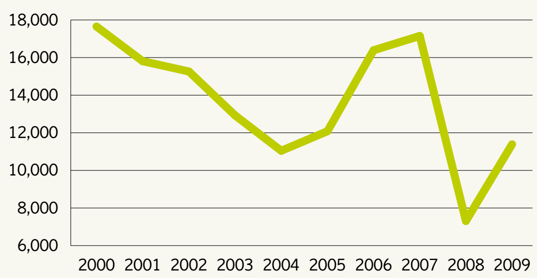
[5] *For 2003 and previous years SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations. For differences between IFRS and previous accounting policies see the SAS Group's 2005 Annual Report.*

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

*Definitions and concepts,* *See p. 124.*

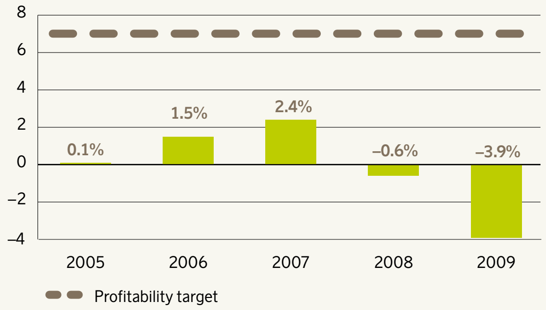
**Total equity**

MSEK




**The Group's EBT margin**

%



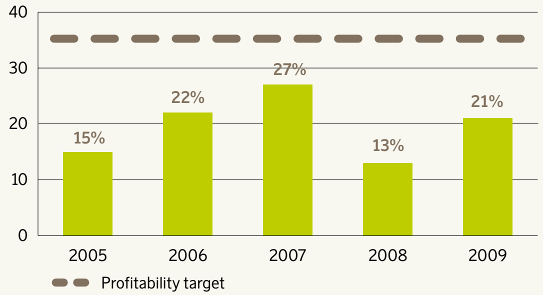

**Target:** The SAS Group's target is to achieve an EBT margin of 7% annually.

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

**Target achievement:** In 2009 the outcome for the SAS Group's EBT margin before non-recurring items was –3.9%, which is 10.9 percentage points below the target. The EBT margin is expected to improve with the expanded cost-cutting measures in the Core SAS strategy.

**The Group's adjusted equity/assets ratio**

%




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

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

**Target achievement:** In 2009 the outcome for the SAS Group's adjusted equity/assets ratio was 21%, which is 14 percentage points below the long-term target. The adjusted equity/assets ratio is expected to improve with the expanded cost-cutting measures in the Core SAS strategy.

# Ten-year financial overview

| Financial key figures, MSEK | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 [2] | 2003 [2,4] | 2002 [2,4] | 2001 [4] | 2000 [1,4] |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income and capital concepts included in CFROI** | | | | | | | | | | |
| Income before depreciation, EBITDA, in continuing and discontinued operations | **–1,732** | –1,232 | 2,646 | 3,663 | 2,984 | 1,779 | 597 | 3,463 | 743 | 3,710 |
| + Operating lease costs, aircraft | **2,534** | 3,186 | 3,472 | 3,527 | 3,133 | 2,689 | 2,935 | 3,747 | 2,425 | 1,898 |
| EBITDAR | **802** | 1,954 | 6,118 | 7,190 | 6,117 | 4,468 | 3,532 | 7,210 | 3,168 | 5,608 |
| – Operating lease revenue, aircraft | **–312** | –160 | –174 | –194 | –155 | –163 | –145 | –85 | –16 | –15 |
| Adjusted EBITDAR in continuing and discontinued operations | **490** | 1,794 | 5,944 | 6,996 | 5,962 | 4,305 | 3,387 | 7,125 | 3,152 | 5,593 |
| **Adjusted average capital employed** [6] | | | | | | | | | | |
| + Total shareholders' equity | **11,014** | 13,224 | 16,687 | 12,706 | 11,921 | 11,823 | 13,655 | 14,914 | 17,105 | 16,369 |
| + Surplus value, aircraft | **193** | –423 | –208 | 371 | –161 | –674 | 167 | 1,318 | 4,638 | 5,420 |
| + Capitalized leasing costs, net (x 7) | **19,502** | 22,016 | 23,191 | 22,567 | 18,967 | 18,130 | 22,844 | 21,766 | 14,818 | 10,840 |
| – Equity in affiliated companies | **–567** | –755 | –1,054 | –1,132 | –853 | –676 | –519 | –803 | –1,087 | –895 |
| + Financial net debt | **5,662** | 3,163 | 2,447 | 11,136 | 16,119 | 18,592 | 19,031 | 16,905 | 8,661 | 4,465 |
| Adjusted capital employed | **35,804** | 37,225 | 41,063 | 45,648 | 45,993 | 47,195 | 55,178 | 54,100 | 44,135 | 36,199 |
| Cash Flow Return On Investment CFROI, % | **1.4** | 4.8 | 14.5 | 15.3 | 13.0 | 9.1 | 6.1 | 13.2 | 7.1 | 15.5 |
| **Other financial data** | | | | | | | | | | |
| Financial income | **304** | 660 | 787 | 585 | 492 | 357 | 1,096 | 1,150 | 618 | 518 |
| Financial expenses | **–645** | –933 | –1,041 | –1,367 | –1,465 | –1,399 | –1,684 | –2,291 | –1,129 | –729 |
| Interest-bearing liabilities | **14,660** | 16,117 | 12,042 | 16,478 | 26,337 | 27,280 | 28,866 | 29,782 | 26,124 | 14,563 |
| Operating leasing capital [5] | **13,804** | 13,573 | 14,462 | 23,331 | 20,846 | 17,682 | 19,530 | 25,634 | 16,863 | 13,181 |
| Net debt | **–3,828** | –746 | –8,265 | –4,671 | 5,865 | 9,956 | 11,466 | 11,574 | 7,652 | 794 |
| Financial net debt | **6,504** | 8,912 | 1,231 | 4,134 | 14,228 | 17,377 | 18,122 | 17,872 | 12,824 | 4,372 |
| Debt/equity ratio [3] | **0.57** | 1.22 | 0.07 | 0.25 | 1.18 | 1.57 | 1.40 | 1.17 | 0.81 | 0.25 |
| Adjusted financial net debt (NPV)/equity [5] | **1.17** | 2.49 | 0.58 | 1.03 | 2.21 | 2.53 | 2.18 | 2.01 | 1.37 | 0.45 |
| Adjusted financial net debt (x 7)/equity [5] | **1.70** | 3.08 | 0.92 | 1.68 | 2.90 | 3.17 | 2.91 | 2.85 | 1.89 | 1.00 |
| Interest expenses/average gross debt, % | **5.6** | 7.6 | 7.8 | 6.1 | 5.2 | 4.3 | 6.5 | 6.9 | 4.4 | 5.2 |
| Interest coverage ratio | **–4.4** | –5.3 | 1.8 | 4.4 | 1.3 | –0.3 | 0.0 | 0.7 | 0.0 | 5.0 |

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

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

*[3] Calculated on financial net debt.*

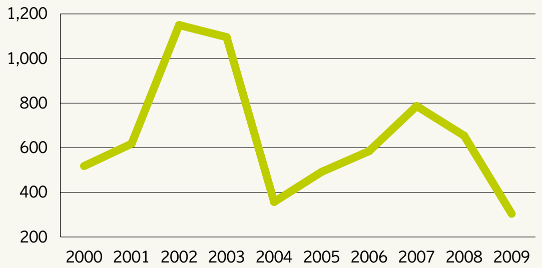
*[4] For 2003 and previous years SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations. For differences between IFRS and previous accounting policies see the SAS Group's 2005 Annual Report.*

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

*[6] Includes continuing and discontinued operations.*

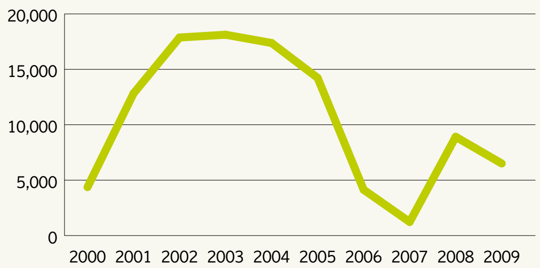
*Definitions and concepts See p. 124.*

**Financial income**
MSEK



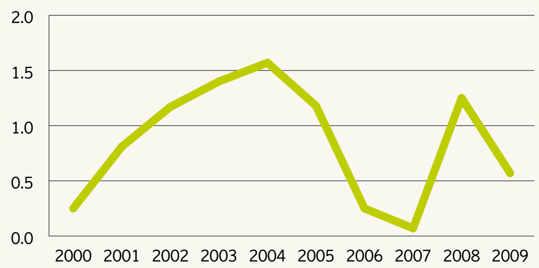

*The SAS Group's financial income is affected by interest rates and the average level of cash and cash equivalents. During 2008-2009 interest rates fell in combination with a lower level of cash and cash equivalents.*

**Financial net debt**
MSEK




*As of the end of December 2009, the financial net debt was MSEK 6,504, down MSEK 2,408 since the previous year-end. The decline was primarily due to the implementation of the rights issue during the first half of the year, negative cash flow from operations, investment for the year and the year's divestments.*

**Debt/equity ratio calculated on financial net debt, MSEK**




*The SAS Group's debt/equity ratio is calculated as financial net debt plus seven times capitalized leasing costs. The debt/equity ratio increased in the early 2000s owing to weak earnings and an increase in the share of leased aircraft. In 2009 the debt/equity ratio fell on account of the rights issue, despite negative earnings.*

# Annual Report 2009

## Report by the Board of Directors

*The Board of Directors and the President of SAS AB hereby submit the annual report for SAS AB and the SAS Group for fiscal year 2009. The company is domiciled in Stockholm and its Corporate Identity Number is 556606-8499.*

### MARKET PERFORMANCE

The market performance in the airline industry during 2009 remained very weak with low passenger figures and a historically large yield decline. For the SAS Group, the number of passengers fell compared with the preceding year as a result of capacity reductions and the weak demand ensuing from the financial recession. Like other network carriers, the SAS Group adjusted its capacity to the new market realities.

While the steep yield decline that affected the entire industry in 2009 slowed down somewhat at the end of the year the yield remains at a very low level. The passenger load factor for most network carriers is now inching upward, and continued in a positive direction in early 2010.

### CORE SAS

Launched in February 2009, Core SAS is the SAS Group's renewed strategic approach and is based on five pillars:

- Focus on Nordic home market
- Focus on business travelers and a strengthened commercial offering
- Improved cost base
- Streamlined organization and customer-oriented culture
- Strengthened capital structure

The intention of Core SAS is to ensure an efficient and more profitable SAS. SAS's new, simpler structure means that companies that are not part of SAS's core business will be sold or outsourced. Core SAS's expanded cost programs are expected to lay the groundwork for stable future growth. In all, SEK 7.8 billion worth of cost measures will be carried out under Core SAS. Of these, SEK 5.5 billion will have an effect on 2010/2011 earnings, with a smaller portion in 2012.

### CHANGE IN GROUP STRUCTURE

The SAS Group's ownership share in airBaltic was divested in December 2008 and Cubic was divested in February 2009. SAS also divested its majority share corresponding to 80.1% in Spanair to Consorci de Turisme de Barcelona and Catalana d'Inciatives and outsourced SGS Finland to ISS A/S. SAS's 20% share of bmi was divested to Lufthansa/LHBD Holding Ltd. during the third quarter of 2009. In accordance with the agreement, LHBD purchased all of SAS's shares in bmi for approximately MGBP 19. In addition, Lufthansa paid an additional MGBP 19 to SAS for the cancellation of its rights resulting from the shareholder agreement dated 1999. In total, SAS received a cash consideration of MGBP 38 resulting in a capital gain of approximately MSEK 426. SAS will receive an additional payment from Lufthansa if further value in bmi can be realized within a period limited to two years. Following the transaction, SAS will have a maximum exposure of MGBP 19 for a period limited to two years in the event bmi becomes insolvent.

Spirit, which is a sub-group of SAS Cargo and provides freight handling services, has been reported as an asset held for sale since the second quarter. A sales process has commenced and the transaction is expected to be completed within six months.

The SAS Group also has an interest-bearing receivable from Spanair of MEUR 129, which will be amortized depending on Spanair's future cash flow and a receivable of MEUR 30 from IEASA. SAS is also leasing out a total of 19 aircraft to Spanair on market terms and remains, for a limited period, as guarantor of MEUR 24 for certain operating measures at Spanair. In addition, there are loan commitments of MEUR 20 to Spanair. SAS also has a receivable of around MSEK 498 from airBaltic where the largest part is to be repaid in 2010 with a smaller part in 2012. AeBal/Air Quantum was divested in 2008. The company suspended its flights in January 2010 and, for this reason, SAS established a provision of MSEK 133 as at December 31, 2009 to cover any losses on outstanding guarantees and aircraft leases.

The subsidiary Air Maintenance Estonia was divested to the private equity and venture capital investor BaltCap in January 2010. The completion of the sale is subject to relevant regulatory approvals.

### FINANCIAL RISK MANAGEMENT

The SAS Group is exposed to various types of financial risks. All risk management is handled centrally and in accordance with the financial policy set by the Board. The SAS Group uses derivative instruments as part of its risk management to limit its currency, interest rate and fuel price exposure. See Note 26.

#### Other risks

*Market risks:* The SAS Group is especially sensitive to global trends and events. However, the Group is active in several markets and is therefore affected by different economic cycles, mitigating the Group's exposure. Economic growth in 2009 was negative in many of the countries where the SAS Group is primarily exposed. The Group adjusts its production to ensure the right capacity in each market to reduce business risk.

The airline industry is highly competitive since new airlines continually enter the market. Changes in customer behavior and more and more low-fare carriers in the SAS Group's home market may result in competition stiffening further. To meet this, SAS needs to lower its costs to a competitive level.

*Financial risks:* The SAS Group hedges between 40-60% of its anticipated fuel consumption on a rolling 12-month basis. This is done primarily to create enough time to adapt operations to market conditions. The SAS Group's strategy for dealing with higher jet fuel prices is based on hedging of jet fuel, yield management and fare adjustments.

The SAS Group's airline insurance contracts are of the all risks type and cover the aircraft fleet, spare parts and other technical equipment as well as liability exposure associated with airline operations.

SAS also hedges 60-90% of its expected USD deficit against surplus currencies SEK, NOK, GBP and EUR.

*Environmental risks:* Environmental laws and regulations, including restrictions on noise levels and greenhouse gas emissions, may have an adverse impact on the SAS Group. The Group works continuously on sustainability issues to comply with international requirements.

*Compliance risks:* The SAS Group identifies and manages compliance risks through various kinds of internal policies and rules and develops internal guidelines as well as a Code of Conduct to manage these risks.

## THE SAS SHARE

### Two share classes

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

Currently, only 2,467.5 million common shares have been issued, which, all together, constitute a registered share capital of MSEK 6,169. Common shares give shareholders all the rights laid down in the Companies Act and Articles of Association.

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

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

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

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

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

Should the Board deem the action of redeeming common shares not possible or adequate, the Board may propose a shareholders' meeting to decide to issue subordinated shares in such number so as to safeguard continued Scandinavian ownership and control. Such a decision must be approved by at least half of the votes cast at the meeting. The subordinated shares thus issued are subscribed for with the support of previously issued warrants, which currently are held by a subsidiary of SAS AB but which the Board of SAS AB has the right to decide to transfer to one or more appropriate legal entities domiciled in Denmark, Norway or Sweden as soon as this is judged necessary for aviation policy reasons. All together, 75,000 warrants have been issued, giving entitlement to new subscriptions for all together 1,125,000,000 subordinated shares, which would increase the company's share capital by a maximum of SEK 2,812,500,000. As soon as the threat no longer exists the Board shall see to it that the issued subordinated shares are redeemed.

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

### Ownership and control

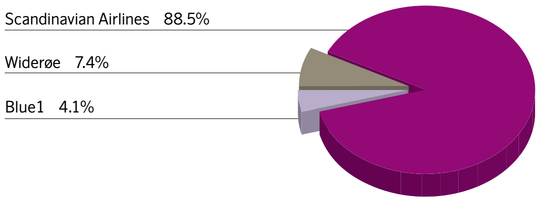
At year-end there were only three shareholders who each own and control more than 10% of the voting rights for all shares in the company. The Danish government owns 14.3%, the Norwegian government owns 14.3% and the Swedish government owns 21.4%. All together, the three states own 50.0% of the shares in the company. Furthermore, at the beginning of the year, the share of Scandinavian shareholders amounted to approximately 89% and the share of non-Scandinavian shareholders came to approximately 11% of the total share capital in SAS AB.

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

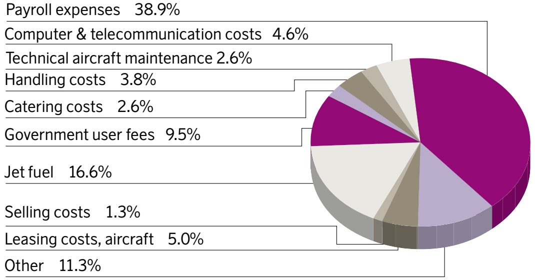
The company has no knowledge of agreements between shareholders that would restrict the capacity of shareholders to vote at a shareholders' meeting or their right to freely transfer such shares.

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

**2009 breakdown of SAS Group airline revenues**




**SAS Group's breakdown of costs in 2009**



### Effects of a public takeover bid

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

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

## CAPITAL MANAGEMENT

### Profitability targets

The SAS Group's overall objective is to create value for its shareholders. The SAS Group's profitability target is an EBT margin of 7%.

### Dividend policy

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

### Targets for financial position

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

## WORK OF THE BOARD OF DIRECTORS

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

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

At the Annual General Shareholders' Meeting on March 31, 2009, all Board members were reelected and Fritz H. Schur was reelected the Chairman of the Board.

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

In 2009 the Board held 13 meetings, of which eight were ordinary and five extraordinary. At the ordinary meetings the Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow-up, the company's financial position and investment. Additionally, at various meetings the Board discussed matters involving flight safety work, internal control, the work of the Board, the year-end report, interim reports, strategy and business plan, and budget.

Special topics discussed by the Board during the year include the Core SAS strategy and 2009 rights issue, the outsourcing process, sale of shares in British Midland, environmental and sustainability issues, and negotiations with the unions to achieve competitive collective bargaining agreements.

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

The main task of the Board's two committees is to prepare business for the Board's decision. The remuneration committee consists of three members and the audit committee of four members all elected by the shareholders' meeting. In 2009 the audit committee held four recorded meetings, examining the scope and performance of external and internal auditing work, financial reporting and internal control. During the year the remuneration committee had two recorded meetings plus a number of informal meetings in connection with the adoption of guidelines and principles for remuneration and other employment terms for senior executives.

The fees paid to Board members and remuneration for serving on Board committees are reported on page 67.

## GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

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

The guidelines set at the 2009 Annual General Shareholders' Meeting are presented in Note 3.

There were no deviations from these guidelines during the year.

The guidelines to be proposed to the Annual General Shareholders' Meeting on April 7, 2010 are unchanged in relation to the remuneration policies adopted at the 2009 Annual General Shareholders' Meeting except with regard to variable salary.

## SAFETY IN THE SAS GROUP

### Flight safety

*Pervasive safety culture*

The safety culture in the SAS Group rests on the values, skills and experience of all employees throughout the organization. The safety culture includes actively learning, adapting and modifying individual and organizational behavior to constantly improve operations and reduce exposure to risk.

SAS is an organization where safety work has a prominent position characterized by a will to make constant improvements and by a shared belief in the importance of safety for customers and SAS.

The management of SAS is constantly engaged in safety issues based on a safety policy that is documented, communicated and implemented in SAS operations.

The SAS Group has a high level of flight safety thanks to comprehensive quality control routines and the dedication of its employees and management.

All SAS Group airlines are IOSA-certified. IOSA certification may be viewed as the airline industry's answer to ISO 9000 certification. The flight safety level of the SAS Group in 2009 is considered normal in relation to current industry standards.

**Flight safety work can be divided into four main areas:**

- *Documented quality system:* Basic documentation and work instructions based on EU legislation. In addition to this SAS adds its own experience and experience from the airline industry to maintain a low exposure to risk.
- *Organizational learning:* The SAS Group is a learning organization that questions prevailing practices and continuously and systematically searches for faults and weaknesses in its operations.
  Learning in the organization is based on interdisciplinary collaboration, information technology, process orientation and development in a creative and supportive environment, characterized by security and challenges, curiosity and dedication.
- *Identifying risks:* Systematic use of available information and data to identify risks to customers, employees, property or the environment.
- *Risk management:* By identifying potential risks, performing risk assessments and devising strategies to minimize risk exposure to acceptable levels.

### Incident reporting

During the year, a new and improved system for reporting incidents was introduced. The aim of incident reporting is for everyone in the SAS Group to be able to report actual or perceived departures from published procedures and instructions as well as flight operation incidents. The data gathered is then used to identify potential risk areas through trends and analyses.

The database is also used to compare SAS with other airlines in an international collaboration through IATA. SAS and 100 other airlines are connected to a common database, the "IATA Safety Trend Evaluation, Analysis & Data Exchange System," where they can access safety analyses focusing on global trends.

### Green Flights

As a part of SAS's efforts to reduce its environmental impact and boost safety, there is a close collaboration within the Group and with outside parties to minimize jet fuel consumption. The work is being carried out in the Flight Operations Department, since reducing fuel consumption is closely linked to flight operation considerations. Through fuel-saving measures, SAS reduced its fuel consumption on comparable flights by 2% in 2009.

## LEGAL ISSUES

### SAS Cargo and other antitrust disputes and investigations

On February 14, 2006, the European Commission and the U.S. Department of Justice each announced investigations into possible price fixing in the air cargo industry. SAS Cargo was one of several air cargo carriers involved in the investigations. On July 21, 2008, SAS Cargo entered a plea of guilty to violation of U.S. antitrust laws and accepted payment of a fine of MUSD 52 in installments over four years from that date as a settlement following the Department of Justice's investigation. This concludes the investigation of SAS by the U.S. authorities and resolves all liability in connection with the U.S. investigation.

A decision resulting from the investigation being conducted by the European Commission is expected in 2010 and may be announced in the first quarter. It is the opinion of Group Management that SAS will probably be fined by the Commission. The final amount of the fine could be impacted by a variety of factors, including the arguments the SAS Group has made in its defense. Taking the nature of the allegations into account, an adverse outcome is likely to have a substantial negative financial impact on SAS. However, it is impossible to quantify such a potential liability and for this reason, no provisions have been made in the SAS Group's financial statements with respect to the European Commission investigation.

SAS is cooperating with the authorities in other jurisdictions, such as Switzerland and South Korea, in conjunction with the investigations of these authorities into possible price fixing in the air cargo market. A formal investigation was launched by the South Korean authorities against several airlines, including SAS, but in relation to SAS, the investigation is not of any material importance. It cannot be ruled out that other authorities may launch formal investigations or bring charges against SAS in the future.

Moreover, 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. The plaintiffs claim to have suffered harm and are suing for damages. SAS continues to be engaged in settlement negotiations relating to this civil case. Furthermore, a related lawsuit is pending in Canada. SAS and certain other European airlines have been added as defendants to a pending class-action lawsuit in California alleging price-fixing of air passenger fares on transpacific routes. SAS, which does not operate on any such routes, is vigorously defending this action on the basis, among other things, that it does not compete in the market at issue in the case. The risk of further claims for damages in other jurisdictions and relating to other markets cannot be ruled out. Since it is impossible to quantify the potential liability of the lawsuits in New York, California and Canada or predict the outcomes of any other suits in other jurisdictions, no provisions have been made in SAS's financial statements with respect to the litigation. Unfavorable outcomes in these disputes or other potential claims could have a significantly negative effect on SAS's operations, financial position and earnings.

On March 11, 2008, the European Commission (the "Commission") carried out unannounced inspections ("dawn raids") at the premises of a number of international airlines to gather information as part of an investigation into potential anti-competitive behavior relating to air passenger services between Japan and the EU. SAS was not subject to a dawn raid, but on September 28, 2009, it received a formal request for information from the Commission referring to this investigation. The Commission's questions to SAS, which the company answered on October 21, 2009, did not give SAS any additional information on the nature of the possibly unlawful conduct that the Commission is investigating. No accusations have been made against SAS in the case, and it is impossible at this stage of the Commission's investigation to assess the risk that SAS would be charged with any unlawful conduct.

### Quantum Air

In connection with Quantum Air's (Quantum) breaches of its obligations under lease agreements entered into with SAS as lessor or guarantor, SAS has initiated different legal measures against Quantum. Moreover, SAS has instigated an arbitration proceeding against Proturin, the owner of Quantum and also the guarantor for some obligations under a loan of approximately MEUR 5.7 which is due to SAS. Quantum and Proturin have brought various claims for damages against SAS, and threatened to take legal action concerning harm and losses as a result of terminated lease agreements, and also alleged breach of contract with respect to the sale of the shares in Quantum to Proturin. The developments in the different matters and their financial impact for SAS are hard to assess. SAS has made reservations for possible losses and costs.

### Norwegian Air Shuttle

Norwegian Air Shuttle has brought a claim against the Group regarding the alleged use of inappropriate information, which Norwegian Air Shuttle regarded as business secrets, for such purposes as undercutting fares. On May 19, 2008, Norwegian Air Shuttle was awarded damages of MNOK 132 plus MNOK 7 for legal costs. The Group has appealed the decision, and judgment in the case is expected to be rendered during the first quarter of 2010. The Group has not made any provisions for this on its consolidated balance sheet.

## SAS GROUP'S CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

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

### Environmental responsibility

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

The main environmental impact of flight operations consists of emissions of carbon dioxide and nitrogen oxides related to the consumption of non-renewable fuels, and noise. The emissions have an impact on the climate. The local and regional environmental impact consists mainly of noise during takeoffs and landings, as well as of acidification and eutrophication of soil and water. To lessen the environmental impact two actions have the greatest potential: continuous renewal of the aircraft fleet, which means the SAS Group always seeks the best economically available technology, and use of biofuel blends to lower total carbon emissions. Commercial aviation uses aircraft internationally type-approved according to ICAO certification standards. Environmental approval is an integral part of national registrations of aircraft. Environmentally based national and/or local permits, rules and regulations provide a framework for aircraft use.

The trend is toward a stricter environmental policy framework for the airline industry. For instance, there is a risk that in coming years tightened emissions and noise standards may affect the Group's traffic to certain airports. This may prevent the Group from utilizing its aircraft fleet in the most flexible way possible and/or lead to higher emission-based landing fees.

In 2008 the EU adopted the revised general ETS directive and a special directive to incorporate the airline industry into the European Union Emissions Trading Scheme (EU ETS) from 2012. Norway and Iceland have also decided to join EU ETS. The aviation directive may be overhauled in 2014 to enable a global ETS system. SAS's EU ETS estimation, monitoring and verification process was approved by the authorities of the respective countries in January 2010.

Otherwise, SAS is not aware of any changes in operating conditions that could have significant operational or financial consequences for its business during the coming fiscal year.

Since 1996 the SAS Group has measured its eco-efficiency with an environmental index, which is the most important tool for managing and following up the environmental work of the Group and its companies. In addition, a Group-wide climate index covering the airlines' greenhouse emissions has been prepared. In 2007 environmental targets were set for all subsidiaries up to 2011. In this effort, the development of an environmental index is one of the parameters against which subsidiaries will be evaluated. The environmental index for production in Sweden and Denmark improved thanks to an increased passenger load factor and decreased use of MD-80s while intercontinental production posted a deteriorated environmental index due to a lower passenger load factor. The climate index for 2009 improved to 93 (97).

The goal of the Group's airlines is to lower their relative fuel consumption by 6-7% by 2011, compared with 2005/2006. At the end of 2009 consumption had decreased by 4-5%.

Of the SAS Group's operations, parts of ground operations at Stockholm, Oslo, Copenhagen and Stavanger airports are covered by permits pursuant to national environmental laws. The permit in Stockholm covers maintenance bases and regulates emissions to air, chemicals and waste management and sets target and monthly mean values for effluent from the treatment plant. The permit also includes operations not run by SAS. SAS Tech submits an annual environmental report to Sigtuna Municipality. There is also a permit from the Swedish Chemicals Agency for certain products (methylene chloride and 2-methoxyethanol).

The permit at Oslo Airport covers water from a treatment plant connected to hangars and maintenance bases. SAS Tech submits an annual environmental report to Ullensaker Municipality and to the County Governor of Akershus. Copenhagen Airport has environmental permits for treatment plants and chemical stocks and permits that primarily concern the use of chemicals in maintenance work in workshops and hangars. Here too, an annual report must be submitted to the local environmental agencies. SAS has an environmental permit for a treatment plant at Stavanger Airport. The operation of SAS premises in Scandinavia, mentioned above, has been taken over by Coor Service Management. Responsibility for the Group's operations carried out in properties managed by Coor Service Management, including all environmental permits, is vested in SAS.

In general, the SAS Group's airline operations are dependent on the licensed activities SGS and SAS Tech carry out in workshops, maintenance bases and hangars and on the respective airport owners' licenses for operations and glycol handling and thresholds for atmospheric emissions and noise. Apart for local waste management permits, SAS has no permit requirements for airline operations in Finland and the Baltic countries. The Group has obtained all the necessary licenses and permits for its operations in Scandinavia, none of which come up for renewal during the coming fiscal year. In 2008 the Environmental Court ordered a postponement from 2011 to 2016 of the date when Arlanda's emission ceiling is supposed to go into effect, provided that LFV submits an application for a new environmental permit by no later than the end of 2010. However, on formal grounds, the Supreme Court rejected this linkage between a change in terms and the application, which means that the emission ceiling will be compulsory in 2011. LFV has been working on an application for a whole new environmental permit since 2008, and the goal still is to submit it at year-end. When this application is considered, the emission ceiling will be examined in its entirety, which for formal reasons was not possible in the Supreme Court hearing. SAS has extensive activities at Arlanda and is highly dependent on the airport's environmental permit. Airline operations have a dispensation for halon use and submit annual reports to the authorities on consumption and storage. In 2009 the discharge of just over 6 kilograms of halon was reported to the proper authorities. During the year the authorities did not issue the Group any orders with a material impact on SAS's operations.

In 2009, aircraft operated by SAS Group airlines sometimes deviated from local approach and takeoff rules. In Copenhagen, SAS received an administrative fine for exceeding the noise rules, and in Paris SAS was fined for one incident of deviating from the approach rules. None of the incidents had any major environmental consequences.

In 2006 two minor ground pollution incidents caused by the leakage of oil and diesel on an area covering 1,100 sq. m. were identified at Copenhagen Airport. In 2009 the area was cleaned up and the matter is now deemed closed. In March 2009 a power outage at the treatment plant at Arlanda caused the release of an estimated 20-30 $m^3$ of partly treated wastewater into the sewage system. The incident was reported to the county administration board and measures have been taken to reduce the risk of reoccurrence.

The Group was otherwise not involved in any environment-related disputes or complaints and has no known major environment-related debts or provisions for ground pollution or the like.

### Corporate social responsibility

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

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

In 2009 a number of company divestments and outsourcing agreements brought about a pronounced reduction of personnel in the Group.

SAS Group subsidiaries and units report sick leave and occupational injuries pursuant to national legislation. Efforts to reduce sick leave have priority, and there are special projects to return employees on long-term sick leave back to work. In 2009, the average sick leave in the SAS Group was 6.9 (6.5)%.

SAS Group companies are working actively on equal opportunity, based in part on the legislation in effect in each country, and in part on the current situation in the respective companies. The SAS Group's diversity policy is based on equal treatment of all employees and job applicants. Work on equal treatment includes promotion of diversity and equality in all its forms. Since February 2010 SAS's Group Management has consisted one woman and five men. The figure for the Top100 management forum is approximately 20% women.

With regard to human resources, the airlines plan and conduct regular in-service training of all certified personnel such as technicians, cabin crew and pilots. This is done to uphold the competency standards required by air operator certificates (AOCs). In addition, the SAS Group has an extensive management training program and a large number of web-based training programs.

Although the results of the PULS employee satisfaction survey show that general job satisfaction in SAS is under heavy pressure, individual companies such as Widerøe reported higher job satisfaction compared with the previous year. The response rate was still record high.

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

## PUNCTUALITY AND REGULARITY

In terms of arrivals, SAS was the most punctual major airline in Europe in 2009 according to the FlightStats website. Scandinavian Airlines was Europe's most punctual airline in 2009, achieving a punctuality rating of 89.1% in arrivals. Departure punctuality was 90.1% and regularity amounted to 99.3%.

## DIVIDEND 2009

The Board of Directors proposes to the Annual Shareholders' General Meeting that no dividend be paid to SAS AB's shareholders for fiscal 2009. This is motivated by the SAS Group's relatively weak financial position and cash flow, as a result of which, financial flexibility will be of major importance in managing future restructuring measures and investment.

## DISPOSITION OF EARNINGS

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

| | MSEK |
|---|---|
| Retained earnings | 2,314 |
| Reduction of share capital | 1,234 |
| Rights issue | 300 |
| Costs in connection with rights issue, net | –184 |
| Net income for the year | –1,365 |
| **Total unrestricted equity** | **2,299** |

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

| | MSEK |
|---|---|
| Amount retained by Parent Company | 2,299 |
| **Total** | **2,299** |

The position of the Group and Parent Company at year-end 2009 and the earnings of operations for fiscal year 2009 are stated in the following statements of income, balance sheets, cash flow statements, changes in shareholders' equity, comments on the financial statements and notes.

## SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

### Sale of Air Maintenance Estonia

On January 25, 2010, SAS signed an agreement to sell its wholly owned subsidiary, Air Maintenance Estonia, a Tallinn-based company specializing in aircraft maintenance.

### Available Liquidity

*Proposed rights issue*

The Board of SAS has decided on a new rights issue of approximately MSEK 5,000, which is conditional on the Annual General Meeting's approval, to support the implementation of the remaining parts of the Core SAS strategy. The rights issue is supported by SAS's four largest shareholders and by a syndicate of underwriters, provided that SAS refinances approximately MSEK 2,000 in principal amount of bonds maturing in 2010 and a final agreement is reached with the pilot and cabin crew unions that results in MSEK 500 in additional cost savings. The details of the rights issue, including the issue price, are expected to be announced on April 6, 2010. The Annual General Meeting will be held on April 7, 2010. The subscription period is expected to run from April 15 until April 29, 2010.

The agreement with the unions was reached on March 11, 2010. The Group has issued bonds on the EMTN market in an aggregate principal amount of MEUR 60 (approximately MSEK 580). This issue was carried out as part of the condition to refinance approximately MSEK 2,000 of bonds maturing in 2010 and the new bonds will be repayable in March 2016. In addition, SAS's four largest shareholders have expressed their support for the issuance of up to MSEK 2,000 in principal amount of bonds convertible into SAS shares, which SAS expects to issue to refinance its bonds maturing in 2010. The Board of SAS has resolved to propose to the Annual General Meeting an authorization for the Board to resolve, on one or several occasions and until the next Annual General Meeting, on the issuance of up to MSEK 2,000 in principal amount of convertible bonds, free from shareholders' preemptive rights.

*Amendment of credit agreements*

In February 2010, the Group negotiated amendments to the terms of four credit facilities representing approximately MSEK 5,000 of the Group's credit facilities as at December 31, 2009. The modified terms extend the maturities of the facilities to 2013 and amend the terms of the financial covenants. These amendments are conditional on raising minimum net proceeds of MSEK 4,000 in the rights issue. The borrowings under these agreements, which are included in other loans, have been reflected as current liabilities and presented as such in the maturity table disclosures throughout the financial statements included in this annual report. This represents the possible acceleration of the repayment of these loans, as the amendments to these credit facilities are contingent on future events. The loans that have been classified as current liabilities include MSEK 2,485 related to the credit facilities that are subject to amendment. Upon the completion of the rights issue, and the resulting amendment of the credit facilities, these liabilities will be reclassified as long term liabilities.

*New financing*

As set out above, the Group has, as part of the condition to refinance its bonds maturing in 2010, issued bonds on the EMTN market in an aggregate principal amount of MEUR 60 in March 2010. This issue was carried out as part of the condition to refinance approximately MSEK 2,000 of bonds maturing 2010 and the new bonds will mature in March 2016. While the Group believes that it will be successful in completing the required rights issue, and thereby the amendments to its credit facilities will take effect, the Group's current cash flow projections do not require the net proceeds from the rights issue or the amended credit facilities to finance the Group's current obligations (including the current debt) or operations for the upcoming twelve months. The Group expects to be able to fund any accelerated repayment of the amounts drawn under the amended credit facilities from its current cash position and/or cash flows from operations. The projections have been developed based on various assumptions including estimates of passenger numbers and expected yield.

## FULL-YEAR 2010

In 2009 the economy continued to perform poorly, with negative growth in a large number of countries. The GDP decline in the Nordic region was significant but a slight recovery is expected in 2010, although a high level of uncertainty remains. Due to the recession passenger numbers fell dramatically in 2009, especially among business travelers. The sharp decrease in business travel led to a historically steep yield decline and huge revenue shortfalls for the entire airline industry.

While the yield decline slowed somewhat at the beginning of 2010, there are no signs of recovery yet, and the yield remains at a historic low level. Uncertainty also remains concerning, for example, the USD exchange rate and the price of jet fuel.

In February 2009, the SAS Group launched Core SAS, which included a cost savings program of SEK 4.0 billion. New cost savings initiatives were identified and implemented during the year and at year-end 2009, the program corresponded to SEK 5.3 billion. The program was further strengthened in the amount of SEK 2.0 billion in February 2010. Moreover, in March 2010, a final agreement was reached with the flight deck and cabin unions under which they are to contribute further yearly cost savings of MSEK 500. The total cost savings program under Core SAS now amounts to SEK 7.8 billion.

In 2009, the cost program had a positive earnings effect of SEK 2.2 billion and the remaining earnings impact is estimated at SEK 5 billion, with the majority of the effects expected in 2010. Including the MSEK 500 cost saving from the flight deck and cabin unions' collective agreement, the total remaining result effect is approximately SEK 5.5 billion. Restructuring costs for 2009 totaled MSEK 1,767 and in 2010 and 2011 the effects are expected to total approximately SEK 1 billion, with the majority of effects generated in 2010.

# SAS Group consolidated statement of income

| MSEK | Note | 2009 | 2008 |
|---|---|---|---|
| Revenue | 2 | 44,918 | 52,870 |
| Payroll expenses | 3 | –17,998 | –17,632 |
| Other operating expenses | 4 | –25,912 | –31,959 |
| Leasing costs for aircraft | | –2,319 | –2,282 |
| Depreciation, amortization and impairment | 5 | –1,845 | –1,550 |
| Share of income in affiliated companies | 6 | –258 | –147 |
| Income from the sale of shares in subsidiaries and affiliated companies | | 429 | 0 |
| Income from the sale of aircraft and buildings | 7 | –97 | 4 |
| **Operating income** | | **–3,082** | **–696** |
| Financial income | 8 | 304 | 660 |
| Financial expenses | 8 | –645 | –933 |
| **Income before tax** | | **–3,423** | **–969** |
| Tax | 9 | 803 | 4 |
| **Net income for the year from continuing operations** | | **–2,620** | **–965** |
| Income from discontinued operations | 10 | –327 | –5,395 |
| **Net income for the year** | | **–2,947** | **–6,360** |
| *Net income for the year attributable to:* | | | |
| Parent Company shareholders | | –2,947 | –6,303 |
| Minority interest | | - | –57 |
| Earnings per share (SEK) [1] | | –1.44 | –6.26 |
| Earnings per share (SEK) from continuing operations [1] | | –1.28 | –0.96 |
| Earnings per share (SEK) from discontinued operations [1] | | –0.16 | –5.30 |

[1] *Earnings per share in 2009 based on the average number of outstanding shares. The number is calculated, after the rights issue for the year, as the average of 1,007,233,500 outstanding shares in the first quarter, 2,224,122,250 in the second quarter and 2,467,500,000 in the third and fourth quarters. The number of shares until April 15, 2009 is calculated on the basis of 164,500,000 shares adjusted for a bonus element in the rights issue to existing shareholders of 6.123, which gives 1,007,233,500 shares. Since the SAS Group has no options, convertibles or share programs, no dilution occurs.*

| Income before capital gains and non-recurring items, MSEK | 2009 | 2008 |
|---|---|---|
| Income before tax in continuing operations | –3,423 | –969 |
| Impairment losses | 215 | 12 |
| Restructuring costs | 1,767 | 265 |
| Capital gains | –332 | –4 |
| Other non-recurring items | 19 | 357 |
| **Income before capital gains and non-recurring items in continuing operations** | **–1,754** | **–339** |

# Statement of other comprehensive income

| MSEK | 2009 | 2008 |
|---|---|---|
| Net income for the period | –2,947 | –6,360 |
| Other comprehensive income: | | |
| Exchange-rate differences on translation of foreign operations, net after tax of 0 (–85) | 27 | –336 |
| Cash flow hedges - hedging reserve, net after tax of –347 (695) | 970 | –1 848 |
| Total other comprehensive income for the year, net of tax | 997 | –2,184 |
| **Total comprehensive income** | **–1,950** | **–8,544** |
| *Total comprehensive income attributable to:* | | |
| Parent Company shareholders | –1,950 | –8,487 |
| Minority interest | 0 | –57 |

# Comments on the consolidated statement of income

**Continuing operations:**
The SAS Group's income before non-recurring items in continuing operations amounted to MSEK –1,754 (–339).

Income was affected by the continued weak economy with increasing pressure on currency-adjusted yield, which fell 5.2% for Scandinavian Airlines during the full year. The Group continued to close unprofitable routes in accordance with the Core SAS strategy, which had an adverse impact on passenger volumes. The Group's passenger traffic (RPK) declined 15.7%, primarily due to these reductions. Consequently, the SAS Group's revenue fell by MSEK 7,952 or 15.0% to MSEK 44,918 (52,870). Adjusted for currency effects, revenue declined 20.4%.

The net effect of currency fluctuations between the January-December periods of 2008 and 2009 was negative in the amount of MSEK 1,259. The effect was MSEK 3,569 on revenue, MSEK –4,978 on operating expenses and MSEK 150 on net financial items.

Payroll expenses increased by MSEK 366 compared with 2008 and amounted to MSEK 17,998. Adjusted for currency, payroll expenses decreased by MSEK 581. The item includes restructuring costs of MSEK 1,444. Taking currency effects and restructuring costs into consideration payroll expenses declined by MSEK 1,760 or 9.6% in 2009.

The Group's costs for jet fuel amounted to MSEK 7,685 (9,637). Adjusted for currency effects, fuel costs fell MSEK 4,004 as a result of lower prices and volumes.

Accumulated restructuring costs related to the implementation of Core SAS totaled MSEK 1,767, of which MSEK 220 pertained to leasing costs and non-recurring impairment losses for aircraft withdrawn from service under the Core SAS strategy. In addition to restructuring costs, other non-recurring items were posted totaling MSEK 234, of which MSEK 163 pertains to the impairment of consolidated goodwill in Estonian Air, MSEK 52 to impairment of receivables from Cresco (part-owner of Estonian) and MSEK 19 to other items.

Non-recurring expenses for the preceding year amounted to MSEK 634. Of this amount, MSEK 357 related to the Cargo case. Operating expenses otherwise decreased due to both reduced capacity and the cost-saving measures implemented. Excluding the effect of lower jet-fuel prices, the unit cost for the period fell 1.5%.

Operating income before depreciation/amortization, impairment losses and leasing costs, EBITDAR, was MSEK 2,626 (3,901) before non-recurring items.

Leasing costs include a MSEK 141 provision pertaining to leasing costs for aircraft withdrawn from service. In addition, a non-recurring impairment loss of MSEK 79 was posted for company-owned aircraft that have been withdrawn from service.

Shares of income in affiliated companies amounted to MSEK –258 (–147), which included impairment of the Group's goodwill in Estonian Air by MSEK –163.

Cubic Air Cargo was divested in February, generating a capital gain of MSEK 3.

Six Q400 aircraft were sold in June. At the end of 2009, 20 MD-80s and three Boeing 737s were divested through sale and leaseback agreements. The total sales price for the aircraft amounted to MSEK 1,628. The total capital loss from the aircraft sales was MSEK –101.

**Discontinued operations:**
Income from discontinued operations totaled MSEK –327 (–5,395). The January-December 2009 period includes Spirit's earnings after tax of MSEK –108 and correction of the capital gain from the sale of airBaltic in 2008 amounting to MSEK –86. It also includes a write-down relating to the sale of Aerolineas de Baleares amounting to MSEK –133. The corresponding period in 2008 includes earnings after tax in divested operations amounting to MSEK –1,876, non-recurring items in Spanair of MSEK –914 and losses pertaining to divestments of MSEK –2,605.

## CURRENCY EFFECTS ON SAS GROUP EARNINGS

Operating revenue as well as operating expenses and financial items are affected significantly by exchange rate fluctuations. Only approximately 22% of operating revenue and 17% of operating expenses are in Swedish kronor.

The aggregate effect of changed exchange rates on the SAS Group's operating income for 2009 compared with 2008 was MSEK –1,409 (1,294). The currency effect is mainly due to the fluctuations of the USD. The difference between the years in the effect of exchange rate differences on the financial net debt was MSEK 150 (39), plus MSEK –224 (213) in discontinued operations.

Comparing 2009 with 2008, the total currency effect on income before tax was therefore MSEK –1,483 (1,546).

**Currency effect**

| MSEK | 2008/09 | 2007/08 |
|---|---|---|
| Revenue | 3,569 | 590 |
| Payroll expenses | –947 | –331 |
| Other expenses | –4,477 | 194 |
| Translation of working capital | –151 | –147 |
| Income from hedging of commercial flows | 597 | 988 |
| **Operating income** | **–1,409** | **1,294** |
| Net financial items | 150 | 39 |
| **Income before tax in continuing operations** | **–1,259** | **1,333** |
| Discontinued operations | –224 | 213 |
| **Income before tax** | **–1,483** | **1,546** |

**Currency effects on net income for the year**

| MSEK | 2009 | 2008 |
|---|---|---|
| Translation of working capital | –215 | –64 |
| Income from hedging of commercial flows | 1,356 | 759 |
| **Operating income** | **1,141** | **695** |
| Currency effect on Group's financial net debt | 203 | 53 |
| **Income before tax in continuing operations** | **1,344** | **748** |
| Discontinued operations | 1 | –120 |
| **Income before tax** | **1,345** | **628** |

# Statement of income - Quarterly breakdown

| MSEK | 2008 | | | | | 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Full year Jan-Dec | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Full year Jan-Dec |
| Revenue | 12,348 | 14,412 | 13,287 | 12,823 | 52,870 | 11,296 | 12,223 | 11,076 | 10,323 | 44,918 |
| Payroll expenses | –4,497 | –4,485 | –4,253 | –4,397 | –17,632 | –4,609 | –5,269 | –3,994 | –4,126 | –17,998 |
| Other operating expenses | –7,642 | –8,826 | –7,919 | –7,572 | –31,959 | –6,501 | –6,779 | –6,257 | –6,375 | –25,912 |
| Leasing costs for aircraft | –547 | –519 | –543 | –673 | –2,282 | –741 | –626 | –476 | –476 | –2,319 |
| Depreciation, amortization and impairment | –348 | –360 | –398 | –444 | –1,550 | –401 | –463 | –497 | –484 | –1,845 |
| Share of income in affiliated companies | –65 | –78 | 7 | –11 | –147 | –33 | 19 | –15 | –229 | –258 |
| Income from the sale of shares in subsidiaries and affiliated companies | 0 | 0 | 0 | 0 | 0 | 5 | 2 | 423 | –1 | 429 |
| Income from the sale of aircraft and buildings | 0 | 6 | 6 | –8 | 4 | 0 | –49 | –1 | –47 | –97 |
| **Operating income** | **–751** | **150** | **187** | **–282** | **–696** | **–984** | **–942** | **259** | **–1,415** | **–3,082** |
| Net financial items | –99 | –19 | –77 | –78 | –273 | 5 | –97 | –145 | –104 | –341 |
| **Income before tax** | **–850** | **131** | **110** | **–360** | **–969** | **–979** | **–1,039** | **114** | **–1,519** | **–3,423** |
| Tax | 200 | –124 | 32 | –104 | 4 | 264 | 13 | 142 | 384 | 803 |
| **Income from continuing operations** | **–650** | **7** | **142** | **–464** | **–965** | **–715** | **–1,026** | **256** | **–1,135** | **–2,620** |
| Income from discontinued operations | –513 | –429 | –2,128 | –2,325 | –5,395 | –33 | –21 | –104 | –169 | –327 |
| **Net income for the period** | **–1,163** | **–422** | **–1,986** | **–2,789** | **–6,360** | **–748** | **–1,047** | **152** | **–1,304** | **–2,947** |
| *Attributable to:* | | | | | | | | | | |
| Parent Company shareholders | –1,106 | –422 | –1,986 | –2,789 | –6,303 | –748 | –1,047 | 152 | –1,304 | –2,947 |
| Minority interest | –57 | 0 | 0 | 0 | –57 | 0 | 0 | 0 | 0 | 0 |

# SAS Group consolidated balance sheet

| ASSETS, MSEK | Note | Dec 31 2009 | Dec 31 2008 | Jan 1 2008 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 11 | 1,296 | 1,092 | 1,226 |
| **Tangible fixed assets** | 12 | | | |
| Land and buildings | | 439 | 513 | 568 |
| Aircraft | | 13,087 | 11,037 | 10,766 |
| Spare engines and spare parts | | 1,299 | 1,185 | 1,211 |
| Workshop and aircraft servicing equipment | | 161 | 220 | 226 |
| Other equipment and vehicles | | 192 | 318 | 308 |
| Investment in progress | | 158 | 232 | 172 |
| Prepayments relating to tangible fixed assets | 13 | 238 | 627 | 185 |
| | | **15,574** | **14,132** | **13,436** |
| **Financial fixed assets** | 14 | | | |
| Equity in affiliated companies | 6 | 358 | 622 | 1,063 |
| Long-term receivables from affiliated companies | | 0 | 0 | 170 |
| Other holdings of securities | | 234 | 5 | 5 |
| Pension funds, net | 15 | 10,286 | 9,658 | 9,496 |
| Deferred tax asset | 9 | 1,159 | 921 | 690 |
| Other long-term receivables | | 729 | 410 | 577 |
| | | **12,766** | **11,616** | **12,001** |
| **Total non-current assets** | | **29,636** | **26,840** | **26,663** |
| **Current assets** | | | | |
| Expendable spare parts and inventories | 16 | 758 | 819 | 849 |
| Prepayments to suppliers | | 0 | 1 | 1 |
| | | **758** | **820** | **850** |
| **Current receivables** | | | | |
| Accounts receivable | 17 | 1,581 | 1,851 | 1,951 |
| Receivables from affiliated companies | 18 | 92 | 479 | 510 |
| Other receivables | | 4,780 | 2,661 | 2,637 |
| Prepaid expenses and accrued income | 19 | 1,058 | 1,009 | 1,070 |
| | | **7,511** | **6,000** | **6,168** |
| Short-term investments | 20 | 3,691 | 3,872 | 7,308 |
| Cash and bank balances | | 498 | 1,911 | 1,583 |
| Assets held for sale | 10 | 401 | 3,921 | 6,198 |
| **Total current assets** | | **12,859** | **16,524** | **22,107** |
| **TOTAL ASSETS** | | **42,495** | **43,364** | **48,770** |

| SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK | Note | Dec 31 2009 | Dec 31 2008 | Jan 1 2008 |
|---|---|---|---|---|
| **Shareholders' equity** | | | | |
| Share capital | | 6,168 | 1,645 | 1,645 |
| Other contributed capital | | 170 | 170 | 170 |
| Reserves | 21 | 279 | –718 | 1,466 |
| Retained earnings | | 4,772 | 6,215 | 12,518 |
| **Total shareholders' equity attributable to Parent Company owners** | | **11,389** | **7,312** | **15,799** |
| Minority interests | | 0 | 0 | 19 |
| **Total shareholders' equity** | | **11,389** | **7,312** | **15,818** |
| **Long-term liabilities** | 22 | | | |
| Subordinated loans | 23 | 919 | 953 | 693 |
| Bond loans | 24 | - | 2,212 | 2,079 |
| Other loans | 25 | 6,809 | 10,535 | 3,936 |
| Deferred tax liability | 9 | 2,832 | 2,988 | 3,755 |
| Other provisions | 27 | 2,131 | 2,138 | 2,022 |
| Other liabilities | | 378 | 334 | 120 |
| | | **13,069** | **19,160** | **12,605** |
| **Current liabilities** | | | | |
| Current portion of long-term loans | | 5,742 | 872 | 1,615 |
| Short-term loans | 28 | 907 | 1,189 | 421 |
| Prepayments from customers | | 13 | 7 | 20 |
| Accounts payable | | 1,738 | 2,068 | 2,108 |
| Liabilities to affiliated companies | | 0 | 0 | 94 |
| Tax payable | | 27 | 110 | 5 |
| Unearned transportation revenue | 29 | 3,227 | 3,299 | 3,842 |
| Current portion of other provisions | 27 | 852 | 148 | 190 |
| Other liabilities | | 2,110 | 2,460 | 1,580 |
| Accrued expenses and prepaid income | 30 | 3,264 | 4,274 | 5,149 |
| Liabilities attributable to assets held for sale | 10 | 157 | 2,465 | 5,323 |
| | | **18,037** | **16,892** | **20,347** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **42,495** | **43,364** | **48,770** |
| Book equity per share (SEK) [1] | | 4.62 | 44.45 | 96.16 |

Information about the Group's pledged assets, contingent liabilities and leasing commitments is given in Notes 31, 32 and 33.

[1] *Calculated on 164,500,000 outstanding shares up to and including December 31, 2008. At December 31, 2009 shareholders' equity was calculated on the basis of the total number of shares after the rights issue, 2,467,500,000 shares.*

# Comments on the consolidated balance sheet

As the result of the adoption of IFRIC 13, a new accounting policy dealing with "Customer Loyalty Programs," the opening balance of the comparative year is reported (see also Note 1 and Note 27).

Because Spirit is classified as a discontinued operation, the company's assets and liabilities are recognized on a line in the consolidated balance sheet (see also Note 10).

### Assets

The SAS Group's total assets decreased from MSEK 43,364 to MSEK 42,495 in 2009. Intangible assets increased during the year by MSEK 204 of which expenditure on system development accounted for MSEK 146. Cubic Air Cargo was divested. Depreciation/amortization for the period amounted to MSEK 42 and currency effects were MSEK 104.

The book value of aircraft increased by MSEK 2,050. Investment in ten new CRJ900s, three Boeing 737s, three Q400NGs, one used McDonnell Douglas MD-87, one Airbus A321, one Q100 and the buy-back of five Q400s that were subsequently sold amounted to MSEK 3,700. Thirty McDonnell Douglas MD-80s, previously on operating leases from the affiliated company Commercial Aviation Leasing Ltd, were reclassified as finance leases and subsequently acquired. After purchasing the MD-80 aircraft 18 were sold. Utilization of prepayments to aircraft manufacturers amounted to MSEK 661. Depreciation/amortization for the year was MSEK 1,429. Residual value of sold aircraft, reclassifications and currency effects netted MSEK 882. Prepayments to aircraft manufacturers decreased during the year by MSEK 389. Prepayments for upcoming deliveries came to MSEK 81 and capitalized financial expenses amounted to MSEK 19. Reclassifications and revaluation resulting from the weaker USD amounted to MSEK 172.

Equity in affiliated companies decreased by MSEK 264. Estonian Air was given a capital injection of MSEK 41. Share of income for the year, including goodwill impairment of MSEK 163 relating to Estonian Air, amounted to MSEK –258. Dividend and negative currency effects reduced the equity shares by MSEK 47.

Pension commitments are calculated and all funded assets are taken into account for all defined benefit pension plans. At December 31, 2009, book net pension funds totaled MSEK 10,286 (9,658) (see also Note 15).

Cash and cash equivalents amounted at year-end to MSEK 4,189 (5,783), or 10% (13%) of total assets.

### Shareholders' equity

Shareholders' equity increased by MSEK 4,077 to MSEK 11,389 (7,312). The rights issue raised MSEK 6,057. Net income for the year was MSEK –2,947 and changes in the value of cash flow hedges amounted to MSEK 970. The remaining item, MSEK –3, includes translation differences in foreign subsidiaries and affiliated companies etc. The equity/assets ratio at year-end was 27% (17%) and return on book equity amounted to –27% (–48%).

### Liabilities

MSEK 14,660 (16,117) of total liabilities was interest-bearing. During the year MSEK 3,060 was amortized and new borrowing for expenditure on aircraft amounted to MSEK 2,080. Positive currency effects etc. reduced interest-bearing liabilities by MSEK 477.

Financial net debt excluding net pension funds amounted to MSEK 6,504 (8,912). The debt/equity ratio calculated on the financial net debt was 0.57 (1.22) at year-end. The adjusted debt/equity ratio amounted to 1.70 (3.08).

The provision for SAS's liability to members of the loyalty program EuroBonus amounted to MSEK 1,765 (1,877). The opening liability balance has been restated owing to the application of a new accounting policy, IFRIC 13 (see also Note 1 and Note 27).

Total capital employed amounted to MSEK 26,049 (23,429) at year-end. Average capital employed during the year was MSEK 26,066 (26,234). Return on capital employed was –12% (–20%)

# Changes in shareholders' equity

| | Shareholders' equity attributable to Parent Company shareholders | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| MSEK | Share capital [1] | Other contributed capital [2] | Hedging reserves | Translation reserve | Retained earnings [3] | Total equity attributed to Parent Company owners | Minority interest | Total equity |
| **Opening balance according to adopted balance sheet January 1, 2008** | **1,645** | **170** | **1,105** | **361** | **13,849** | **17,130** | **19** | **17,149** |
| Effect of accounting policy change to IFRIC 13 | | | | | –1,331 | –1,331 | | –1,331 |
| **Opening shareholders' equity adjusted in accordance with new policy January 1, 2008** | **1,645** | **170** | **1,105** | **361** | **12,518** | **15,799** | **19** | **15,818** |
| Net income for the year | | | | | –6,303 | –6,303 | –57 | –6,360 |
| Exchange-rate differences on translation of foreign operations | | | | –251 | | –251 | | –251 |
| Cash flow hedges | | | –2,543 | | | –2,543 | | –2,543 |
| Tax attributable to components pertaining to comprehensive income | | | 695 | –85 | | 610 | | 610 |
| **Total comprehensive income for the year** | **0** | **0** | **–1,848** | **–336** | **–6,303** | **–8,487** | **–57** | **–8,544** |
| Change of participating interest in affiliated company | | | | | | 0 | 38 | 38 |
| **Closing balance, December 31, 2008** | **1,645** | **170** | **–743** | **25** | **6,215** | **7,312** | **0** | **7,312** |
| Net profit for the year | | | | | –2,947 | –2,947 | | –2,947 |
| Exchange-rate differences on translation of foreign operations | | | | 27 | | 27 | | 27 |
| Cash flow hedges | | | 1,317 | | | 1,317 | | 1,317 |
| Tax attributable to components pertaining to comprehensive income | | | –347 | | | –347 | | –347 |
| **Total comprehensive income for the year** | **0** | **0** | **970** | **27** | **–2,947** | **–1,950** | | **–1,950** |
| Reduction of share capital | –1,234 | | | | 1,234 | 0 | | 0 |
| Rights issue | 5,757 | | | | 300 | 6,057 | | 6,057 |
| Costs of rights issue, net | | | | | –184 | –184 | | –184 |
| Tax effect of IFRIC 13 | | | | | 154 | 154 | | 154 |
| **Closing balance, December 31, 2009** | **6,168** | **170** | **227** | **52** | **4,772** | **11,389** | **0** | **11,389** |

[1] *The share capital in SAS AB is distributed as follows: 164,500,000 shares with a quota value of SEK 10 per share and a closing balance of 2,467,500,000 shares with a quota value of SEK 2.5 per share. See Note 43.*

[2] *The entire amount consists of share premium reserves.*

[3] *No dividends were paid in 2008 and 2009.*

# SAS Group consolidated cash flow statement

| MSEK | Note | 2009 | 2008 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Income before tax | | –3,423 | –969 |
| Depreciation, amortization and impairment | | 1,845 | 1,550 |
| Income from the sale of aircraft, buildings and shares | | –332 | –4 |
| Income before tax in discontinued operations, excl. capital gain/loss | 10 | –520 | –4,227 |
| Depreciation, amortization and impairment in discontinued operations | 10 | 47 | 1,845 |
| Adjustment for items not included in cash flow, etc. | 34 | 44 | –25 |
| Paid tax | | –3 | –19 |
| **Cash flow from operating activities before changes in working capital** | | **–2,342** | **–1,849** |
| *Change in:* | | | |
| Expendable spare parts and inventories | | 69 | 42 |
| Operating receivables | | 8 | 177 |
| Operating liabilities | | –1,149 | –1,021 |
| **Cash flow from changes in working capital** | | **–1,072** | **–802** |
| **Cash flow from operating activities** | | **–3,414** | **–2,651** |
| **INVESTING ACTIVITIES** | | | |
| Aircraft | | –3,700 | –2,995 |
| Spare parts | | –266 | –127 |
| Buildings, equipment and investment in progress | | –384 | –599 |
| Shares and participations, intangible assets, etc. | | –230 | –69 |
| Prepayments for flight equipment | | –81 | –665 |
| Acquisition of subsidiaries | 35 | – | 7 |
| **Total investments** | | **–4,661** | **–4,448** |
| Divestment of subsidiaries and affiliated companies | 36 | 605 | 103 |
| Sale of aircraft and buildings | | 174 | 655 |
| Income from sale and leaseback of aircraft | | 872 | 1,166 |
| Sale of other non-current assets, etc. | | 399 | –389 |
| **Cash flow from investing activities** | | **–2,611** | **–2,913** |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | 2,080 | 6,500 |
| Repayment of borrowings | | –3,060 | –4,260 |
| Change in interest-bearing receivables and liabilities | | –544 | 240 |
| Rights issue including issue costs | | 5,808 | – |
| **Cash flow from financing activities** | | **4,284** | **2,480** |
| **Cash flow for the year** | | **–1,741** | **–3,084** |
| Translation difference in liquid assets | | 49 | –18 |
| Cash and cash equivalents reclassified from/to assets held for sale | | 98 | –6 |
| Cash and cash equivalents at beginning of the year | 37 | 5,783 | 8,891 |
| **Cash and cash equivalents at year-end** | 37 | **4,189** | **5,783** |

# Comments on the consolidated cash flow statement

Earnings in continuing operations in 2009 were substantially lower than in 2008. On the other hand, because most of the companies that were being discontinued have now been divested, the income from discontinued operations shows a clear improvement compared with the previous year.

The SAS Group's cash flow from operating activities before changes in working capital amounted during the year to MSEK –2,342 (–1,849). Working capital was negatively impacted during the year by MSEK –1,072 (–802), mainly due to decreased current liabilities. However, taking into account the Group's lower operating revenue, the proportion of working capital was unchanged. Cash flow from operating activities amounted to MSEK –3,414 (–2,651).

Total investment including prepayments to aircraft manufacturers amounted to MSEK 4,661 (4,448). Aircraft investments in 2009 included delivery payments for ten new CRJ2009s, three Boeing 737s and three Q400 NGs, as well as the repurchase of five Q400s, which were then sold onward as part of the discontinuation of the Q400 fleet. In addition, a used McDonald Douglas MD-87, an Airbus A321 and a Q100 were purchased.

In January, MSEK 216 was received as payment for SAS's share in airBaltic, which was sold in December 2008. Cubic Air Cargo operations were divested in February for MSEK 7. In November, a purchase consideration of MSEK 428 was received for the holding in British Midland that was sold to Lufthansa. After deducting MSEK 46 in selling costs, the sales of subsidiary and affiliated companies had a MSEK 605 effect on the Group's cash and cash equivalents.

Sales of aircraft and buildings generated MSEK 1,046 (1,821), of which MSEK 1,040 (1,821) refers to disposals of aircraft. In June, six Q400 aircraft were sold and in December, 20 McDonnell Douglas MD-80 aircraft were sold. The three Boeing 737 aircraft acquired through sale and leaseback transactions during the year were also sold. The total sales price for these aircraft amounted to MSEK 1,628, of which MSEK 1,067 had been paid at year-end.

In April 2009 a MSEK 6,057 rights issue was carried out, which after deducting the issue costs of MSEK 249 provided SAS with MSEK 5,808. In addition, external financing decreased during the year by a net amount of MSEK 1,524 compared with an increase of MSEK 2,480 the previous year.

In all, the SAS Group's cash and cash equivalents decreased by MSEK 1,692 (3,102). After MSEK 98 (–6) was reclassified from assets held for sale, cash and cash equivalents in continuing operations amounted to MSEK 4,189 (5,783).

# Notes to the financial statements *Expressed in millions of Swedish kronor (MSEK) unless otherwise stated.*

## Note 1 • Significant accounting policies

### General

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

The Group's core business is operating passenger flights on an extensive Nordic and international route network. The Group's three main operational hubs in Copenhagen, Stockholm and Oslo form the backbone of its flight network. In addition to passenger flights, the Group provides air cargo and other aviation services at selected airports in the Group's route network. The Group's Core SAS operations includes Scandinavian Airlines, Widerøe and Blue1. In addition to the airline operations of the consortium Scandinavian Airlines System, Scandinavian Airlines also comprises SAS Ground Services, SAS Tech and SAS Cargo. Besides Core SAS there are other operations, which include the companies that the Group intends to sell and Group-wide functions.

On February 3, 2009, the Group launched a renewed strategy, "Core SAS" under which it announced its intention to restructure its business and further focus on its home markets (the Nordic region, defined as Denmark, Norway, Sweden and Finland). As part of the Core SAS program, the Group has continued to dispose of businesses not related to core operations and has reduced its workforce to adapt to the restructured business. Further centralization of operations will continue in 2010.

As the Group implemented the Core SAS plan, it continued to be impacted by the global economic downturn and the resulting dramatic decrease in its passenger numbers. The Group was particularly impacted by the decrease in business travelers during the year. The Group's results were also impacted significantly by volatility in currency exchange rates and oil prices.

As a direct consequence of its operating results for the year ended December 31, 2009, the Group would not have satisfied certain of the financial covenants included in the terms of its credit facilities, and as a result, has renegotiated the terms of four of its credit facilities. The amendments to the credit facilities, which are contingent upon raising at least MSEK 4,000 in net proceeds in the rights issue by the Group, would extend the repayment dates of the credit facilities to 2013 and modify the financial covenants. The lenders have granted a waiver for compliance with certain of the covenants included in the terms of these facilities until the earlier of when all the terms for the amendments are met, or until May 14, 2010. As the amendments to the credit facilities are contingent on the rights issue, and the waiver is only through May 14, 2010, MSEK 2,485 of the Group's borrowings have been classified as current liabilities in the consolidated balance sheet of the Group as of December 31, 2009. As result of the classification of these borrowings as current liabilities, the balance sheet as of December 31, 2009 reflects current liabilities in excess of current assets of MSEK 5,178.

The Group has developed forecasts and projections of its cash flows and liquidity needs for the coming twelve months, taking into account the current market conditions, reasonably possible changes in the demand for air travel based on such market conditions, and its ability to modify its cost structure as a result of changing economic conditions and passenger revenue levels. The Group has also considered in its forecasts its available cash, its available borrowing facilities and its ability to access additional indebtedness. Due to the number of assumptions necessary to develop these forecasts, the Group's actual cash flows may differ significantly from its forecasts. The Group has considered potential variations in assumptions in developing its forecasts, including the assumption that it is not successful in further renegotiating its credit facilities and would be required to repay the amounts currently reflected as current liabilities. While the Group believes that it will be successful in completing the required rights issue, and thereby the amendments to its credit facilities will take effect, the Group's current cash flow projections do not require the net proceeds from the rights issue or the amended credit facilities to finance the Group's current obligations (including the current debt) or operations for the upcoming twelve months. The Group expects to be able to fund any accelerated repayment of the amounts drawn under the amended credit facilities from its current cash position and/or cash flows from operations. As a result, the Group has concluded that it is appropriate to prepare its consolidated financial statements for the year ended December 31, 2009 on a going concern basis.

The Company is domiciled in Stockholm, Sweden.

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2009. 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 assets and liabilities. 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 2009

The following new and amended standards and interpretations are effective and have been adopted as of January 1, 2009, with effects on the financial statements.

### Standards and interpretations with effect on income

*IFRIC 13 Customer Loyalty Programmes*

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated, at the time the customer purchases his air ticket. The ticket price should be allocated between the components of the arrangement using fair values and recognized in revenue in the period in which the commitment is fulfilled.

The Group operates a frequent flyer program, EuroBonus, through which customers can earn bonus points by flying with SAS and/or other Star Alliance companies or purchasing from commercial partners such as car rental companies and credit card companies.

Historically, the incremental costs of providing awards in exchange for redemption of points earned by customers were accrued as an operating cost and a liability in the balance sheet. After the adoption of IFRIC 13, revenue is allocated between the ticket sold and points earned by members. The portion allocated to points earned is deferred and recognized when the points have been redeemed or have expired. The comparative of this financial information has been restated to reflect the effect of the above changes of accounting policy.

The effect of adoption of IFRIC 13 on the consolidated financial statements is set out below:

| *Effect on the statement of income* | 2008 As previously reported | Effect of adoption of IFRIC 13 | 2008 As restated |
|---|---|---|---|
| Revenue | 52,920 | –50 | 52,870 |
| Other operating expenses | –31,970 | 11 | –31,959 |
| **Operating income** | **–657** | **–39** | **–696** |
| Earnings per share from continuing operations | –0.92 | –0.04 | –0.96 |

| *Effect on the balance sheet* | 2008 As previously reported | Effect of adoption of IFRIC 13 | 2008 As restated | 2007 As previously reported | Effect of adoption of IFRIC 13 | 2007 As restated |
|---|---|---|---|---|---|---|
| Other provisions | 768 | 1,370 | 2,138 | 691 | 1,331 | 2,022 |
| Equity attributable to Parent Company's shareholders | 8,682 | –1,370 | 7,312 | 17,130 | –1,331 | 15,799 |
| Minority interest | - | - | - | 19 | - | 19 |

*IAS 23 Borrowing Costs*
According to the revised IAS 23 borrowing costs directly attributable to qualifying assets shall be capitalized as part of the cost of that asset. This amendment to IAS 23 corresponds with the Group's previous accounting principle and therefore had no impact on the results or financial position of the Group.

**Standards and interpretations with effect on presentation and disclosures**
*IAS 1 Presentation of Financial Statements (revised)*
The amendment to IAS 1 required separate presentation of owner and non-owner changes in equity by introducing the statement of comprehensive income. Revenue and costs of the Group previously recognized in equity and which did not relate to owner transactions are now presented in a statement of comprehensive income. Where there is a restatement or reclassification, the Group is required to present a third balance sheet as at the beginning of the earliest period presented. The Group has published an additional balance sheet as of January 1, 2008 as a consequence of the implementation of IFRIC 13, which led to retrospective application of the change in accounting principle. In accordance with the rules of IAS 1, the Group has chosen not to use the new titles of the financial statements.

*IFRS 7 Financial instruments: Disclosures (enhancing disclosures about fair value and liquidity risk) (amendment)*
The additional disclosure requirements in the amended IFRS 7 has resulted in that SAS has disclosed more information about financial instruments measured at fair value and the liquidity risks of the group. In accordance with the transitional provisions for the current financial year, SAS has chosen not to present comparative figures for the new disclosures in the financial statements.

*IFRS 8 Operating Segments*
IFRS 8 Operating Segments replaces IAS 14 Segment Reporting and requires a "management approach" under which segments are reported based on the internal reporting provided to the chief operating decision maker of the Group, which makes decisions on the allocation of resources and assesses the performance of reportable segments. The Group has identified the group chief executive officer ("CEO") as its chief operation decision maker. In accordance with the new structure of the Group, Core SAS, announced on February 3, 2009, and following the guidance of IFRS 8, the Group is disclosing three segments in 2009; Scandinavian Airlines, Blue 1 and Wideroe. Segment information for prior periods has been restated to conform to the requirements of this new standard. The implementation of IFRS 8 did not affect allocation of goodwill to cash generating units.

**New standards and interpretations implemented 2009 that had no effect on profit or loss or disclosures in the financial statements**
Besides the standards and interpretations described above the Group has implemented the following standards and interpretations during 2009; Amendments to IAS 27 Consolidated and Separate Financial Statements, Amendments to IFRS 2 Share-based Payment, Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, Amendments to IAS 16 Property, Plant and Equipment, Amendments to IAS 18 Revenue, Amendments to IAS 19 Employee Benefits, Amendments to IAS 32 Financial Instruments: Presentation, Amendments to IAS 33 Earnings per Share, Amendments to IAS 36 Impairment of Assets, Amendments to IAS 38 Intangible Assets, Amendments to IAS 39 Financial Instruments: Recognition and Measurement. In addition IFRIC has issued the following interpretations and amendments to interpretations; Amendment to IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation, IFRIC 18 Transfers of Assets from Customers (applied to transfers of assets from customers received on or after July 1, 2009). The implementation of the standards and interpretations above has had no significant effect on the financial statements of the Group.

**Standards, amendments and interpretations of existing standards that are not yet effective and have not been early adopted by the group**
The following standards, amendments and interpretations of existing standards have been issued and are mandatory for the accounting of the group for financial years beginning on or after January 1, 2010, but have not been early adopted.

*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 also 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 and will be applying the revised standard prospectively for all business combinations on or after January 1, 2010.

*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 of the group and will be applied prospectively for transactions with non-controlling interests as of January 1, 2010.

*Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:* The amendment is part of IASB's annual improvements project. The amendment clarifies that IFRS 5 specifies the disclosure requirements for non-current assets (or disposal groups) that are classified as non-current assets held for sale or discontinued operations. It also clarifies that the requirement for financial reports to give a fair representation and disclose key sources of estimation uncertainty still applies. The Group will apply these clarifications when preparing the financial reports for 2010 and is currently investigating what additional disclosures may arise in 2010. The amendment to IFRS 5 is not yet endorsed by the European Union.

*IFRIC 17 Distribution of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009):* This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders. An amendment has also been made to IFRS 5 to require that the assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 starting on January 1, 2010. Management does not expect this interpretation to have a material impact on the Group's financial statements.

*IFRS 9 Financial Instruments:* This new standard is the first step in replacing IAS 39 Financial Instruments. The standard regulates which financial assets should or could be measured at fair value and which should be measured at amortized cost. IFRS 9 is not endorsed by European Union and will be effective by 2013. The Group is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

In addition to the standards above IASB has issued amendments to IFRS 2 Share-based Payment, IFRS 7 Financial Instruments – Disclosures, IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows, IAS 17 Leases, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 24 Related Party Disclosures, IAS 28 Investments in Associates, IAS 32 Financial Instruments: Presentation, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, and IFRIC has issued a new interpretation, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments and an amendment to IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. These amendments and interpretations are not yet endorsed by the European Union, and SAS is currently investigating if they will affect the financial statements of the Group.

**Principles of consolidation**
The consolidated financial statements include the financial statements of the Parent Company and the entities controlled by the Company. Controlling influence (control) is achieved where the Group directly or indirectly owns more than 50% of the voting rights or has the right to shape or govern the financial and operating strategies of an entity so as to obtain economic benefits.

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 by other means but cannot exercise control 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 the Group's income up to the effective date of disposal.

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

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

**Business combinations**
Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition

date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell. When a business combination is achieved in stages, each exchange transaction is treated separately for the purpose of determining the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and for determining the amount of any goodwill on that transaction.

**Investments in affiliates**

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

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

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

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

**Assets held for sale and discontinued operations**

When the Group intends to dispose of, or classify as held for sale, a business component that represents a separate major line of business or geographical area of operations, it classifies it as discontinued. The post tax profit or loss from discontinued operations is shown as a single amount on the face of the income statements, separate from the other results of the Group and the accounting for the comparative period is shown to present the discontinued operations separately 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 asset is available for immediate sale in its present condition, and it is highly probable that the sale will take place within one year.

**Foreign currency translation**

The individual financial statements of the entities in the Group are presented in the functional currency of the entities, i.e., the currency of the primary economic environment in which they operate.

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, provided that exchange rates do not fluctuate substantially in the period. In that case, the exchange rate on the transaction date is applied. Any resulting exchange differences are classified as equity and recognized in the Group's foreign currency translation reserve. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

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

| Exchange rates | | | Closing rate | | Average rate | |
|---|---|---|---|---|---|---|
| | | | **2009** | **2008** | **2009** | **2008** |
| Denmark | DKK | 100 | 139.15 | 146.80 | 143.13 | 128.19 |
| Norway | NOK | 100 | 124.30 | 110.35 | 120.78 | 117.60 |
| U.S. | USD | | 7.21 | 7.75 | 7.68 | 6.50 |
| U.K. | GBP | | 11.49 | 11.25 | 11.90 | 12.18 |
| Switzerland | CHF | 100 | 695.35 | 734.55 | 706.56 | 600.77 |
| Japan | JPY | 100 | 7.84 | 8.60 | 8.23 | 6.34 |
| EMU countries | EUR | | 10.35 | 10.94 | 10.66 | 9.56 |

**Financial instruments**

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

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

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

**Financial assets**

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

*Loans and receivables*

Receivables in affiliated companies are categorized as loans and receivables and are measured at amortized cost.

Accounts receivable are categorized as loans and receivables. Since the terms of accounts receivable are expected to be 11 days, the value of each receivable is carried at its nominal amount with no discount, which is deemed to be a good estimate of fair value. Accounts receivable are assessed individually for impairment and all impairment losses are reported in the income statement as other operating expenses.

*Cash and cash equivalents*

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

***Financial liabilities and equity***

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

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

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

*Accounts payable*

Accounts payable are categorized as other liabilities. Since the terms of account payables are expected to be short, the liabilities are carried at nominal amounts with no discounts, which is deemed to be a good approximation of the fair value of the accounts payable.

*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 amortized in the coming fiscal year, as well as other current interest-bearing liabilities with a remaining term shorter than one year.

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

***Derivative financial instruments***

The Group holds various financial instruments to manage its exposure to foreign currency, interest rate and fuel risks.

*Note 1, continued*

All derivatives are measured at fair value and recognized either as assets or liabilities depending on whether the fair value of the instrument is positive or negative.

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 hedging instrument in 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 hedging instrument in a cash flow hedge or a net investment hedge, the effective portion of changes in the fair value of derivative financial instruments is recognized in equity. The ineffective portion of cash flow hedges is recognized directly in the consolidated income statement. Amounts deferred in equity are recycled in the consolidated income statement in the periods when the hedged item is recognized in the consolidated income statement. For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period when the change arose.

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

**Tangible fixed assets**

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

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

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

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

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

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

**Leasing**

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

*The Group as lessee*

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

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

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

*Operating leases* - Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also distributed 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 leasing* - 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 residual value discounted at the interest rate implicit in the lease. Finance lease income is allocated to different accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

**Intangible assets**

Intangible assets comprise goodwill and capitalized costs for systems development. 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 impairment losses. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Gains and losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

Goodwill is assessed as having an indefinite useful life. Goodwill is allocated to the smallest possible cash-generating unit (CGU) 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 CGU and comparing the carrying value of assets of the CGU with their recoverable amount. These cash flows are discounted at rates that the Group estimates to be the risk-affected average cost of capital for the particular businesses. Any impairment is recognized immediately in the income statement.

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

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

**Impairment of tangible and definite lived intangible assets**

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

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

**Expendable spare parts and inventories**

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

**Provisions and contingent liabilities**

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

A restructuring obligation is considered to have arisen and a provision for the obligation is recognized when the Group has adopted a detailed and formal restructuring plan. The plan shall have been communicated to affected parties and have been commenced or publicly announced.

**Remuneration of employees**

*Pensions*

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

For pension plans where the employer has accepted responsibility for a defined contribution, the obligation to employees ceases when the contractual premiums have been paid. Where defined benefit pensions have been agreed, the commitments do not cease until the contractual pensions have been paid. The Group calculates its pension commitments for the defined benefit pension plans based on estimated future final salary. An estimate of funded assets is made at the same time.

Pension costs for the year comprise the present value of pension earnings for the year plus interest on the obligation at the beginning of the year, less return on funded assets. Amortization of actuarial gains and losses and plan amendments is added to this total for certain pension plans. 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 are 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 outside the corridor are amortized over a 15-year period, which corresponds to the average remaining employment period.

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

*Termination benefits*

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

**Revenue recognition**

*Passenger revenue*

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

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

*Charter revenue*

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

*Mail and freight revenue*

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

*Other revenue*

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

**Loyalty program**

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

Under IFRIC 13, the awarding of loyalty points is considered a separately identifiable transaction in purchases of airline tickets. The portion of the ticket price allocated to loyalty points is measured at fair value and not recognized as revenue until the period in which the obligation is fulfilled. The Group previously recorded a provision only for the variable marginal costs associated with the points earned by EuroBonus members, i.e., the estimated cost of fulfilling the obligation. These costs were reported as selling costs.

**Borrowing costs**

Borrowing costs that arise in operations are expensed in the period in which they are incurred. Interest expenses on prepayments for aircraft not yet delivered are capitalized as part of the process of obtaining qualified production resources. If a decision is made to postpone deliveries of aircraft for which prepayments have been made, capitalization of interest expenses ceases. Amortization of capitalized interest expenses commences when aircraft are put into service, 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 estimated on the basis of the tax rates and tax rules that have been decided or announced as of the balance sheet date. Deferred tax is recognized 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 management's assessments or on estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

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

Below is an overall description of the accounting policies affected by such estimates or assumptions that are expected to have the biggest impact on the SAS Group's reported earnings and financial position. For information about the carrying amount on the closing date see balance sheet with accompanying notes.

*Estimated useful economic lives of tangible fixed assets*

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

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

*Note 1, 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 certain assumptions in estimating the value of the assets, including the timing and value of cash flows to be generated from the assets. The cash flow projections are based on reasonable assumptions that represent management's best estimate of the set of economic conditions that will exist over the remaining useful life of the asset and are based on the most recent financial plan that management has approved. Due to its subjective nature, these estimates will likely differ from future actual results of operations and cash flows, any such difference may result in an impairment in future periods.

*Pensions*

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

The discount rate shall be determined on the basis of market yields on corporate bonds. When there is no deep market in high-quality corporate bonds, market yields on government bonds may be used instead. 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.

Gains or losses may arise if the actual return is higher or lower than estimated or by actual inflation levels and salary adjustments that deviate from the Group's assumptions. In addition, actuarial gains or losses are affected by changed parameters concerning the discount rate, life expectancy and early retirement. 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 parameters can be estimated as follows: A one percentage point change in the discount rate has an impact on the commitment of approximately SEK 4 billion. A one percentage point change in the inflation assumption has approximately a SEK 2 billion impact on the commitment and a one percentage point change in the parameter for payroll adjustment has approximately a SEK 3 billion impact on the commitment.

*Deferred taxes*

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

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

*Litigation*

The Group is involved in litigations and other claims in the ordinary course of its business activities. Management judgment is required in determining the likelihood of the outcome. Actual results of the outcome could differ from management's estimate, which would impact the Group's results (see also the Report by the Board of Directors: Legal issues).

**Segment reporting**

The information is based on the SAS Group's accounting policies and the Group's highest executive officers. Identification of reportable segments is done based on the internal reporting to the highest executive officer, which for SAS is the President. The Group is governed and reported according to the above-described segments. The accounting policies applied in segment reporting coincide with the Group's accounting policies according to the description contained in this note.

The SAS Group's segments according to Core SAS comprise Scandinavian Airlines, Blue1 and Widerøe. For management reporting purposes, the Group aggregates these along with along with other Core SAS activities and eliminates the activities between these segments to produce total Core SAS results, which the CODM uses to manage the business. The other Core SAS activities primarily relate to activities that support the three segments such as asset management and other group functions.

The CODM does not regularly review the operating results of remaining operations, and accordingly these operations are not reported as separate segments. They are included in the tables in Note 40 as reconciling items to the Group's results. These other operations contain smaller subsidiaries which the Group plans to divest, including Estonian Air, Skyways, Air Greenland and other costs not allocated to the segments.

All operations, whether they are corporations or business units, are to have a businesslike relationship with customers and suppliers within the Group.

The performance of the segment is evaluated on the basis of an operating income metric, with the segment information presented per business area by operating income, EBIT. Other items are not broken down by business area.

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

*Information about revenue from external customers:*

- 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 or, alternatively, the geographical location where the service is performed.

Assets broken down by geographic area do not include the Group's aircraft and spare parts. Since aircraft are utilized in a flexible manner across the route network, there is no justifiable basis for allocating these assets.

**Parent Company accounting policies**

The Parent Company has prepared its financial statements according to the Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2.1 "Accounting for Legal Entities" as well as applicable statements from the Swedish Financial Reporting Board. Under RFR 2.1, the Parent Company, in preparing the annual financial statements for the legal entity, shall apply all EU-approved IFRS and statements insofar as this is possible within the framework of the Annual Accounts Act and Tryggandelagen (the Swedish law on safeguarding pension obligations) and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS.

The differences between the Group's and the Parent Company's accounting policies are listed below:

*Pensions:* Current pension premiums are recognized as an expense.

*Shares in subsidiaries and affiliated companies:* Stated at cost.

*Other shares and participations:* Stated at cost.

*Hedging of net investments in foreign operations:* Translation differences relating to currency hedging are recognized in the statement of income.

**Note 2 • Revenue**

| | **2009** | **2008** |
|---|---:|---:|
| Traffic revenue: | | |
| Passenger revenue | 32,674 | 38,053 |
| Charter | 2,176 | 1,663 |
| Mail and freight | 1,011 | 1,509 |
| Other traffic revenue | 1,869 | 2,159 |
| Other operating revenue: | | |
| In-flight sales | 457 | 519 |
| Ground handling services | 1,349 | 1,280 |
| Technical maintenance | 604 | 792 |
| Terminal and forwarding services | 767 | 1,505 |
| Sales commissions and charges | 398 | 668 |
| Other operating revenue | 3,613 | 4,722 |
| | **44,918** | **52,870** |

## Note 3 • Payroll expenses

### Average number of employees

In 2009, the average number of employees in the SAS Group's continuing operations was 17,371 (19,636). A breakdown of the average number of employees by country is provided in the table below.

Average number of employees totaled 5,292 (5,869) in Denmark, 6,044 (6,272) in Norway, and 4,315 (5,168) in Sweden.

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Men | Women | Men | Women |
| Denmark | 3,083 | 2,209 | 3,689 | 2,180 |
| Norway | 2,864 | 3,180 | 3,206 | 3,066 |
| Sweden | 2,433 | 1,882 | 3,150 | 2,018 |
| U.K. | 224 | 214 | 209 | 303 |
| Finland | 229 | 251 | 359 | 380 |
| Estonia | 159 | 87 | 164 | 93 |
| U.S. | 29 | 37 | 67 | 120 |
| Other countries | 245 | 245 | 234 | 398 |
| **Total** | **9,266** | **8,105** | **11,078** | **8,558** |
| **Total men and women** | **17,371** | | **19,636** | |

Average number of employees in divested operations totaled 1,415 (4,999).

### Gender breakdown among senior executives in the Group

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Total on closing date | of which men | Total on closing date | of which men |
| Board members | 85 | 76% | 82 | 61% |
| President and other senior executives | 79 | 67% | 79 | 68% |

### Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses in continuing operations amounted to MSEK 17,225 (17,286), of which social security expenses comprised MSEK 1,943 (2,047) and pensions MSEK 2,687 (2,594).

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Salaries & other remuneration | Soc. sec. (of which pension cost) * | Salaries & other remuneration | Soc. sec. (of which pension cost) |
| SAS AB | 204 | 126 (71) | 218 | 126 (63) |
| SAS Consortium | 3,435 | 1,642 (1,033) | 916 | 559 (318) |
| Other subsidiaries | 8,956 | 2,862 (1,583) | 11,511 | 3,956 (2,213) |
| **SAS Group total** | **12,595** | **4,630 (2,687)** | **12,645** | **4,641 (2,594)** |

* *The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 30 (32).*

A breakdown of the salaries and other remuneration of Board members, CEOs, other senior executives and other employees is provided below.

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Board, CEO & senior executives (of which variable salary) | Other employees | Board, CEO & senior executives (of which variable salary) | Other employees |
| SAS AB | 37 (-) | 175 | 41 (6) | 178 |
| SAS Consortium | - (-) | 3,436 | - (-) | 916 |
| SAS Scandinavian Airlines Danmark [1] | 3 (9) | 646 | 7 (1) | 1,830 |
| SAS Scandinavian Airlines Sverige [1] | 5 (2) | 472 | 16 (3) | 959 |
| SAS Scandinavian Airlines Norge [2] | 33 (3) | 1,853 | 19 (3) | 2,151 |
| SAS Ground Services | 30 (2) | 2,876 | 25 (4) | 3,140 |
| SAS Tech | 16 (3) | 1,372 | 12 (2) | 1,343 |
| Blue1 | 8 (-) | 248 | 9 (1) | 259 |
| Widerøes Flyveselskap | 2 (0) | 970 | 4 (1) | 933 |
| SAS Cargo | 9 (1) | 206 | 11 (1) | 622 |
| Other subsidiaries | 11 (1) | 187 | 13 (1) | 160 |
| **SAS Group total** | **154 (21)** | **12,441** | **157 (23)** | **12,491** |

1 *Refers only to operations for January-April, after which the operation was transferred to the SAS Consortium.*
2 *Most of the operation was transferred to the SAS Consortium in October.*

| **Sick leave in the Parent Company SAS AB** | **2009** | **2008** |
|---|---|---|
| Total sick leave | 0.6% | 0.9% |
| Long-term sick leave >59 days | 0.2% | 0.3% |
| Sick leave for women | 1.2% | 0.9% |
| Sick leave for men | 0.3% | 0.9% |
| Sick leave employees <30 years | 0.0% | 0.0% |
| Sick leave employees 30-49 years | 1.1% | 0.6% |
| Sick leave employees >49 years | 0.4% | 1.2% |

The total sick leave is stated as a percentage of the employees' total working hours. The data apply only to employees in Sweden.

| **Pension costs** | **2009** | **2008** |
|---|---|---|
| Defined benefit pension plans | 1,773 | 1,552 |
| Defined contribution pension plans | 914 | 1,042 |
| **Total** | **2,687** | **2,594** |

### Remuneration and benefits paid to senior executives

The fees and other remuneration paid to Board members of SAS AB shall be determined by the Annual General Shareholders' Meeting, which has also approved the principles for the remuneration of senior management.

### Board of Directors

At the Annual General Shareholders' Meeting of SAS AB on March 31, 2009, the fees paid to directors and remuneration for serving on board committees were set as follows:

| | |
|---|---|
| Board chairman | 585 TSEK |
| Board vice chairman | 390 TSEK |
| Other board members (8 persons) | 295 TSEK per member |
| Employee deputies (6 persons) | 1 TSEK study fee/board meeting<br>3.5 TSEK fee/board meeting for participation |
| Chairman of audit committee | 95 TSEK |
| Other members of audit committee (3 persons) | 45 TSEK |
| Chairman of remuneration committee | 70 TSEK |
| Other members of remuneration committee (2 persons) | 25 TSEK |

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in 2009. No Board member not employed by the SAS Group received any remuneration or benefit from any company in the SAS Group beyond customary travel benefits and the fees received for board duties.

All Board members reduced their Directors' fees by 25% starting September 1, 2009.

### Principles

The following remuneration principles have been applied in 2009 in regard to senior executives in the SAS Group. In this connection, senior executives refers to the President and the other four members of SAS Group Management.

The SAS Group's overarching remuneration policy is aimed at offering market compensation.

The SAS Group's overall remuneration model is based on the following four cornerstones:

- Salary setting shall be individual and differentiated
- Salary setting shall be national and adapted to the market
- Salary setting shall be an important management tool in reaching the organization's goals
- Salary setting shall motivate professional and personal advancement

Total remuneration shall consist of fixed salary, variable salary, other benefits and pension.

The SAS Group applies a remuneration model that means that salary shall be performance-based. The division of salary into a fixed and a performance-based variable part shall be in proportion to the responsibilities and authorities of the position. A specific target-based variable salary is an important management tool and is aimed at ensuring that the priorities of senior executives are consistent with the Group's overall goals and strategies.

The variable salary shall be maximum and never exceed 50% of the fixed salary. At least 20% and maximum 60% of the variable salary is to be related to the Group's earnings. No earnings-based salary will be paid if the Group's earnings (EBT before non-recurring items) are negative. The outcome of the variable salary is based on achievement of the targets contracted between the employee and his or her superior. On the recommendations of the remuneration committee the Board sets the President's targets, degree of target

*Note 3, continued*

achievement and the size of the variable salary. The President annually sets the target criteria for the people who report directly to him and decides, in consultation with the remuneration committee, payment of the variable salary.

Payment of the variable salary takes place after the SAS Group's annual report has been adopted by the Annual General Shareholders' Meeting.

**President and CEO**

Mats Jansson, who assumed the position of President and CEO on January 1, 2007, has the following remuneration components in his employment contract:

- An annual fixed base salary of TSEK 10,000 that will not be subject to salary revision from January 1, 2007 to December 31, 2011. (Mats Jansson reduced his annual fixed base salary by 6% starting January 1, 2009 and it now amounts to TSEK 9,400 on an annual basis.)
- A variable salary comprising a maximum of 20% of his annual fixed salary.
- A defined contribution pension plan where 35% of his fixed salary is paid as premiums to an agreed pension insurance. Should Mats Jansson remain in his position on December 31, 2011, SAS will pay a lump sum pension premium of MSEK 8.

The notice period is 6 months in the event the President resigns and 12 months if the termination of employment is by SAS AB. Severance pay for the President in the event his employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of his duties as President or criminal acts against the SAS Group is payable in an amount equivalent to 12 months of salary. Should new employment be obtained within 12 months after his employment ended the awarded severance pay shall be reduced by the remuneration received from the new position. No severance pay is paid if the President resigns of his own accord, unless his resignation is occasioned by the following circumstances:

- Should SAS be bought up by any industrial or financial owners and cease to exist as an independent company.
- Should any external owner, industrial or financial, acquire a controlling stake corresponding to at least 30% of the votes in SAS. An external industrial or financial owner means a person or group that does not currently own or have any controlling stake in SAS that influences the management of the company.

**Deputy Presidents**

In 2009 SAS Group had two deputy presidents, John S. Dueholm (Deputy President and CEO) and Mats Lönnqvist (CFO and Deputy President). John S. Dueholm has the following remuneration components in his employment contract:

- An annual fixed base salary of TDKK 4,442, which refers to the salary set on January 1, 2009, and is subject to salary revision in January of each year.
- A variable salary comprising a maximum of 50% of his annual fixed base salary.
- A defined contribution pension plan where 35% of salary is paid into a chosen insurance plan. Should John S. Dueholm remain in his position on June 30, 2011, SAS will pay a lump sum pension premium of MDKK 5, equivalent to MSEK 6.4.

**REMUNERATION AND BENEFITS 2009**

| Name | Fixed base salary (TSEK) | Variable salary for (TSEK) 2008 [1] | Variable salary for (TSEK) 2009 [1] | Other benefits (TSEK) | Pension cost [2] (TSEK) | Financial instruments | Insurance (TSEK) | Total (TSEK) | Pension obligations [2] |
|---|---|---|---|---|---|---|---|---|---|
| Mats Jansson | 9,597 | - | - | 118 | 3,201 | - | 6 | 12,916 | - |
| Mats Lönnqvist | 3,962 | - | - | 4 | 1,149 | - | 5 | 5,120 | - |
| John S. Dueholm [3] | 6,496 | - | - | 225 | 2,225 | - | 7 | 8,953 | - |
| Other | 4,562 | - | - | 234 | 2,380 | - | 10 | 7,186 | - |

1 *SAS's remuneration committee and SAS Group Management have decided that no variable salary for 2008 and 2009 will be paid.*
2 *All retirement benefits are insured and vested.*
3 *Converted to TSEK.*

Mats Lönnqvist has the following remuneration components in his employment contract:

- An annual fixed base salary of TSEK 3,850, which is subject to salary revision in January of each year.
- A variable salary comprising a maximum of 40% of his annual fixed base salary.
- A defined contribution pension plan where 29.8% of salary is paid into a chosen insurance plan.

The notice period is 6 months in the event John S. Dueholm resigns and 6 months if the termination of employment is by SAS AB. The notice period is 6 months in the event Mats Lönnqvist resigns and 12 months if the termination of employment is by SAS AB.

Severance pay is payable to the deputy presidents in the event their employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of their duties as deputy president or criminal acts against the SAS Group in an amount equivalent to 24 months' salary for John S. Dueholm and equivalent to 12 months' salary for Mats Lönnqvist, from which a maximum of one fixed annual salary may be deducted from each for income from a new appointment or engagement.

Severance pay is also payable if the senior executive resigns if his or her responsibilities or authorities are materially changed through ownership or organizational changes. However, severance pay in the above case is not payable if the senior executive is offered another position in the SAS Group and the position has the same classification level as the previous position.

**Other senior executives**

Of the two other members of Group Management, one has a defined contribution pension plan with a retirement age of 60 and the other has a defined benefit pension with a retirement age of 60, with a pension provision equivalent to 25% of the fixed base salary. The notice period is 12 months in the event the termination of employment is by SAS AB and six months in the event the employee resigns.

Severance pay for these senior executives is set according to the same principles for the two deputy presidents, with, however, the difference that the severance pay, pursuant to already signed agreements, totals an amount equivalent to a fixed annual salary for two years, with a maximum deduction of 50% of the compensation for income from a new appointment or engagement.

**Share price-related remuneration**

Because the SAS Group does not have a share price-related incentive program, no such benefits were allotted to any senior executives in the SAS Group.

**Variable salary 2009**

The President and the other five Group Management members have decided to forgo variable salary for 2009.

**Other**

Other typical managers' contracts in the SAS Group are based on the principles outlined under the "Principles" heading above.

**Discussion and decision-making process**

The issue of the Directors' fees is discussed by the nomination committee, which consists of representatives elected at the Annual General Shareholders' Meeting. The nomination committee presents its proposal concerning Directors' fees to the Shareholders' Meeting, which votes on it.

The primary task of the Board-created remuneration committee is to prepare for the decision of the Board proposals pertaining to the President's salary and other employment terms, and to prepare and propose the main principles and general conditions applying to the setting of salaries and other remuneration and employment terms (including variable salary, pension and severance pay policy) for the Group Management and other senior executives in the SAS Group. The Board presents the proposals for the principles regarding remuneration and other employment terms for the Group Management to the Annual General Shareholders' Meeting, which votes on them.

During the year the remuneration committee discussed and made recommendations to the Board concerning overarching principles for remuneration policies in the SAS Group that include the principles and levels of variable salary, and also submitted recommendations regarding the President's target contract and variable remuneration. The remuneration committee discussed the Group Management's waiver of variable salary for 2009. The Board discussed the remuneration committee's recommendations and made decisions accordingly. Remuneration of other senior executives was decided by the President after consultation with the remuneration committee and in accordance with the principles approved by the Shareholders' Meeting. The remuneration committee held two recorded meetings plus a number of informal discussions.

### Note 4 • Other operating expenses

| | 2009 | 2008 |
|---|---|---|
| Selling costs | 597 | 680 |
| Jet fuel | 7,685 | 9,637 |
| Government user fees | 4,399 | 4,651 |
| Catering costs | 1,187 | 1,346 |
| Handling costs | 1,767 | 1,813 |
| Technical aircraft maintenance | 2,938 | 3,197 |
| Computer and telecommunications costs | 2,130 | 2,273 |
| Other | 5,209 | 8,362 |
| **Total** | **25,912** | **31,959** |

### Note 5 • Depreciation, amortization and impairment

| | 2009 | 2008 |
|---|---|---|
| Intangible assets | 42 | 27 |
| Aircraft | 1,429 | 1,149 |
| Spare engines and spare parts | 157 | 147 |
| Workshop and aircraft servicing equipment | 83 | 63 |
| Other equipment and vehicles | 73 | 102 |
| Buildings and fittings | 61 | 50 |
| Impairment | - | 12 |
| **Total** | **1,845** | **1,550** |

### Note 6 • Share of income and equity in affiliated companies

| *Share of income in affiliated companies:* | 2009 | 2008 |
|---|---|---|
| British Midland PLC [1] | - | –114 |
| Skyways Holding AB [2] | –8 | 2 |
| Air Greenland A/S [3] | 28 | 17 |
| Go Now AS [4] | - | –21 |
| AS Estonian Air [5] | –186 | –50 |
| Commercial Aviation Leasing Ltd [6] | –95 | 14 |
| Malmö Flygfraktterminal AB | 2 | 5 |
| Other | 1 | - |
| **Total** | **–258** | **–147** |
| Total revenue of affiliated companies | 9,320 | 16,347 |
| Income after tax in affiliated companies | –860 | –1,039 |
| SAS Group's share of income | –258 | –147 |

[1] *The share of income includes adjustment of last year's income figure by MSEK - (–11).*
[2] *The share of income includes adjustment of last year's income figure by MSEK 2 (2).*
[3] *The share of income includes adjustment of last year's income figure by MSEK 10 (-).*
[4] *The share of income includes adjustment of last year's income figure by MSEK - (–13).*
[5] *The share of income includes adjustment of last year's income figure by MSEK –1 (1) and impairment of goodwill of MSEK 163.*
[6] *Commercial Aviation Leasing Ltd has been reported as a subsidiary since October 2009.*

| *Equity in affiliated companies:* | | | | Share of equity | |
|---|---|---|---|---|---|
| | Corporate identity number | Domicile | Share of equity % | 2009 | 2008 |
| British Midland PLC | 2107441 | Derby, U.K. | | - | 0 |
| Skyways Holding AB | 556021-5872 | Stockholm, Sweden | 25.0 | 50 | 58 |
| Air Greenland A/S | 30672 | Nuuk, Greenland | 37.5 | 286 | 273 |
| AS Estonian Air | 10076042 | Tallinn, Estonia | 49.0 | 8 | 161 |
| Commercial Aviation Leasing Ltd | IE6328550R | Dublin, Ireland | | - | 112 |
| Malmö Flygfraktterminal AB | 556061-7051 | Malmö, Sweden | 40.0 | 10 | 15 |
| Other | | | | 4 | 3 |
| **Total** | | | | **358** | **622** |
| Total assets in affiliated companies | | | | 2,317 | 8,739 |
| Total liabilities in affiliated companies | | | | 1,469 | 8,054 |
| Shareholders' equity in affiliated companies | | | | 848 | 685 |
| SAS Group's share of equity in affiliated companies | | | | 358 | 622 |

Equity in affiliated companies includes the acquisition of surplus value amounting to MSEK 39 (39) in Skyways Holding AB and MSEK - (171) in AS Estonian Air.

As a result of impairment testing, MSEK 163 of goodwill pertaining to Estonian Air was completely written off from the equity in affiliated companies. The reason for this is the sharp decline in the economy, which had a major impact on the entire airline industry.

### Note 7 • Income from the sale of aircraft and buildings

| | 2009 | 2008 |
|---|---|---|
| Boeing 737 | –7 | –5 |
| deHavilland Q400 | –68 | 9 |
| MD-80 | –26 | - |
| Properties | 4 | - |
| **Total** | **–97** | **4** |

### Note 8 • Net financial items

| **Financial income** | 2009 | 2008 |
|---|---|---|
| Interest income on financial assets not measured at fair value | 91 | 81 |
| Interest income on financial assets measured at fair value | 208 | 579 |
| Other financial income | 5 | 0 |
| **Total** | **304** | **660** |
| **Financial expenses** | | |
| Interest expense on financial liabilities not measured at fair value | –629 | –728 |
| Interest expense on financial liabilities measured at fair value | –205 | –230 |
| Other financial expenses | –53 | –39 |
| Exchange rate differences, net | 203 | 53 |
| Net profit/loss on financial instruments categorized as: | | |
| Held for trading | –10 | 2 |
| Other liabilities | 49 | 9 |
| Hedge accounting | | |
| Fair value hedge | - | - |
| - of which change in fair value of hedging instrument | 16 | 72 |
| - of which change in fair value of hedged item | –16 | –72 |
| Ineffective portion of cash flow hedge | - | - |
| Ineffective portion of net investment hedge in foreign operations | - | - |
| **Total** | **–645** | **–933** |

## Note 9 • Tax

The following components are included in the Group's tax expense:

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Current tax | 95 | –60 | - | 24 | 95 | –36 |
| Deferred tax | 708 | 64 | - | –273 | 708 | –209 |
| **Tax attributable to the Parent Company and its subsidiaries** | **803** | **4** | **-** | **–249** | **803** | **–245** |

Current tax is calculated based on the tax rate in each country. The tax rate in Sweden was changed on January 1, 2009, from 28% to 26.3%. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

The tax expense for the fiscal year can be reconciled against income before tax as follows:

| | 2009 | 2009 (%) | 2008 | 2008 (%) |
|---|---|---|---|---|
| Income before tax in continuing operations | –3,423 | | –969 | |
| Income before tax in discontinued operations | –327 | | –5,146 | |
| Income before tax | –3,750 | | –6,115 | |
| Tax according to rate in Sweden | 986 | 26.3 | 1,712 | 28.0 |
| Tax effect of income in affiliated companies | –10 | –0.3 | –12 | –0.2 |
| Tax effect of non-deductible costs | –764 | –20.4 | –928 | –15.3 |
| Tax effect of non-taxable income | 372 | 9.9 | 52 | 0.9 |
| Tax effect of unrecognized loss carryforwards | 92 | 2.5 | –826 | –13.4 |
| Tax effect of changed tax rate | - | - | 30 | 0.5 |
| Taxes attributable to previous years | 127 | 3.4 | - | - |
| Write-down of tax asset in Spanair | - | - | –273 | –4,5 |
| **Tax expense and effective tax rate for the fiscal year** | **803** | **21.4** | **–245** | **–4.0** |

| Deferred tax liability/tax asset: | 2009 | 2008 |
|---|---|---|
| Deferred tax liability | 2,832 | 2,988 |
| Deferred tax asset | –1,159 | –921 |
| **Deferred tax liability, net** | **1,673** | **2,067** |

The tables below show the Group's most significant deferred tax liabilities and tax assets according to category and how these liabilities and assets changed.

| Deferred tax liability in the balance sheet: | 2009 | 2008 |
|---|---|---|
| Non-current assets | 1,739 | 1,830 |
| Provisions | –2 | –43 |
| Cash flow hedges | 69 | –208 |
| Pensions | 1,174 | 1,228 |
| Other temporary differences | 746 | 321 |
| Tax loss carryforwards | –894 | –140 |
| **Total** | **2,832** | **2,988** |

| Deferred tax asset in the balance sheet: | 2009 | 2008 |
|---|---|---|
| Tax loss carryforwards | 1,019 | 767 |
| Non-current assets | 68 | 59 |
| Provisions/receivables | 72 | 95 |
| **Total** | **1,159** | **921** |

| Reconciliation of deferred tax liability, net: | 2009 | 2008 |
|---|---|---|
| Opening balance | 2,067 | 3,065 |
| Change for the year for cash flow hedges | 347 | –695 |
| Change according to statement of income | –708 | –64 |
| Deferred tax recognized in equity | –36 | –28 |
| Exchange differences etc. | 3 | –211 |
| **Deferred tax liability, net, closing balance** | **1,673** | **2,067** |

On the closing date the Group had unutilized loss carryforwards in continuing operations totaling MSEK 8,035 (4,570). Based on these loss carryforwards, the Group recognizes a deferred tax asset of MSEK 1,913 (907). Deferred tax assets are recognized to the extent it is probable that there are factors indicating that taxable profits will be created before the right to use the loss carryforwards is lost. The assessment of the respective group company's future profit performance is based on earnings reported in recent years as well as improved profitability prospects. The recognized tax assets refer primarily to Blue1, SAS AB and the Group's operations in Denmark. For loss carryforwards amounting to MSEK 709 (1,101) no deferred tax asset is recognized due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 5 expires in 2010 and MSEK 462 in 2011-2019. There are no expiration dates for the remaining loss carryforwards.

No provision has been made for deferred tax on temporary differences relating to non-distributed profits in subsidiaries and affiliated companies, since these profits will not be distributed within the foreseeable future; alternatively a distribution can be made without the profits being subject to tax.

Taxes recognized directly in equity regarding cash flow hedges reported according to IAS 39 amounted to MSEK 227 (407).

## Note 10 • Discontinued operations

Spirit is in the process of being sold and is reported as a discontinued operation. The sale of Spanair was concluded during the year. Net income for the year from the sale of subsidiaries was adjusted by the result from the sale of Aerolineas de Baleares and airBaltic the previous year.

In 2008 the subsidiaries SAS Media, SAS Facility Management and Aerolineas de Baleares were divested along with the remaining holding in ST Aerospace Solutions. Furthermore, the affiliated companies airBaltic, Baltic Cargo Center and Travel AS were sold. Spanair was in the process of being sold and is reported as a discontinued operation.

| Net income for the year from discontinued operations | 2009 | 2008 |
|---|---|---|
| Net income for the year in discontinued operations | –520 | –4,476 |
| Income from sale of subsidiaries | 193 | –919 |
| **Income from discontinued operations** | **–327** | **–5,395** |

| Net income for the year in discontinued operations | 2009 | 2008 |
|---|---|---|
| Revenue | 2,177 | 12,403 |
| Payroll expenses | –856 | –2,646 |
| Other operating expenses | –1,527 | –11,072 |
| Leasing costs for aircraft | –215 | –914 |
| Depreciation, amortization and impairment | –47 | –159 |
| Share of income in affiliated companies | - | 5 |
| Income from the sale of aircraft and buildings | - | 9 |
| **Operating income** | **–468** | **–2,374** |
| Net financial items | –52 | –158 |
| **Income before tax** | **–520** | **–2,532** |
| Tax | - | –249 |
| **Net income for the year** | **–520** | **–2,781** |
| Impairment of goodwill | - | –1,686 |
| Group elimination | - | –9 |
| **Net income for the year after group adjustments** | **–520** | **–4,476** |

**Assets held for sale and corresponding liabilities**

Spirit is reported as an asset held for sale with corresponding liabilities in the 2009 balance sheet. Spanair was reported as held for sale the previous year.

*Note 10, continued*

| | 2009 | 2008 |
|---|---|---|
| Intangible assets | - | 64 |
| Tangible fixed assets | 165 | 447 |
| Financial fixed assets | 91 | 873 |
| **Total non-current assets** | **256** | **1,384** |
| Current assets | - | 160 |
| Current receivables | 135 | 2,269 |
| Cash and cash equivalents | 10 | 108 |
| **Total current assets** | **145** | **2,537** |
| **Assets held for sale** | **401** | **3,921** |
| Long-term liabilities | 11 | 54 |
| Current liabilities | 146 | 2,411 |
| **Liabilities attributable to assets held for sale** | **157** | **2,465** |
| Interest-bearing assets | 56 | 335 |
| Interest-bearing liabilities | 7 | 70 |

| Net cash flow from discontinued operations classified as assets for sale | 2009 | 2008 |
|---|---|---|
| Cash flow from operating activities | –98 | –1,519 |
| Cash flow from investing activities | –77 | –517 |
| Cash flow from financing activities | 149 | 2,055 |
| **Net cash flow** | **–26** | **19** |

## Note 11 • Intangible assets

| | Goodwill | | Other assets | | Total intangible assets | |
|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Opening cost | 1,010 | 1,141 | 1,284 | 1,249 | 2,294 | 2,390 |
| Investments | - | - | 146 | 53 | 146 | 53 |
| Sales/disposals | - | - | –11 | - | –11 | - |
| Sale of companies [1] | –4 | - | - | - | –4 | - |
| Reclassifications to assets held for sale [1] | –17 | - | - | - | –17 | - |
| Reclassifications | - | –64 | - | –33 | - | –97 |
| Exchange rate differences | 130 | –67 | –7 | 15 | 123 | –52 |
| **Closing accumulated cost** | **1,119** | **1,010** | **1,412** | **1,284** | **2,531** | **2,294** |
| Opening amortization | –116 | –110 | –1,086 | –1,054 | –1,202 | –1,164 |
| Amortization for the year in continuing operations | - | - | –42 | –27 | –42 | –27 |
| Amortization for the year in discontinued operations | - | - | - | –4 | - | –4 |
| Impairment losses in continuing operations | - | –12 | - | - | - | –12 |
| Sales/disposals | - | - | 11 | - | 11 | - |
| Sale of companies | - | - | - | - | - | - |
| Reclassifications to assets held for sale [1] | 17 | - | - | - | 17 | - |
| Reclassifications | - | - | - | 13 | - | 13 |
| Exchange rate differences | –25 | 6 | 6 | –14 | –19 | –8 |
| Closing accumulated amortization | –124 | –116 | –1,111 | –1,086 | –1,235 | –1,202 |
| **Closing planned residual value** | **995** | **894** | **301** | **198** | **1,296** | **1,092** |

[1] *The sale of Spanair, which was reported as an asset held for sale at the beginning of the year, was concluded during the year. Cubic Air Cargo was also sold. Spirit is in the process of being sold and is classified as an asset held for sale. SAS Media, SAS Facility Management, Aerolineas de Baleares and airBaltic were sold the previous year.*

The SAS Group is not engaged in activities relating to research and development (R&D).

Breakdown of planned residual value:

| | 2009 | 2008 |
|---|---|---|
| Goodwill | 995 | 894 |
| Capitalized system development costs | 301 | 198 |
| **Total residual value** | **1,296** | **1,092** |

| Goodwill: | 2009 | 2008 |
|---|---|---|
| SAS Scandinavian Airlines Norge | 791 | 702 |
| Widerøe | 163 | 145 |
| Air Maintenance Estonia | 27 | 29 |
| Blue1 | 14 | 14 |
| SAS Cargo | - | 4 |
| **Total goodwill** | **995** | **894** |

**Testing for impairment of intangible assets**

The value of the Group's goodwill items has been estimated through comparison with the recoverable amount. The recoverable amount has been based on each cash-generating unit's value in use and is based on the cash flows in each unit's business plan, which covers five years.

The projected cash flows are based on assumptions regarding volume performance, unit revenue, operating margins and discount rates. Assumptions beyond the fifth year of the plan period are that cash flow will remain at the level of the final year.

The discount rate has been estimated based on a weighted capital cost after tax of 10.2%, which is the same for all companies in the Core SAS segment. The discount rate before tax for each company has subsequently been determined depending on each company's nominal tax rate and amounts to between 14.0% and 14.7%.

To support the impairment tests performed on other goodwill in the Group, an overarching analysis was 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. Management therefore determined that there was no further need for impairment write-downs of goodwill at the close of 2009.

**Note 12 • Tangible fixed assets**

| | Buildings & land | | Aircraft [1,2] | | Spare engines & spare parts | | Workshop & servicing equipment aircraft | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Opening cost | 1,600 | 1,580 | 19,846 | 18,666 | 1,891 | 1,791 | 1,322 | 1,350 |
| Investment | 67 | 13 | 3,700 | 2,965 | 253 | 123 | 15 | 85 |
| Capitalized interest [3] | - | - | - | - | - | - | - | – |
| Sales/disposals | –16 | –15 | –2,280 | –1,964 | –71 | –34 | –93 | –78 |
| Sale of companies [4] | - | - | - | - | - | - | - | –4 |
| Reclassifications to assets held for sale [4] | –369 | - | - | - | - | - | –40 | - |
| Reclassifications | 36 | 10 | 1,506 | 288 | 106 | 36 | 43 | –55 |
| Exchange rate differences | 29 | 12 | 200 | –109 | 59 | –25 | 60 | 24 |
| **Closing accumulated cost** | **1,347** | **1,600** | **22,972** | **19,846** | **2,238** | **1,891** | **1,307** | **1,322** |
| Opening depreciation | –1,087 | –1,012 | –8,809 | –7,900 | –706 | –580 | –1,102 | –1,124 |
| Depreciation for the year in continuing operations | –61 | –50 | –1,429 | –1,149 | –157 | –147 | –83 | –63 |
| Depreciation for the year in discont. operations | –8 | –34 | - | - | - | - | –4 | –11 |
| Sales/disposals | 14 | 14 | 434 | 144 | 56 | 19 | 72 | 75 |
| Sale of companies [4] | - | - | - | - | - | - | - | 4 |
| Reclassifications to assets held for sale [4] | 248 | - | - | - | - | - | 33 | - |
| Reclassifications | –4 | 12 | 80 | - | –113 | - | –37 | 26 |
| Exchange rate differences | –10 | –17 | –161 | 96 | –19 | 2 | –25 | –9 |
| Closing accumulated depreciation | –908 | –1,087 | –9,885 | –8,809 | –939 | –706 | –1,146 | –1,102 |
| **Closing planned residual value** | **439** | **513** | **13,087** | **11,037** | **1,299** | **1,185** | **161** | **220** |

| | Other equipment & vehicles | | Investment in progress | | Prepayment fixed assets | | Total tangible assets | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Opening cost | 1,693 | 1,953 | 232 | 172 | 627 | 185 | 27,211 | 25,697 |
| Investment | 27 | 137 | 275 | 352 | 81 | 665 | 4,418 | 4,340 |
| Capitalized interest [3] | - | - | - | - | 19 | 26 | 19 | 26 |
| Sales/disposals | –148 | –324 | - | - | - | - | –2,608 | –2,415 |
| Sale of companies [4] | – | –32 | - | - | - | - | - | –36 |
| Reclassifications to assets held for sale [4] | –47 | - | –15 | - | - | - | –471 | - |
| Reclassifications | –66 | –68 | –336 | –290 | –479 | –314 | 810 | –393 |
| Exchange rate differences | 28 | 27 | 2 | –2 | –10 | 65 | 368 | –8 |
| **Closing accumulated cost** | **1,487** | **1,693** | **158** | **232** | **238** | **627** | **29,747** | **27,211** |
| Opening depreciation | –1,375 | –1,645 | - | - | - | - | –13,079 | –12,261 |
| Depreciation for the year in continuing operations | –73 | –102 | - | - | - | - | –1,803 | –1,511 |
| Depreciation for the year in discont. operations | –5 | –4 | - | - | - | - | –17 | –49 |
| Sales/disposals | 116 | 309 | - | - | - | - | 692 | 561 |
| Sale of companies [4] | - | 30 | - | - | - | - | - | 34 |
| Reclassifications to assets held for sale [4] | 25 | - | - | - | - | - | 306 | - |
| Reclassifications | 42 | 55 | - | - | - | - | –32 | 93 |
| Exchange rate differences | –25 | –18 | - | - | - | - | –240 | 54 |
| Closing accumulated depreciation | –1,295 | –1,375 | - | - | - | - | –14,173 | –13,079 |
| **Closing planned residual value** | **192** | **318** | **158** | **232** | **238** | **627** | **15,574** | **14,132** |

At the beginning of 2009, there were seven Boeing 737s, four Airbus A321s and five Airbus A340/340s that had been acquired, formally through finance leases, with original terms of 9-10 years. During the year no transactions pertaining to finance-leased aircraft were carried out.

With regard to finance-leased aircraft, the terms of the leases (particularly pertaining to SAS's call options during the contract period and at the expiration of the lease, as well as the economic risk SAS has regarding the value of the aircraft) are such that the agreements, from SAS's point of view, are comparable to a purchase.

The 16 (16) finance-leased aircraft are recognized in the balance sheet in the amount of MSEK 5,919 (6,228). In addition to these, owned aircraft include 27 (27) aircraft valued at MSEK 3,125 (3,327) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 2,001 (2,553), which are to be viewed as finance-leased.

The SAS Group's aircraft holdings can be specified as follows:

| | 2009 | 2008 |
|---|---|---|
| Owned | 7,168 | 4,809 |
| Finance leased | 5,919 | 6,228 |
| **Book value** | **13,087** | **11,037** |

**Finance leasing**

The SAS Group has finance leases for aircraft with remaining terms of up to seven years.

Lease payments consist in part of minimum lease payments and in part of contingent rent. In those cases where the lease payments are based on a floating interest rate they are included in minimum lease payments according to the current rate at the start of the agreement. Future changes of the interest rate are included in the contingent rent. Total lease payments amounted to MSEK 551 (500). Contingent rent impacted lease payments for the year by MSEK –47 (35).

At the closing date leasing of finance leased assets to third parties did not occur.

Book values of finance lease assets amounted on the closing date to:

| | Aircraft | |
|---|---|---|
| | 2009 | 2008 |
| Cost | 8,706 | 8,698 |
| Less accumulated depreciation | –2,787 | –2,470 |
| **Book value of finance leased assets** | **5,919** | **6,228** |

1 *The insured value of aircraft at December 31, 2009 amounted to MSEK 37,834. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 21,431.*

2 *Modifications of aircraft under operating leases are included in planned residual value in the amount of MSEK 218 (252).*

3 *Capitalizing of interest was done at an average interest rate of 5.0% (6.0%).*

4 *The sale of Spanair, which was reported as an asset held for sale at the beginning of the year, was concluded during the year. Cubic Air Cargo was also sold. Spirit is in the process of being sold and is classified as an asset held for sale. SAS Media, SAS Facility Management, Aerolineas de Baleares and airBaltic were sold the previous year.*

*Note 12, continued*

Future minimum lease payments and their present value for finance leases applying on closing date.

| | 2009 | | 2008 | |
|---|---|---|---|---|
| Due date: | Future minimum lease pmts. | Present value of future minimum lease pmts. | Future minimum lease pmts. | Present value of future minimum lease pmts. |
| Within one year | 480 | 478 | 579 | 574 |
| 1-5 years | 2,751 | 2,624 | 3,327 | 3,151 |
| Over 5 years | 583 | 461 | 789 | 669 |
| **Total** | **3,814** | **3,563** | **4,695** | **4,394** |

**Operating leasing**

SAS Group leases out owned assets with book values that on the closing date amounted to:

| | Aircraft | | Machinery & equipment | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| Cost | 1,543 | 1,458 | 5 | 14 |
| Less accumulated depreciation | –924 | –887 | –3 | –5 |
| **Book value of assets leased out on operating leases** | **619** | **571** | **2** | **9** |

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 60 (85).

Leasing revenues for the year did not contain any contingent rent.

Future leasing revenues for operating leases on the closing date:

| | 2009 | 2008 |
|---|---|---|
| Within one year | 260 | 299 |
| 1-5 years | 738 | 631 |
| Over 5 years | 263 | 448 |
| **Total** | **1,261** | **1,378** |

**Contractual purchase commitments**

On the closing date the Group had the following commitments relating to future acquisition of tangible fixed assets.

| | 2009 | 2008 |
|---|---|---|
| Aircraft | 706 | 3,411 |
| Other purchase commitments | 23 | 49 |
| **Total** | **729** | **3,460** |

On the basis of external valuations, the SAS Group is of the opinion that the contractual future acquisitions are in line with expected market values.

| **Tax value Buildings:** | **2009** | **2008** |
|---|---|---|
| Sverigehuset, part of Arlanda 2:1 | 51 | 51 |
| Flight Academy, part of Arlanda 2:1 | 190 | 190 |
| **Total** | **241** | **241** |

## Note 13 • Prepayments relating to tangible fixed assets

| | 2009 | 2008 |
|---|---|---|
| Boeing | 86 | 308 |
| Bombardier | 133 | 314 |
| Other | 19 | 5 |
| **Total** | **238** | **627** |

## Note 14 • Financial fixed assets

| | Equity in affiliated companies | | Long-term receivables from affiliated companies | | Other holdings of securities | | Pension funds, net | | Other long-term receivables | | Total financial fixed assets | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Opening cost | 622 | 1,063 | - | 170 | 58 | 58 | 9,658 | 9,496 | 1,331 | 1,267 | 11,669 | 12,054 |
| Contributions | 41 | - | - | - | - | - | 438 | 245 | 908 | 379 | 1,387 | 624 |
| Share of income in affiliated comp., continuing operations | –258 | –147 | - | - | - | - | - | - | - | - | –258 | –147 |
| Share of income in affiliated comp., discontinued operations | - | 5 | - | - | - | - | - | - | - | - | - | 5 |
| Sale of companies [1] | 0 | –463 | - | - | - | - | - | –28 | - | –1 | 0 | –492 |
| Reclassifications to assets held for sale [1] | - | - | - | - | - | - | –39 | - | –45 | - | –84 | - |
| Amortization | - | - | - | –9 | - | - | - | - | –210 | –208 | –210 | –217 |
| Dividend | –6 | - | - | - | - | - | - | - | - | - | –6 | - |
| Reclassifications | - | 70 | - | –193 | 227 | - | - | - | –15 | –99 | 212 | –222 |
| Exchange rate differences | –41 | 94 | - | 32 | - | - | 229 | –55 | –29 | –7 | 159 | 64 |
| Closing accumulated cost | 358 | 622 | - | - | 285 | 58 | 10,286 | 9,658 | 1,940 | 1,331 | 12,869 | 11,669 |
| Opening impairment | - | - | - | - | –53 | –53 | - | - | - | - | –53 | –53 |
| Impairment losses in continuing operations | - | - | - | - | - | - | - | - | –52 | - | –52 | - |
| Reclassifications | - | - | - | - | 2 | - | - | - | - | - | 2 | - |
| Closing impairment | - | - | - | - | –51 | –53 | - | - | –52 | - | –103 | –53 |
| **Closing residual value** | **358** | **622** | **-** | **-** | **234** | **5** | **10,286** | **9,658** | **1,888** | **1,331** | **12,766** | **11,616** |

[1] *The sale of Spanair, which was classified as an asset held for sale at the beginning of the year, was concluded during the year. British Midland and Cubic Air Cargo were also sold. Spirit is in the process of being sold and is classified as an asset held for sale. SAS Media, SAS Facility Management, Aerolineas de Baleares, airBaltic and the remainder of the holding in ST Aerospace Solutions (formerly SAS Component) were sold the previous year.*

## Note 15 • Pension funds, net

| | 2009 | 2008 |
|---|---|---|
| Pension funds, net, funded plans | 12,605 | 11,694 |
| Pension funds, net, unfunded plans | –2,319 | –2,036 |
| **Total** | **10,286** | **9,658** |

Most pension plans in Scandinavia are defined benefit plans. The majority are placed with insurance companies. The group's pension plans for salaried employees in Sweden and for employees in Norway are defined benefit pension plans managed by insurance companies. In Sweden, pension plans are mainly placed with Alecta and Euroben and in Norway with Vital. Employees in Denmark have mostly defined contribution solutions.

The majority of SAS employees in Sweden are covered by ITP pension reinsured by Alecta (the Alecta plan). The Alecta plan is a multi-employer pension plan and has been classified by the Swedish Financial Accounting Standards Council as a defined benefit pension plan. SAS has signed a special and specific agreement with Alecta whereby Alecta has undertaken to supply all basic data concerning employees and former employees (pay, age, benefit amount etc.), which supports SAS accounting according to IAS 19. The agreement with Alecta also means that SAS received written confirmation that the surplus in the Alecta plan will benefit SAS in the form of either indirect or direct premium reductions or through cash refunds. Based on the information SAS receives, SAS reports its proportional share of the Alecta plan's commitments, plan assets and costs in accordance with IAS 19 rules regarding defined benefit pension plans.

The normal retirement age for non-flight personnel mainly follows the respective country's rules regarding general retirement. The normal retirement age for SAS flight personnel is 60. According to agreements with SAS pilots in Denmark, Norway and Sweden, and with cabin crew in Norway, voluntary early retirement with pension is allowed from the age of 55 at the earliest. SAS has also undertaken to pay a pension up to normal retirement age, 60, to pilots who have lost their licenses. The retirement age for cabin crew employed in Sweden is 65, but once they reach the age of 50 the retirement age is reduced to 60. The estimated present value of all these obligations is included in SAS's estimated total pension commitment.

In calculating pension commitments, the year's pension earnings and returns, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends. The following long-term economic assumptions represent a weighted average for the SAS Group:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Discount rate | 5.1% | 4.9% | 5.8% |
| Long-term rate of return | 5.9% | 6.0% | 6.2% |
| Inflation | 1.7% | 1.7% | 1.7% |
| Future salary adjustments | 2.2% | 2.6% | 3.2% |
| Future adjustments of current pensions | 1.7% | 1.7% | 1.7% |

The following interest parameters are used for the largest pension plans in Sweden and Norway:

| | |
|---|---|
| Discount rate | 4.5% (4.5%) in Sweden and 5.5% (5.0%) in Norway |
| Long-term rate of return | 6.0% (6.0%) in Sweden and 6.0% (6.0%) in Norway |

According to IAS 19 the discount rate is determined by reference to the market yields on corporate bonds at the balance sheet date. In the absence of a deep market for corporate bonds government bonds may be used instead.

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.

Other financial assumptions are based on anticipated developments during the term of the commitment. The long-term return shall correspond to a long-term expected return on plan assets based on the pension institutes' investments in equities or fixed-income securities.

The inflation assumption is 1.5% in Sweden and Denmark and 2% in Norway. Future salary adjustment has been set at half a percentage point above the inflation assumption for the purpose of including a real salary increase in the calculations of the pension commitments.

At December 31, 2009, net pension funds were reported as an asset in the amount of MSEK 10,286. This item comprises pension fund assets totaling MSEK 32,816, liabilities amounting to MSEK 33,578 (of which MSEK 3,110 is unfunded) and unrecognized actuarial losses including plan amendments totaling MSEK 11,048.

Actuarial gains or losses may arise from actual returns being lower or higher than the expected level, or by actual inflation levels and salary adjustments deviating from assumptions. In addition, an actuarial gain or loss is impacted by changed parameters regarding the discount rate, life expectancy and early retirement.

IAS 19 permits the postponement of recognizing actuarial gains and losses arising by amortizing accumulated actuarial gains and losses that exceed the higher of 10% of the commitment or the funded amount over the average remaining period of employment. SAS estimates the remaining employment period for most pension plans is 15 years. A shorter amortization period is applied in some cases where the remaining employment period is deemed to be considerably shorter.

At the beginning of 2009, accumulated unrecognized actuarial gains and losses amounted to SEK 11.6 billion. The deviation decreased in comparison with 2008 as a result of lower assumptions regarding salary adjustments in all countries and a higher discount rate in Norway, but has increased as a result of the actuarial loss on assets in the pension schemes and of exchange-rate differences. Amortization of the deviation for the year amounted to about SEK 0.8 billion. At year-end, the accumulated unrecognized actuarial gains and losses amounted to approximately SEK 10.8 billion, to be amortized in coming years. 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 improve the actuarial gains and losses.

Sensitivity to changes in individual parameters can be estimated as follows: A one percentage point change in the discount rate of interest has approximately a SEK 4 billion impact on the commitment. A one percentage point change in the inflation assumption has approximately a SEK 2 billion impact on the commitment and a one percentage point change in the parameter for payroll adjustment has approximately a SEK 3 billion impact on the commitment.

IAS 19 is being revised and a discussion paper has been released by the IASB. The proposed changes, which mean that actuarial gains and losses may no longer be amortized over the remaining average period of service, but continuously recognized directly against equity or recognized in the income statement, will probably come into effect on January 1, 2013 at the earliest. As a result of this change, accumulated actuarial gains and losses existing on the effective date of the revised IAS must then be recognized in their entirety in shareholders' equity.

| Defined benefit pension plans | 2009 | 2008 |
|---|---|---|
| Pension earned during the year | –1,196 | –1,079 |
| Interest on pension provisions | –1,616 | –1,618 |
| Expected return on funded assets for the year | 1,878 | 1,786 |
| Amortization of actuarial gains and losses and plan amendments for the year | –839 | –641 |
| **Impact on income for the year, net, pertaining to defined benefit pension plans in continuing operations** | **–1,773** | **–1,552** |

The above cost is recognized in its entirety as a payroll expense.

In the financial statements the commitments of the SAS Group are included as specified in the table below.

| Status at year-end | 2009 | 2008 |
|---|---|---|
| Funded assets | 32,816 | 30,472 |
| Pension commitments | –33,578 | –32,615 |
| Difference between funded assets and commitments | –762 | –2,143 |
| Unrecognized actuarial gains and losses and plan amendments [1] | 11,048 | 11,801 |
| **Book assets** | **10,286** | **9,658** |

[1] *Of which actuarial gains and losses MSEK 10,834 (11,582).*

| Changes in present value of commitment for defined benefit plans | 2009 | 2008 |
|---|---|---|
| Commitment for defined benefit pensions at beginning of year | 32,615 | 29,069 |
| Pensions paid | –1,756 | –1,470 |
| Cost of earning | 1,196 | 1,079 |
| Interest expenses | 1,616 | 1,618 |
| Actuarial gains and losses (+/–) | –1,525 | 2,678 |
| Effects of sold companies and companies held for sale | –163 | –95 |
| Exchange rate differences | 1,595 | –264 |
| **Commitment for defined benefit plans at year-end** | **33,578** | **32,615** |

*Note 15, continued*

| Changes in plan assets' fair value | 2009 | 2008 |
|---|---|---|
| Plan assets' fair value at beginning of year | 30,472 | 30,585 |
| Paid-in premiums | 1,829 | 1,557 |
| Pensions paid | –1,374 | –1,230 |
| Expected return on plan assets | 1,878 | 1,786 |
| Actuarial gains and losses (+/–) | –980 | –1,877 |
| Effects of sold companies and companies held for sale | –163 | –111 |
| Exchange rate differences | 1,154 | –238 |
| **Fair value of plan assets at year-end** | **32,816** | **30,472** |

| Plan assets consist of the following<br>Group | 2009 | 2008 |
|---|---|---|
| Equities | 27% | 18% |
| Fixed-income securities | 61% | 70% |
| Properties | 9% | 9% |
| Other | 3% | 3% |
| | **100%** | **100%** |

Only an insignificant share of the plan assets is invested in SAS shares.

In some pension plans in earlier years the real return rate has been lower than the Group's estimated long-term return, which is reflected in the item, "Unrecognized actuarial gains and losses." The actual return on plan assets was approximately –1% in 2008 and approximately 5% in 2007. For 2009 the return is expected to be about 7%.

The difference between funded assets/commitments and net book assets is shown below:

| | Funded assets | Commitments (PBO) | Difference funded assets commitments | Pension funds, net |
|---|---|---|---|---|
| Pension plans in Sweden | 14,023 | 11,532 | 2,491 | 6,272 |
| Pension plans in Norway | 13,067 | 15,364 | –2,297 | 2,635 |
| Pension plans other countries | 5,726 | 6,682 | –956 | 1,379 |
| **Total** | **32,816** | **33,578** | **–762** | 10,286 |

"Pension funds, net" includes unfunded plans funded via operating income in the amount of MSEK 466 in Sweden and MSEK 1,853 in Norway.

Pension funds, net, including pension commitments, plan assets plus unrecognized plan amendments and actuarial gains and losses for the defined benefit pension plans performed as follows:

| | 2009 | 2008 |
|---|---|---|
| Opening balance | 9,658 | 9,496 |
| Impact on income for the year in continuing and discontinued operations | –1,773 | –1,552 |
| Paid-in premiums | 1,829 | 1,557 |
| Pensions paid | 382 | 240 |
| Pension funds in divested operations | - | –28 |
| Pension funds in companies held for sale | –39 | - |
| Currency effect | 229 | –55 |
| **Closing balance** | **10,286** | **9,658** |

Of total pension commitments of MSEK 33,578 (32,615), MSEK 30,468 (29,612) was funded and MSEK 3,110 (3,003) was unfunded.

In 2010 paid-in premiums are expected to amount to approximately SEK 1.7 billion.

| | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| Present value of defined benefit plan commitment | –33,578 | –32,615 | –26,069 | –27,307 |
| Fair value of plan assets | 32,816 | 30,472 | 30,585 | 27,954 |
| Deficit/surplus | –762 | –2,143 | 1,516 | 647 |
| Experience adjustments arising on plan assets | –735 | –1,529 | 289 | 19 |
| Experience adjustments arising on defined benefit plan commitments | –21 | 318 | 610 | 286 |

## Note 16 • Expendable spare parts and inventories

| | 2009 | 2008 |
|---|---|---|
| Expendable spare parts, flight equipment | 519 | 581 |
| Expendable spare parts, other | 196 | 176 |
| Inventories | 43 | 62 |
| **Total** | **758** | **819** |
| Measured at acquisition cost | 758 | 819 |
| Measured at net realizable value | - | - |
| **Total** | **758** | **819** |

## Note 17 • Current receivables

Impairment of accounts receivable and recovered accounts receivable, net, in continuing operations came to MSEK 54 (41), charged to income. In discontinued operations the corresponding amount was MSEK 0 (146).

The Group's combined accounts receivable amount to MSEK 1,629 (3,479) of which MSEK 48 (1,628) is classified as assets held for sale.

| Age analysis of accounts receivable that are not impaired | 2009 | 2008 |
|---|---|---|
| Accounts receivable not yet due | 1,091 | 1,232 |
| Due < 31 days | 137 | 205 |
| Due 31-90 days | 108 | 92 |
| Due 91-180 days | 70 | 40 |
| Due >180 days | 175 | 282 |
| **Total** | **1,581** | **1,851** |

| Provision for doubtful accounts receivable | 2009 | 2008 |
|---|---|---|
| Opening provision | 94 | 135 |
| Divested subsidiaries | - | –6 |
| Reclassification to assets held for sale | –1 | - |
| Provision for expected losses | 65 | 30 |
| Reversed provisions | –42 | –42 |
| Actual losses | –6 | –23 |
| Exchange rate differences | –8 | 0 |
| **Closing provision** | **102** | **94** |

## Note 18 • Current receivables from affiliated companies

| | 2009 | 2008 |
|---|---|---|
| Commercial Aviation Leasing Ltd | - | 375 |
| AS Estonian Air | 92 | 104 |
| **Total** | **92** | **479** |

## Note 19 • Prepaid expenses and accrued income

| | 2009 | 2008 |
|---|---|---|
| Prepaid expenses | 523 | 551 |
| Accrued revenues | 535 | 458 |
| **Total** | **1,058** | **1,009** |

## Note 20 • Short-term investments

| | 2009 | 2008 |
|---|---|---|
| Treasury bills | 750 | - |
| Mortgage bonds | 1,835 | 748 |
| Deposits | 345 | 2,412 |
| Commercial paper | 550 | 499 |
| Blocked deposits in tax deduction account in Norway | 220 | 213 |
| **Total** | **3,700** | **3,872** |
| Short-term investments attributable to holdings of assets held for sale | –9 | - |
| **Total** | **3,691** | **3,872** |

*Note 20, continued*

The book value of short-term investments corresponds with the fair value. Fair value is the amount that should have been received for outstanding short-term investments if sold on the closing date. Deposits and blocked bank accounts are categorized as loans and receivables. Other investments are classified as held for trading.

All investments have a term of no more than three months.

## Note 21 • Reserves

| Translation reserve | 2009 | 2008 |
|---|---|---|
| Opening translation reserve | 25 | 361 |
| Translation differences for the year | 50 | –251 |
| Less: Hedging of exchange risk in foreign operations | –137 | –100 |
| Tax pertaining to hedging of exchange risk in foreign operations | 36 | 28 |
| Less: Translation differences attributed to divested operations | 78 | –13 |
| **Closing translation reserve** | **52** | **25** |
| **Hedging reserve** | | |
| Opening hedging reserve | –743 | 1,105 |
| Cash flow hedges: | | |
| - Recognized directly in equity | 896 | –1,516 |
| - Change in statement of income | 420 | –1,027 |
| - Tax attributed to year's change in hedging reserve | –346 | 695 |
| **Closing hedging reserve** | **227** | **–743** |
| **Total reserves** | | |
| Opening reserves | –718 | 1,466 |
| Change in reserves for the year: | | |
| - Translation reserve | 27 | –336 |
| - Hedging reserve | 970 | –1,848 |
| **Closing reserves** | **279** | **–718** |

**Translation reserve**

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than Swedish kronor. The translation reserve also includes exchange-rate differences arising on translation of liabilities and forward exchange contracts designated as hedges of net investments in foreign operations.

**Hedging reserve**

The hedging reserve includes the effective part of the cumulative net change in fair value on a cash flow instrument attributable to hedging transactions that have not yet occurred.

## Note 22 • Long-term liabilities

Long-term liabilities that fall due more than five years after the closing date.

| | 2009 | 2008 |
|---|---|---|
| Subordinated loans | 919 | 953 |
| Other loans | 1,949 | 855 |
| **Total** | **2,868** | **1,808** |

## Note 23 • Subordinated loans

A subordinated loan of MCHF 200 was issued during the 1985/86 fiscal year. There is no set maturity date for this loan. The interest rate is fixed for 10-year periods and amounts to 2.375% from January 2006. SAS has an exclusive right to cancel this loan every fifth year. When the loan is canceled in connection with an interest rate reset SAS is entitled to repay the loan at 100% of its nominal value. If it is canceled in five years after an interest rate reset the loan shall be repaid at 102.5% of nominal value.

In previous years SAS repurchased MCHF 73 of the bonds, after which the balance of the loan is MCHF 127 (127), with a countervalue of MSEK 884 (934). The interest exposure of the loan has been switched from fixed to floating interest through an interest rate swap. The loan is included in a fair value hedge and the fair value, with respect only to the interest rate of the loan, amounted to MSEK 919 (953) on the closing date.

The loan is listed on the Basel Stock Exchange, Geneva Stock Exchange and Swiss Exchange. On the closing date its total market value (including credit risk) amounted to MCHF 49 (42), with a countervalue of MSEK 341 (308).

## Note 24 • Bond loans

In May 2001 a MEUR 1,000 European Medium-Term Note program was established. The EMTN program makes it possible for the Group to issue bonds with fixed or variable interest rates in any currency. On the closing date the SAS Group's issued bonds amounted to MSEK 2,290 (2,212).

Below follows a specification of individual bond loans:

| Original issued amount | Coupon | Term | Outstanding debt currency | 2009 Book value MSEK | 2008 Book value MSEK |
|---|---|---|---|---|---|
| MEUR 108.0 | 5.312% [1] | 2003/10 | MEUR 106.4 | 1,101 | 1,139 |
| MSEK 200.0 | 4.180% [1] | 2005/10 | MSEK 199.9 | 200 | 200 |
| MNOK 454.0 [2] | 5.340% | 2005/10 | MNOK 453.7 | 564 | 499 |
| MNOK 265.5 [2,3] | 7.000% | 2005/10 | MNOK 265.5 | 330 | 294 |
| MNOK 50.0 [2,3] | 7.000% | 2005/10 | MNOK 49.9 | 62 | 55 |
| MNOK 17.0 [2,3] | 7.000% | 2005/10 | MNOK 17.0 | 21 | 19 |
| MNOK 213.0 [2] | 5.340% [1] | 2006/10 | MNOK 9.4 | 12 | 6 |
| **Total** | | | | **2,290** | **2,212** |
| Less amortization 2010/2009 | | | | –2,290 | 0 |
| **Total** | | | | **0** | **2,212** |

Outstanding debt in foreign exchange and book value in MSEK agrees with amortized cost with the exception of the loans carried at fair value[3]. No repurchasing was done in 2009.

The interest rate exposure is managed by entering into interest-rate swap contracts to adjust the fixed-interest term for some of the loans. The Group has also entered into currency derivatives for some of these bonds for the purpose of limiting currency risk.

[1] *Interest rate on closing date. The loan has a floating interest rate set every three months.*

[2] *The loan is listed on the Oslo Stock Exchange and on the closing date the total fair value of these five loans was MNOK 756.8 (653.2), equivalent to MSEK 940.7 (720.8).*

[3] *The loan comprises part of a fair value hedge and is carried at fair value with respect to the hedged risk.*

## Note 25 • Other loans

| | 2009 Book value | 2009 Fair value | 2008 Book value | 2008 Fair value |
|---|---|---|---|---|
| Finance leasing | 3,511 | 3,569 | 4,210 | 4,358 |
| Other loans | 6,695 | 6,973 | 7,166 | 7,219 |
| Derivatives | 55 | 55 | 38 | 38 |
| **Total before amortization** | **10,261** | **10,597** | **11,414** | **11,615** |
| Less current portion | –3,452 | –3,674 | –872 | –996 |
| **Total after amortization** | **6,809** | **6,923** | **10,542** | **10,619** |
| Liabilities attributable to assets held for sale | - | - | –7 | –7 |
| **Total other loans** | **6,809** | **6,923** | **10,535** | **10,612** |

| Maturity profile of other loans: | 2010 | 2011 | 2012 | 2013 | 2014 | 2015> | Total |
|---|---|---|---|---|---|---|---|
| Finance leases | 433 | 932 | 1,033 | 440 | 137 | 536 | 3,511 |
| Other loans and derivatives | 3,019 | 316 | 320 | 1,551 | 131 | 1,413 | 6,750 |
| **Total** | **3,452** | **1,248** | **1,353** | **1,991** | **268** | **1,949** | **10,261** |

Other loans and finance leases are classified as other liabilities, with recognition at amortized cost. Other loans mainly refer to borrowing within the framework of various revolving credit facilities (see Note 26 for further information). The interest rate of these loans is readjusted to the current interbank rate based on the currency of the loan plus a variable margin. The variable margin is based on certain ratios calculated from the Group's quarterly results. The average interest rate on the closing date amounted to 1.55% for financial leasing and 4.18% for other loans.

**Note 26 • Financial risk management and financial derivatives**

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

**Fuel price risk**
The SAS Group is exposed to changes in jet fuel prices. Exposure is handled by hedging on an ongoing basis 40-60% of the forecast fuel consumption for the coming 12 months. The main financial derivatives used for hedging jet fuel are options and swaps. On December 31, 2009 the Group signed an agreement on derivatives covering approximately 56% of the Group's estimated fuel need for 2010. In 2009 jet fuel-related costs accounted for 17.5% of the Group's operating expenses, compared with slightly more than 19.3% in 2008.

**Foreign currency risk**
The SAS Group has currency exposure to both transaction risk and translation risk.

*Transaction risk* arises when flows in foreign currencies are exposed to currency rate fluctuations. To manage the transaction risk the SAS Group is exposed to, the projected commercial currency flows are hedged using currency derivatives. According to the financial policy, the hedge level shall be between 60-90% of a 12-month rolling liquidity forecast. Future aircraft sales shall be hedged with currency derivatives and loans in USD. According to the policy, the hedge level for future aircraft sales shall be 20-80% of the book value of the aircraft fleet. Additionally, future contracted aircraft purchases denominated in USD can be hedged by up to 80% of the contracted amount.

*Translation risk* arises during conversion of balance sheet items in foreign currencies due to changes in exchange rates. To limit translation risk the policy is to keep the financial net debt mainly in the accounting currency of the respective company. Furthermore, the SAS Group has hedged its foreign subsidiaries' equity through borrowing and derivatives.

**Interest rate risk**
The SAS Group is exposed to interest rate risk when the market value of the financial net debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). Group borrowing includes loans at both fixed and variable interest rates. To manage the interest rate risk, interest rate derivatives are used to change the fixed interest term of the underlying financial net debt. The goal of current policy is for the average fixed-interest term of the financial net debt to correspond to 3.5 years. In addition, the development of the financial net debt for the forthcoming 12 months and contracted future aircraft purchases will be taken into consideration. According to the policy the average fixed-interest term during the year was approximately 2.9 (2.6) years. At the end of 2009 the fixed-interest term vis-à-vis the financial net debt was 2.8 (0.4) years.

**Sensitivity analysis, revaluation effect on closing day**

| Market risk | Change | Earnings impact, MSEK 2009 | Earnings impact, MSEK 2008 | Equity impact, MSEK 2009 | Equity impact, MSEK 2008 |
|---|---|---|---|---|---|
| **Fuel price** | **+10%** | **-** | **-** | **245** | **166** |
| **Fuel price** | **–10%** | **-** | **-** | **–256** | **–161** |
| USD | +10% | –50 | –35 | –461 | –180 |
| NOK | +10% | 10 | 21 | 21 | 16 |
| DKK | +10% | 8 | –7 | –26 | –14 |
| Other currencies | +10% | 33 | 20 | 53 | 116 |
| **Currency** | **+10%** | **1** | **–1** | **–413** | **–62** |
| USD | –10% | 44 | 43 | 468 | 229 |
| NOK | –10% | –8 | –21 | –25 | –19 |
| DKK | –10% | –9 | 3 | 32 | 17 |
| Other currencies | –10% | –32 | –22 | –58 | –147 |
| **Currency** | **–10%** | **–5** | **3** | **417** | **80** |
| **Market interest rates** | **+1%** | **121** | **–19** | **7** | **11** |
| **Market interest rates** | **–1%** | **–130** | **20** | **–7** | **–12** |

The sensitivity analysis concerning fuel price shows the immediate revaluation effect of a 10% parallel shift in the price curve for underlying fuel.

The sensitivity analysis concerning currency shows the immediate revaluation effect of a 10-percent strengthening or weakening of the Swedish krona against all currencies the SAS Group is exposed to. Beyond the above effect on equity, a 10% change in currency will impact equity by MSEK 523 (334) 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 changes in value has no impact on equity. The remaining amount consists of change in value for cash flow hedges.

The sensitivity analysis for market interest rates shows the immediate revaluation effect on the closing date for interest rate derivatives, fair value hedges and short-term investments with a 1-percent parallel shifting of the yield curve. Beyond the revaluation effect, the SAS Group's net interest for 2010 is affected by around MSEK –46 (–80) if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding positive effect on net interest is MSEK 46 (80). The estimate also includes interest rate derivatives.

**Financial derivatives**
Different types of currency derivatives such as forward currency contracts, currency swap contracts and currency options are used to manage currency exposure. Furthermore, interest rate exposure is managed by different types of interest rate derivatives such as Forward Rate Agreements (FRAs), futures, interest-rate swap contracts and currency interest swap contracts.

At December 31, 2009, the fair value of the SAS Group's outstanding derivative instruments totaled MSEK –290 (–792), broken down according to the table below.

| | 2009 | | | | 2008 | |
|---|---|---|---|---|---|---|
| | | Fair value | | | | |
| | Outstanding volume | Assets | Liabilities | Net | Outstanding volume | Fair value, net |
| Currency derivatives | 29,812 | 195 | –558 | –363 | 29,747 | 1,492 |
| Interest rate derivatives | 7,332 | 71 | –98 | –27 | 12,875 | –29 |
| Fuel derivatives | 3,504 | 108 | –8 | 100 | 7,033 | –2,255 |
| **Total** | **40,648** | **374** | **–664** | **–290** | **49,655** | **–792** |

As of December 31, 2009, fair value is consistent with book value. The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. Derivatives not subject to hedge accounting are classified as financial instruments held for trading. Outstanding volume means the derivative contracts' nominal amount expressed in absolute terms.

The total book value for the Group's derivative financial instruments are presented in the following balance sheet items.

| | 2009 | 2008 |
|---|---|---|
| Other long-term receivables | 34 | 4 |
| Other receivables | 340 | –492 |
| **Total derivative assets** | **374** | **–488** |
| Other loans | –55 | –38 |
| Current liabilities | –609 | –266 |
| **Total derivative liabilities** | **–664** | **–304** |
| **Derivative assets/liabilities Net at end of the period** | **–290** | **–792** |
| Allocation of derivatives according to the following: | | |
| Cash flow hedges | –135 | –1 011 |
| Fair value hedges | 70 | 40 |
| Net investment hedge | –119 | –46 |
| Derivatives not designated as hedges for accounting purposes | –106 | 225 |
| **Derivative assets/liabilities Net at end of the period** | **–290** | **–792** |

**Hedge-accounted derivatives, cash flow hedge**

*Investment in aircraft*

Investment in aircraft and hedging of future contracted aircraft purchases represent hedging transactions since it is the payment flow in foreign currency during a future sale/purchase that is hedged according to the cash flow method. The loans and the forward currency contracts included in hedging relationships are translated at the relevant closing rate and the change that is calculated as effective is recognized in equity. In 2009 the ineffective portion of the hedges had a positive effect of MSEK 65 on the statement of income. At December 31, 2009, the accumulated currency effect on cash-flow hedged loans and derivatives relating to future aircraft sales and purchases was recognized in shareholders' equity in the amount of MSEK 254 (207).

*Commercial flows*

Currency derivatives are used to manage the transaction risk relating to projected commercial flows. These currency derivatives represent hedging transactions according to the cash flow method and their accounting policies are matched with those of the underlying liquidity projection. Provided that the effectiveness of the hedges can be demonstrated, the accumulated change in market value of each hedging transaction is recorded in equity until it is recycled to the statement of income as a cost/revenue. At December 31, 2009, the accumulated currency effect of these cash flow-hedged currency derivatives was recognized in equity in the amount of MSEK –92 (814).

*Interest rate derivatives*

When the SAS Group borrows at floating interest rates and changes its interest rate exposure by entering into interest-rate swap agreements whereby floating interest is received and fixed interest is paid, the hedging relationship is classified as a cash flow hedge. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recorded in equity. The accounting policies for the interest rate derivatives used for hedging transactions are matched with those of the individual loans. At December 31, 2009, the accumulated effect on these cash flow-hedged interest derivatives was recognized in equity in the amount of MSEK –9 (–18).

*Fuel derivatives*

Fuel derivatives are used to manage the price risk relating to jet fuel. These derivatives represent hedging transactions according to the cash flow method and their accounting policies are matched with those of the underlying forecasted fuel need. At December 31, 2009, the accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK 74 (–1,662).

All together, MSEK 227 (–659) relating to cash flow hedges was recognized in equity at December 31, 2009, and is expected to affect the statement of income in the following years:

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015> | Total |
|---|---|---|---|---|---|---|---|
| Aircraft | –9 | 0 | 209 | 5 | 0 | 139 | 344 |
| Commercial flows | –125 | | | | | | –125 |
| Interest rate derivatives | | | | –7 | | –5 | –12 |
| Fuel derivatives | 102 | –1 | | | | | 101 |
| Deferred tax | 8 | | –55 | 1 | | –35 | –81 |
| **Effect on equity** | **–24** | **–1** | **154** | **–1** | **0** | **99** | **227** |

**Hedge-accounted derivatives, fair value hedge**

In cases where the SAS Group borrows at fixed interest rates and changes its interest rate exposure by entering into interest-rate swap agreements whereby fixed interest is received and floating interest is paid, the hedging relationship is classified as a fair value hedge. When hedge accounting is applied changes in value attributable to the hedge instrument are recorded in net interest, where the effects are counteracted because the underlying hedged position (interest portion of the loan) is also measured at fair value and recorded in net interest. The accounting policies for the interest rate derivatives used for hedging transactions are matched with those of the individual loans.

**Hedge-accounted derivatives,**
**edging of net investments in foreign operations**

To hedge net investments in foreign operations, SAS has entered into currency derivative agreements and loans in the corresponding currency. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in equity. At December 31, 2009, the Group's net investments were MDKK 1,438 and MNOK 2,598.

**Derivatives not subject to hedge accounting**

Other currency derivatives not subject to hedge accounting are remeasured on an ongoing basis at fair value in the statement of income. Nor are interest rate derivatives that cannot be linked to specific borrowing subject to hedge accounting and are remeasured on an ongoing basis at their fair value in the income statement.

**Credit risk**

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations. The financial policy prescribes that transactions may only be entered into with counterparties with high creditworthiness, defined as category A3/P–-1 or better according to Moody's.

Limits are set for each counterparty and are continually revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. 91% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 5% in the rest of Europe and 4% in the rest of the world. The maximum credit exposure for derivative instruments is matched by book value, see the table below the heading financial derivatives. For short-term investments the size of the credit risk is the book value and is distributed as follows:

| | Book value in MSEK | |
|---|---|---|
| **Rating (Moody's)** | **2009** | **2008** |
| Aaa/P-1 | 1,250 | - |
| Aa1/P-1 | - | 3,459 |
| Aa2/P-1 | 351 | 213 |
| Aa3/P-1 | 1,393 | - |
| A1/P-1 | 697 | 100 |
| A2/P-1 | - | 100 |
| A3/P-1 | - | - |
| **Total** | **3,691** | **3,872** |

In relation to the SAS Group's accounts receivable the credit risk is spread over a large number of customers including private individuals and companies in various industries. Credit information is required for credit sales with the aim of minimizing the risk of bad debt losses and is based on intragroup information on payment history supplemented with credit and business information from external sources.

The maximum credit risk for the SAS Group accords with the financial assets' book value according to the categorization table.

**Liquidity and borrowing risk**

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic.

The goal is for financial preparedness to amount to a minimum of 20% of the SAS Group's revenues, of which at least half is to be held in cash and cash equivalents. The financial preparedness equals cash and cash equivalents plus total unutilized credit facilities. On December 31, 2009, financial preparedness amounted to MSEK 7,818 (8,825), with cash and cash equivalents amounting to MSEK 4,189 (5,783) and unutilized credit facilities totaling MSEK 3,629 (3,042). This provides a financial preparedness level of 17% (17)%. The SAS Group's cash and cash equivalents shall be held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P–-1 according to Moody's.

*Note 26, continued*

**Liquidity risk, MSEK**

| December 31, 2009 | Up to 3 mos. | 3-12 mos. | 1-5 years | Over 5 years |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Subordinated loans | 21 | | 84 | 926 |
| Bond loans | | | | |
| Other loans | | | 5,336 | 2,156 |
| Other liabilities | 1 | 2 | 276 | 12 |
| Current portion of long-term loans | 152 | 5,645 | 0 | |
| Short-term loans | 279 | 308 | | |
| Fuel derivatives | –1 | 9 | | |
| Currency derivatives | 498 | 60 | | |
| Interest rate derivatives | | 43 | 39 | 16 |
| Accounts payable | 1,738 | | | |
| **Total** | **2,688** | **6,067** | **5,735** | **3,110** |
| **Financial assets** | | | | |
| Other long-term receivables | | | 433 | |
| Accounts receivable | 245 | 1,336 | | |
| Receivables from affiliated companies | 84 | | | |
| Other receivables | 418 | 2,648 | | |
| Short-term investments | 3,693 | | | |
| Cash & Bank | 498 | | | |
| Fuel derivatives | 33 | 76 | –1 | |
| Currency derivatives | 195 | | | |
| Interest rate derivatives | 37 | | | 34 |
| **Total** | **5,203** | **4,060** | **432** | **34** |

| December 31, 2008 | Up to 3 mos. | 3-12 mos. | 1-5 years | Over 5 years |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Subordinated loans | 22 | - | 89 | 1,001 |
| Bond loans | 39 | 114 | 2,407 | 0 |
| Other loans | | | 10,679 | 930 |
| Other liabilities | - | - | 241 | |
| Current portion of long-term loans | 309 | 926 | - | - |
| Short-term loans | 770 | - | - | - |
| Fuel derivatives | 1 | 21 | | |
| Currency derivatives | 237 | 12 | | |
| Interest rate derivatives | 25 | –9 | 12 | 5 |
| Accounts payable | 2,068 | | | |
| **Total** | **3,471** | **1,0 64** | **13,428** | **1,936** |
| **Financial assets** | | | | |
| Other long-term receivables | | | 602 | |
| Accounts receivable | 297 | 1,554 | | |
| Receivables from affiliated companies | 479 | | | |
| Other receivables | | | | |
| Short-term investments | 3,872 | | | |
| Cash & Bank | 1,911 | | | |
| Fuel derivatives | –558 | –1,664 | –11 | |
| Currency derivatives | 981 | 760 | | |
| Interest rate derivatives | | | 4 | |
| **Total** | **6,982** | **650** | **595** | **0** |

The accompanying tables show remaining contractual terms for SAS's financial liabilities and assets excluding operations for sale. The figures shown are contractual undiscounted cash flows. The tables show the contracted date when SAS is liable to pay or receive, and includes both interest and nominal amount. Some loan facilities are linked to financial covenants, which means that in the event of default SAS can be liable for repayment earlier than the contracted maturity. Future interest flows at variable rates are estimated with the current interest rate on the closing date, which means the amounts may differ.

**Contracted credit facilities:**

The Group has entered into various credit facilities in order to provide additional funding if needed for future use. The schedule below provides details of the credit facilities at December 31, 2009.

| Facility | Expiration | Total facility | Utilized facility | Unutilized facility 2009 | Unutilized facility 2008 |
|---|---|---|---|---|---|
| Revolving credit facility, MEUR 366 | 2012 | 3,789 | 2,485 | 1,304 | - |
| Revolving credit facility, MNOK 82 | 2011 | 102 | 102 | 0 | - |
| Revolving credit facility, MUSD 140 | 2013 | 1,007 | 965 | 42 | 52 |
| Revolving credit facility, MUSD 125 | 2013 | 902 | 686 | 216 | 40 |
| Bilateral bank facilities | 2013 | 500 | 0 | 500 | 500 |
| Bilateral bank facilities | 2012 | 500 | 0 | 500 | 500 |
| Bilateral bank facilities | 2012 | 250 | 0 | 250 | 250 |
| Credit facility, MUSD 160 | 2011 | 1,154 | 517 | 637 | 1,483 |
| Other facilities | 2010 | 418 | 238 | 180 | 217 |
| **Total** | | **8,622** | **4,993** | **3,629** | **3,042** |

At December 31, 2009, the Group's interest-bearing liabilities amounted to MSEK 14,660 (16,117); 28% (38%) of the interest-bearing liabilities have financial key ratio requirements for cash flow, debt/equity and liquidity.

The term of the interest-bearing gross debt amounted to approximately 2.9 (2.2) years at year-end, excluding the subordinated loan of MCHF 127 which runs without stipulated maturity.

*Note 26, continued*

**Measurement at fair value**

For fiscal years beginning on or after January 1, 2009 the disclosure requirements in IFRS 7 have been extended concerning financial instruments measured at fair value in the balance sheet. The standard requires disclosure of methods used to determine fair value according to a fair value hierarchy consisting of three levels. The levels reflect the extent to which fair value is based on observable market data or own assumptions. Comparative information is not required in the first year of application. Below is a description of the different levels for determining fair value.

*Level 1*

Quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is considered active if quoted prices from an exchange, broker, industry group, pricing service or supervisory body are readily and regularly available and those prices represent actual and regularly occurring market transactions at arm's length.

This category includes mainly treasury bills and standardized derivatives where the quoted price is used in the valuation. Cash and bank balances are also categorized as level 1.

*Level 2*

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Examples of observable data in level 2 is data that can serve as a basis for assessing prices, such as market interest rates and yield curves.

This category includes mainly certificates and non-standard derivative instruments (interest rate, currency and fuel swaps, currency and fuel options) not traded in an active market and the fair value is determined using valuation techniques based essentially on observable market data.

*Level 3*

Significant input is based on unobservable market data.

The SAS Group currently has no financial assets and liabilities where the valuation is essentially based on unobservable data.

**Determination of fair value - valuation techniques**

*Other holdings of securities - Shares and participations*

The balance sheet item "Other holdings of securities" (MSEK 234) is made up of strategic shareholdings that are not affiliated companies or subsidiaries. It consists mainly of the SAS Group's remaining shareholding in Spanair (MSEK 229). The entire balance sheet item is measured at cost because its fair value cannot be reliably measured at justifiable expense. For this reason the balance sheet item "Other holdings of securities" is not included below in the table "Financial assets and liabilities measured at fair value".

**Derivatives**

*Interest rate swaps*

The fair value of interest rate swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on current market rates at the closing date.

*Futures*

Standardized futures contracts with daily settlement. Fair value is thus determined by daily "mark to market" valuation.

*Forward Rate Agreement, FRA*

The fair value of OTC FRAs is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date.

Standardized FRAs with cash settlement are measured at fair value using quoted bid and ask rates at year-end for an FRA with similar remaining term to maturity.

*Currency swaps*

The fair value of currency swaps is determined by discounting estimated future cash flows in each currency and interest rate. Discounting is based on yield curves on the closing date. Translation of the currency component is based on exchange rates prevailing at the closing date.

*Currency options*

The fair value of options is determined by application of the Black-Scholes valuation model, a recognized and accepted valuation model in financial markets. The model is based primarily on observable data such as spot price, strike price, term to maturity, interest rate, volatility, etc.

*Fuel options*

The fair value of fuel options is determined by application of the Black-Scholes valuation model. The model is based primarily on observable data such as the fuel swap curve, strike price, term to maturity, interest rate, volatility, etc.

*Fuel swaps*

The fair value of fuel swaps is determined according to the fuel swap curve at the closing date.

**Short-term investments**

Short-term investments classified as held for trading are made up of treasury bills, mortgage bonds and commercial paper with a maximum remaining term to maturity of three months. Fair value is determined by discounting on the basis of yield curves on the closing date.

**Cash and bank balances**

Cash and bank balances comprise cash on hand and demand deposits. Book value corresponds to fair value.

**Financial assets and liabilities at fair value**

| **December 31, 2009** | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **ASSETS** | | | |
| Other long-term receivables | | | |
| Interest rate derivatives | | 34 | |
| Other receivables | | | |
| Fuel derivatives | | 108 | |
| Currency derivatives | | 195 | |
| Interest rate derivatives | | 37 | |
| Short-term investments | 750 | 2,385 | |
| Cash and bank balances | 499 | | |
| **Total** | **1,249** | **2,759** | **-** |

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| Other loans | | | |
| Interest rate derivatives | | 55 | |
| Current portion of long-term loans | | | |
| Currency derivatives | | 119 | |
| Short-term loans | | | |
| Fuel derivatives | 8 | | |
| Currency derivatives | | 439 | |
| Interest rate derivatives | | 43 | |
| **Total** | **8** | **656** | **-** |

*Note 26, continued*

**Categorization of financial assets and liabilities**

| | Held for trading | Loans & receivables | Financial assets available for sale | Other liabilities | Hedging instruments, derivatives | Non-financial items | Continuing operations and operations held for sale: Total book value | Continuing operations and operations held for sale: Total fair value [1] | Assets and liabilities held for sale | Total book value |
|---|---|---|---|---|---|---|---|---|---|---|
| **December 31, 2009** | *Fair value* | *Amortized cost* | *Fair value* | *Amortized cost* | *Fair value* | | | | | |
| **ASSETS** | | | | | | | | | | |
| Long-term receivables from affiliated companies | | | | | | | 0 | 0 | 0 | 0 |
| Other holdings of securities | | | 234 | | | | 234 | 234 | 0 | 234 |
| Other long-term receivables | | 433 | | | | 262 | 695 | 695 | 0 | 695 |
| - Other long-term receivables, interest rate derivatives | | | | | 34 | | 34 | 34 | 0 | 34 |
| Accounts receivable | | 1,629 | | | | | 1,629 | 1,629 | –48 | 1,581 |
| Receivables from affiliated companies | | 84 | | | | 8 | 92 | 92 | 0 | 92 |
| Other receivables | | 3,066 | | | | 1,420 | 4,486 | 4,486 | –46 | 4,440 |
| - Other receivables, fuel derivatives | | | | | 108 | | 108 | 108 | 0 | 108 |
| - Other receivables, currency derivatives | 167 | | | | 28 | | 195 | 195 | 0 | 195 |
| - Other receivables, interest rate derivatives | 1 | | | | 36 | | 37 | 37 | 0 | 37 |
| Other receivables, interest rate derivatives | 3,135 | 565 | | | | | 3,700 | 3,700 | –9 | 3,691 |
| Cash & Bank | 499 | | | | | | 499 | 499 | –1 | 498 |
| **Total** | **3,802** | **5,777** | **234** | **0** | **206** | **1,690** | **11,709** | **11,709** | **–104** | **11,605** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | | | | | | | |
| Subordinated loans | | | | 919 | | | 919 | 341 | 0 | 919 |
| Bond loans | | | | 0 | | | 0 | 0 | 0 | 0 |
| Other loans | | | | 6,754 | | | 6,754 | 6,868 | 0 | 6,754 |
| - Other loans, interest rate derivatives | 41 | | | | 14 | | 55 | 55 | 0 | 55 |
| Other liabilities | | | | 276 | | 102 | 378 | 377 | 0 | 378 |
| Current portion of long-term loans | | | | 5,623 [2] | | | 5,623 | 5,620 | 0 | 5,623 |
| - Current portion of long-term loans, currency derivatives | | | | | 119 | | 119 | 119 | 0 | 119 |
| Short-term loans | | | | 417 | | | 417 | 417 | 0 | 417 |
| - Short-term loans, fuel derivatives | | | | | 8 | | 8 | 8 | 0 | 8 |
| - Short-term loans, currency derivatives | 192 | | | | 247 | | 439 | 439 | 0 | 439 |
| - Short-term loans, interest rate derivatives | 41 | | | | 2 | | 43 | 43 | 0 | 43 |
| Accounts payable | | | | 1,754 | | | 1,754 | 1,754 | –16 | 1,738 |
| **Total** | **274** | **0** | **0** | **15,743** [3] | **390** | **102** | **16,509** | **16,041** | **–16** | **16,493** |

[1] *Fair value of short-term investments, subordinated loans and one of the bond loans has been set entirely by the use of official price quotes.*
*Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.*

[2] *Contains loans used as hedging instruments of net investment in foreign operations.*

[3] *Of which MSEK 1,332 has been designated as hedging instruments in fair value hedges and has been measured at fair value.*

*Note 26, continued*

**Categorization of financial assets and liabilities**

| December 31, 2008 | Held for trading | Loans & receivables | Financial assets available for sale | Other liabilities | Hedging instruments, derivatives | Non-financial items | Continuing operations and operations held for sale: Total book value | Continuing operations and operations held for sale: Total fair value [1] | Assets and liabilities held for sale | Total book value |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Fair value* | *Amortized cost* | *Fair value* | *Amortized cost* | *Fair value* | | | | | |
| **ASSETS** | | | | | | | | | | |
| Long-term receivables from affiliated companies | | | | | | | 0 | 0 | 0 | 0 |
| Other holdings of securities | | | 5 | | | | 5 | 5 | 0 | 5 |
| Other long-term receivables | | 602 | | | | | 602 | 602 | –196 | 406 |
| - Other long-term receivables, interest rate derivatives | 4 | | | | | | 4 | 4 | 0 | 4 |
| Accounts receivable | | 3,479 | | | | | 3,479 | 3,479 | –1,628 | 1,851 |
| Receivables from affiliated companies | | 479 | | | | | 479 | 479 | 0 | 479 |
| Other receivables | | | | | | 3,727 | 3,727 | 3,727 | –574 | 3,153 |
| - Other receivables, fuel derivatives | | | | | –2,233 | | –2,233 | –2,233 | 0 | –2,233 |
| - Other receivables, currency derivatives | 370 | | | | 1,371 | | 1,741 | 1,741 | 0 | 1,741 |
| Short-term investments | 1,243 | 2,629 | | | | | 3,872 | 3,872 | 0 | 3,872 |
| Cash & Bank | 1,602 | 417 | | | | | 2,019 | 2,019 | –108 | 1,911 |
| **Total** | **3,219** | **7,606** | **5** | **0** | **–862** | **3,727** | **13,695** | **13,695** | **–2,506** | **11,189** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | | | | | | | | |
| Subordinated loans | | | | 953 | | | 953 | 308 | 0 | 953 |
| Bond loans | | | | 2,212 [2] | | | 2,212 | 1,964 | 0 | 2,212 |
| Other loans | | | | 10,497 | | | 10,497 | 10,896 | 0 | 10,497 |
| - Other loans, interest rate derivatives | 33 | | | | 5 | | 38 | 38 | 0 | 38 |
| Other liabilities | | | | 233 | | 101 | 334 | 334 | 0 | 334 |
| Current portion of long-term loans | | | | 879 | | | 879 | 900 | –7 | 872 |
| Short-term loans | | | | 932 | | | 932 | 932 | –9 | 923 |
| - Short-term loans, fuel derivatives | | | | | 22 | | 22 | 22 | 0 | 22 |
| - Short-term loans, currency derivatives | 102 | | | | 147 | | 249 | 249 | 0 | 249 |
| - Short-term loans, interest rate derivatives | 14 | | | | –19 | | –5 | –5 | 0 | –5 |
| Accounts payable | | | | 2,801 | | | 2,801 | 2,801 | –733 | 2,068 |
| **Total** | **149** | **0** | **0** | **18,507** [3] | **155** | **101** | **18,912** | **18,439** | **–749** | **18,163** |

[1] *Fair value of short-term investments, subordinated loans and one of the bond loans has been set entirely by the use of official price quotes.*
*Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.*

[2] *Contains loans used as hedging instruments of net investment in foreign operations.*

[3] *Of which MSEK 1,321 has been designated as hedging instruments in fair value hedges and has been measured at fair value.*

## Note 27 • Other provisions

| | Restructuring | | Loyalty program | | Other provisions | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| **Opening balance, January 1** | **298** | **239** | **1,877** | **495** | **111** | **147** | **2,286** | **881** |
| Change of accounting policy according to IFRIC 13 | | | | 1,331 | | | 0 | 1,331 |
| Opening balance adjusted according to the new policy | 298 | 239 | 1,877 | 1,826 | 111 | 147 | 2,286 | 2,212 |
| 2008 change according to new policy | | | | 39 | | | 0 | 39 |
| Provisions in continuing operations | 1,767 | 284 | 778 | 221 | 36 | 30 | 2,581 | 535 |
| Provisions in discontinued operations | 27 | - | - | - | - | - | 27 | - |
| Utilized provisions continuing operations | –888 | –228 | –890 | –209 | –94 | –75 | –1,872 | –512 |
| Utilized provisions discontinued operations | –24 | - | - | - | - | - | –24 | - |
| Currency effects | –5 | 3 | - | - | 12 | 9 | 7 | 12 |
| Liabilities attributable to assets held for sale | –22 | - | - | - | - | - | –22 | - |
| **Closing balance, December 31** | **1,153** | **298** | **1,765** | **1,877** | **65** | **111** | **2,983** | **2,286** |

| **Breakdown in balance sheet:** | 2009 | 2008 |
|---|---|---|
| Long-term liabilities | 2,131 | 2,138 |
| Current liabilities | 852 | 148 |
| | **2,983** | **2,286** |

*Restructuring provisions*
In 2002, 2007 and 2009 the Group introduced, respectively, its "Turnaround 2005","Strategy 2011" and "Core SAS" programs. The main aim of these Initiatives was to reduce the Group's cost base by reducing the number of full-time employees, centralize Group purchasing and increase the productivity of some 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 lease.

## Note 28 • Short-term loans

| | 2009 | 2008 |
|---|---|---|
| Issued commercial paper [1] | 214 | 646 |
| Bank loans | 0 | 11 |
| Overdraft facilities, utilized portion | 0 | 114 |
| Accrued interest | 97 | 153 |
| Derivatives | 570 | 266 |
| Other | 26 | 8 |
| **Total** | **907** | **1,198** |
| Liabilities attributable to assets held for sale | - | –9 |
| **Total** | **907** | **1,189** |

[1] *On the closing date, the average interest rate amounted to 2.00% for issued commercial paper.*

## Note 29 • Unearned transportation revenue (net)

Unearned transportation revenue consists of tickets sold and still valid but unused, see Note 1, Significant accounting policies, page 64 - revenue recognition.

On December 31, 2009, the estimated reserve in the unearned transportation revenue liability amounted to MSEK 404 (500).

## Note 30 • Accrued expenses and prepaid income

| | 2009 | 2008 |
|---|---|---|
| Vacation pay liability | 1,690 | 1,685 |
| Other accrued payroll expenses | 210 | 440 |
| Fuel costs | 154 | 207 |
| Selling costs | 263 | 253 |
| Technical aircraft maintenance | 119 | 97 |
| Government user fees | 193 | 214 |
| Handling costs | 188 | 109 |
| Leasing costs for aircraft | 146 | 184 |
| Other accrued expenses | 29 | 691 |
| Prepaid income | 272 | 394 |
| **Total** | **3,264** | **4,274** |

## Note 31 • Pledged assets

| | 2009 | 2008 |
|---|---|---|
| **Related to long-term liabilities to credit institutions:** | | |
| Real estate mortgages | 131 | 116 |
| Aircraft mortgages | 2,251 | 412 |
| Company mortgages | 36 | 41 |
| Shares in subsidiaries | 0 | 0 |
| **Related to deposits:** | **827** | **361** |
| **Total** | **3,245** | **930** |

Outstanding liability at December 31, 2009, relating to aircraft mortgages was MSEK 2,180 (332).

The item "Shares in subsidiaries" includes the book value of SAS shares in SAS's wholly owned financing structures for aircraft. For additional information in this regard, please see Note 12.

## Note 32 • Contingent liabilities

| *Guarantees* | 2009 | 2008 |
|---|---|---|
| **Related to long-term borrowings:** | | |
| Government user fees | 124 | 131 |
| Leasing contracts | - | 213 |
| Fuel | - | 116 |
| bmi sale | 217 | - |
| Travel guarantees | 7 | 12 |
| Other | 134 | 151 |
| **Total** | **482** | **623** |

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 in accordance with probable and quantifiable loss risks. For matters not requiring any provisions, the Group believes on the basis of information currently available that they will not have a material adverse effect on the Group's financial result. 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. This could have a material adverse effect on the consolidated financial results in future accounting periods.

## Note 33 • Leasing commitments

The SAS Group has entered into the following leasing commitments, with specification of the total annual rent for:

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015> |
|---|---|---|---|---|---|---|
| Aircraft | 1,862 | 1,525 | 1,225 | 1,058 | 985 | 2,894 |
| Properties | 1,027 | 1,018 | 996 | 952 | 900 | 4,675 |
| Machinery and equipment | 101 | 100 | 99 | 99 | 92 | 90 |
| **Total** | **2,990** | **2,643** | **2,320** | **2,109** | **1,977** | **7,659** |

*Note 33, continued*

Leases with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs for continuing operations in 2009 amounted to MSEK 3,784 (3,762), of which MSEK 16 (13) pertains to contingent rent. Contingent rents vary according to different factors such as operating revenue, the consumer price index and short-term market interest rates. In 2009 payments received for assets subleased to a third party amounted to MSEK 279 (84). The value of future fixed payments for these assets subleased to a third party amounts to MSEK 836 (67).

The above table includes the following major items:

At the end of 2009 the SAS Group aircraft fleet totaled 240 aircraft, of which 127 were leased. In 2009 sale and leaseback transactions were carried out for three aircraft, corresponding to an annual leasing cost of approximately MSEK 870. Terms of the leases vary between eight and 14 years.

SAS sold airport-related properties in December 2001. They were acquired by Nordisk Renting and GE Capital Real Estate for a purchase price of MSEK 3,020. At the same time, SAS leased back all the buildings for 20 years via operating leases and has an option, under certain terms, to buy back all or parts of the property portfolio after 10 years. The rent will amount to MSEK 222 in 2010.

In September and December 2003 properties in Copenhagen and Stockholm were sold. They were acquired by Keops and Nordisk Renting for a purchase price of MSEK 2,122. The properties are being leased back by SAS via operating leases for 10-20 years. The rent will amount to MSEK 187 in 2010.

## Note 34 • Adjustment for items not included in the cash flow, etc.

| | 2009 | 2008 |
|---|---|---|
| Share of income in affiliated companies, continuing operations | 258 | 147 |
| Share of income in affiliated companies, discontinued operations | - | –5 |
| Dividends from affiliated companies | 6 | - |
| Capitalized interest on prepayments to aircraft manufacturers | –19 | –26 |
| Earnings impact from measuring financial derivatives according to IAS 39 | –252 | –885 |
| Impairment losses and provisions | 52 | 698 |
| Effect of revaluation of EuroBonus liability according to IFRIC 13 | - | 39 |
| Other | –1 | 7 |
| **Total** | **44** | **–25** |

## Note 35 • Acquisition of subsidiaries

The SAS Group did not acquire any subsidiaries in 2009.

In 2008 the holding in Go Now was increased from 45% to 100%, making the company a wholly owned subsidiary in the SAS Group.

According to acquisition analyses the value of acquired assets and liabilities was as follows:

| | 2009 | 2008 |
|---|---|---|
| Non-current assets | - | 7 |
| Current assets | - | 2 |
| Cash and cash equivalents | - | 7 |
| Minority interests | - | –1 |
| Long-term liabilities | - | - |
| Current liabilities | - | –15 |
| **Total** | **-** | **0** |
| Goodwill | - | - |
| **Purchase price paid** | **-** | **0** |
| Cash and cash equivalents in acquired companies | - | –7 |
| **Impact on the Group's cash and cash equivalents** | **-** | **–7** |

## Note 36 • Disposals of subsidiaries and affiliated companies

In 2009 the purchase price was paid for airBaltic, which was sold in December 2008. Spanair was sold in March 2009. For further information on Spanair, please refer to the Board of Directors' Report - Change in Group structure. Cubic Air Cargo and the affiliated company British Midland were also sold.

In 2008, the subsidiaries SAS Media, SAS Facility Management and Aerolineas de Baleares were divested, as was the remaining holding in ST Aerospace Solutions (formerly SAS Component). The affiliated companies Baltic Cargo Center and Travel AS were also sold. airBaltic was reclassified during the year from subsidiary to affiliated company and subsequently divested.

The value of the sold assets and liabilities was the following:

| | 2009 | 2008 |
|---|---|---|
| Intangible assets | 103 | 103 |
| Tangible fixed assets | 436 | 268 |
| Financial fixed assets | 683 | 551 |
| Current assets | 153 | 31 |
| Current receivables | 1,017 | 441 |
| Cash and cash equivalents | 1 | 198 |
| Minority interests | 0 | 38 |
| Long-term liabilities | –53 | –29 |
| Current liabilities | –2,335 | –887 |
| **Total** | **5** | **714** |
| Capital gain/loss excluding selling costs | 431 | –201 |
| **Purchase price paid** | **436** | **513** |
| Paid/unpaid purchase price | 216 | –216 |
| Selling costs | –46 | –6 |
| Unpaid selling costs | - | 10 |
| Cash and cash equivalents in divested companies | –1 | –198 |
| **Impact on the Group's cash and cash equivalents** | **605** | **103** |

## Note 37 • Cash and cash equivalents

| | 2009 | 2008 |
|---|---|---|
| Short-term investments | 3,700 | 3,872 |
| Cash and bank balances | 391 | 1,917 |
| Cash and cash equivalents reclassified from/to assets held for sale | 98 | –6 |
| **Cash and cash equivalents at year-end** | **4,189** | **5,783** |

*Disclosure of interest paid:*
During the year, interest received in continuing operations amounted to MSEK 503 (508), of which MSEK 114 (92) refers to forward premiums for currency derivatives. During the year, interest paid in continuing operations amounted to MSEK 798 (797), of which MSEK 226 (128) refers to forward premiums for currency derivatives. In discontinued operations the interest received came to MSEK 8 (9) and interest paid to MSEK 20 (23).

## Note 38 • Auditor's fees

Auditing services refers to the examination of the annual report and accounting records and the administration of the Board of Directors and the President. Such services also include other duties incumbent on the company's auditors as well as advice or other assistance prompted by observations made while performing the audit or carrying out such duties. All other work is classified as non-auditing services.

The following remuneration was paid by continuing operations to auditing firms for auditing and other services:

| | 2009 | 2008 |
|---|---|---|
| Deloitte | | |
| Auditing services | 33 | 18 |
| Non-auditing services | 13 | 23 |
| **Total Deloitte** | **46** | **41** |
| Other auditing firms | | |
| Auditing services | 0 | 0 |
| **Total** | **46** | **41** |

## Note 39 • Transactions with affiliated companies

Revenue from sales to affiliated companies amounted to MSEK 149 (206). Cost of purchases from affiliated companies was MSEK 116 (712).

## Note 40 • Segment reporting

The Group's operations are managed and reported by business segment according to the following:

Scandinavian Airlines, which includes airline operations in the consortium of Scandinavian Airlines System, SAS Ground Services in Sweden, Norway and Denmark, SAS Tech and the remaining parts of SAS Cargo. Blue1 is an independent airline based in Finland. Widerøe is an independent airline based in Norway. Along with certain shared services and management functions, the three segments comprise Core SAS. Other operations include Individual Holdings, the Parent Company SAS AB (Group functions) and others. The operations in Individual Holdings are being gradually discontinued through divestment and outsourcing.

| | | | | | | | Reconciliation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Scandinavian Airlines | | Blue1 | | Widerøe | | Other | | Eliminations | | Core SAS | |
| **January-December** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| External sales | 38,895 | 45,549 | 1,781 | 1,924 | 3,320 | 3,444 | 544 | 448 | 0 | 0 | 44,540 | 51,365 |
| Sales between business segments | 801 | 1,987 | 38 | 76 | 9 | 58 | 1,163 | 1,284 | –1,740 | –1,883 | 271 | 1,522 |
| **Revenue** | **39,696** | **47,536** | **1,819** | **2,000** | **3,329** | **3,502** | **1,707** | **1,732** | **–1,740** | **–1,883** | **44,811** | **52,887** |
| Payroll expenses [1] | –15,226 | –14,804 | –371 | –352 | –1,260 | –1,284 | –385 | –276 | 0 | 0 | –17,242 | –16,716 |
| Other operating expenses | –23,349 | –29,868 | –1,532 | –1,546 | –1,746 | –1,919 | –928 | –699 | 1,651 | 1,804 | –25,904 | –32,228 |
| **Operating income before depreciation/amortization and leasing costs** | **1,121** | **2,864** | **–84** | **102** | **323** | **299** | **394** | **757** | **–89** | **–79** | **1,665** | **3,943** |
| Leasing costs for aircraft | –2,149 | –2,132 | –115 | –110 | –143 | –120 | 0 | 0 | 89 | 79 | –2,318 | –2,283 |
| Depreciation, amortization and impairment | –1,640 | –1,343 | –5 | –5 | –147 | –160 | –46 | –42 | 6 | 6 | –1,832 | –1,544 |
| Share of income in affiliated companies | –93 | –4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | –93 | –4 |
| Capital gains/losses | –99 | –10 | 0 | 0 | 1 | 14 | 1 | 0 | 1 | 0 | –96 | 4 |
| **Operating income** | **–2,860** | **–625** | **–204** | **–13** | **34** | **33** | **349** | **715** | **7** | **6** | **–2,674** | **116** |
| Reconciliation with net income for the period from continuing operations: | | | | | | | | | | | | |
| Net financial items | | | | | | | | | | | | |
| Tax | | | | | | | | | | | | |
| **Net income for the year from continuing operations** | | | | | | | | | | | | |

| | Reconciliation | | | | | |
|---|---|---|---|---|---|---|
| | Other | | Eliminations | | SAS Group | |
| **January-December** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| External sales | 378 | 1,505 | 0 | 0 | 44,918 | 52,870 |
| Sales between business segments | 768 | 1,165 | –1,039 | –2,687 | 0 | 0 |
| **Revenue** | **1,146** | **2,670** | **–1,039** | **–2,687** | **44,918** | **52,870** |
| Payroll expenses [1] | –756 | –916 | 0 | 0 | –17,998 | –17,632 |
| Other operating expenses | –1,047 | –2,454 | 1,039 | 2,723 | –25,912 | –31,959 |
| **Operating income before depreciation/amortization and leasing costs** | **–657** | **–700** | **0** | **36** | **1,008** | **3,279** |
| Leasing costs for aircraft | –1 | 1 | 0 | 0 | –2 319 | –2 282 |
| Depreciation, amortization and impairment | –13 | –6 | 0 | 0 | –1,845 | –1,550 |
| Share of income in affiliated companies | –165 | –143 | 0 | 0 | –258 | –147 |
| Capital gains/losses | 428 | 0 | 0 | 0 | 332 | 4 |
| **Operating income** | **–408** | **–848** | **0** | **36** | **–3,082** | **–696** |
| Reconciliation with net income for the period from continuing operations: | | | | | | |
| Net financial items | | | | | –341 | –273 |
| Tax | | | | | 803 | 4 |
| **Net income for the period from continuing operations** | | | | | **–2,620** | **–965** |

[1] *The Group's 2009 payroll expenses include MSEK 1,444 in restructuring costs.*

*Note 40, continued*

**OTHER DISCLOSURES**

| | Scandinavian Airlines | | Blue1 | | Widerøe | | Reconciliation Other | | Reconciliation Eliminations | | Core SAS | | Reconciliation Other | | Reconciliation Eliminations | | SAS Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Assets | 33,253 | 32,881 | 507 | 629 | 1,938 | 1,771 | 30,801 | 31,252 | –21,665 | –17,765 | 44,834 | 48,768 | 13,763 | 12,910 | –16,460 | –18,936 | 42,137 | 42,742 |
| Equity shares in affiliated companies | 13 | 129 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 129 | 345 | 493 | 0 | 0 | 358 | 622 |
| **Total assets** | **33,266** | **33,010** | **507** | **629** | **1,938** | **1,771** | **30,801** | **31,252** | **–21,665** | **–17,765** | **44,847** | **48,897** | **14,108** | **13,403** | **–16,460** | **–18,936** | **42,495** | **43,364** |
| Total liabilities | 18,570 | 23,574 | 360 | 332 | 1,356 | 1,292 | 28,106 | 28,999 | –21,654 | –17,765 | 26,738 | 36,432 | 20,828 | 17,555 | –16,460 | –17,935 | 31,106 | 36,052 |
| Investments for the year | 3,961 | 3,749 | 2 | 7 | 485 | 358 | 30 | 29 | 0 | 0 | 4,478 | 4,143 | 43 | 7 | 0 | 0 | 4,521 | 4,150 |

## Geographical breakdown

| | Domestic | | Intra-Scandinavian | | Europe | | Intercontinental | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Passenger revenue | 11,388 | 12,546 | 3,683 | 4,211 | 12,737 | 15,027 | 4,866 | 6,269 | 32,674 | 38,053 |
| Freight and mail revenue | 110 | 140 | 31 | 62 | 178 | 233 | 692 | 1,074 | 1,011 | 1,509 |
| Charter revenue | 36 | 20 | 9 | 0 | 1,889 | 1,643 | 242 | 0 | 2,176 | 1,663 |
| Other traffic revenue | 894 | 753 | 173 | 116 | 600 | 1,006 | 202 | 284 | 1,869 | 2,159 |
| **Total traffic revenue** | **12,428** | **13,459** | **3,896** | **4,389** | **15,404** | **17,909** | **6,002** | **7,627** | **37,730** | **43,384** |

| | Denmark | | Norway | | Sweden | | Europe | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Other operating revenue, continuing operations | 1,107 | 1,266 | 1,985 | 2,217 | 1,823 | 1,907 | 1,495 | 3,097 | 778 | 999 | 7,188 | 9,486 |
| Other operating revenue, discontinued operations | 74 | 116 | 116 | 83 | 75 | 101 | 7 | 474 | 0 | 0 | 272 | 774 |
| | **1,181** | **1,382** | **2,101** | **2,300** | **1,898** | **2,008** | **1,502** | **3,571** | **778** | **999** | **7,460** | **10,260** |

**OTHER DISCLOSURES**

| | Denmark | | Norway | | Sweden | | Europe | | Other | | Not broken down | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Assets [1] | 1,522 | 3,375 | 2,723 | 3,940 | 14,351 | 11,319 | 644 | 3,755 | 193 | 296 | 3,104 | 2,523 | 22,537 | 25,208 |
| Investment for the year in continuing operations | 30 | 220 | 18 | 101 | 352 | 1,135 | - | 49 | 0 | 3 | 4,121 | 2,664 | 4,521 | 4,172 |

[1] *Aircraft and spare parts are not broken down, see Note 1, Significant accounting policies - Segment reporting, page 66.*

In 2008 and 2009 there was no single customer who accounted for more than 10% of Group revenue.

**Note 41 • Subsidiaries in the SAS Group**

| | Domicile | Corporate identity number | Total owned shares | Holding | Book value MSEK | Share of equity |
|---|---|---|---|---|---|---|
| *Owned by SAS AB:* | | | | | | |
| SAS Sverige AB | Stockholm | 556042-5414 | 70,500,000 | 100 | 737 | 2,612 |
| SAS Norge AS | Bærum | 811176702 | 47,000,000 | 100 | 628 | 2,584 |
| SAS Danmark A/S | Copenhagen | 56994912 | 47,000,000 | 100 | 571 | 1,788 |
| Widerøes Flyveselskap AS | Bodø | 917330557 | 364,196 | 100 | 1,440 | 582 |
| SAS Ground Services AB | Stockholm | 556063-8255 | 610,000 | 100 | 756 | 783 |
| SAS Tech | Stockholm | 556137-6764 | 940,000 | 100 | 1,150 | 1,284 |
| Nordair A/S | Tårnby | 24176711 | 10,000 | 100 | 0 | 5 |
| Linjeflyg AB | Stockholm | 556062-8454 | 2,000,000 | 100 | 237 | 211 |
| OY Nordair AB | Vantaa | 525.232 | 150 | 100 | 72 | 153 |
| SAS Human Resources Sweden AB | Stockholm | 556664-1485 | 30,000 | 100 | 30 | 19 |
| SAS Accounting Services Sweden AB | Stockholm | 556664-1493 | 16,000 | 100 | 21 | –12 |
| SAS Revenue Information Services A/S | Tårnby | 28098766 | 13,200 | 100 | 16 | 38 |
| SAS Business Opportunities AB | Stockholm | 556657-7358 | 8,000 | 100 | 8 | 14 |
| SAS Trading AB | Stockholm | 556406-9390 | 50,200 | 100 | 3 | 3 |
| Other | | | | | 0 | 22 |
| | | | | | **5,669** | **10,086** |
| *Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:* | | | | | | |
| SAS Consortium | Solna | 902001-7720 | - | 100 | 10,594 | 10,594 |
| *Owned by SAS Consortium:* | | | | | | |
| SAS Scandinavian Airlines Norge AS | Bærum | 962308449 | 150,000 | 100 | 3,851 | 1,718 |
| SAS Scandinavian Airlines Danmark A/S | Tårnby | 10156858 | 1,290,500 | 100 | 1,570 | 1,618 |
| SAS Scandinavian Airlines Sverige AB | Stockholm | 556235-5908 | 710,000 | 100 | 1,010 | 790 |
| SAS Investments A/S | Copenhagen | 25578104 | 300,000 | 100 | 488 | 491 |
| Linjeflyg Leasing HB | Stockholm | 916644-1080 | - | 79 | 306 | 352 |
| Cherrydean Ltd | Dublin | 310983 | 12,633,198 | 100 | 113 | 90 |
| SAS Capital B.V. | Rotterdam | 167071 | 501 | 100 | 8 | 77 |
| SAS Ground Services Sweden AB | Stockholm | 556657-7374 | 101,000 | 100 | 300 | 165 |
| SAS Ground Services Norway AS | Oslo | 986978364 | 12,100 | 100 | 552 | 326 |
| SAS Ground Services Denmark A/S | Copenhagen | 27723454 | 184,000 | 100 | 211 | 96 |
| URIS Ltd | Dublin | 316438 | 1,620 | 100 | 3 | 3 |
| Other | | | | | 2 | 1 |
| | | | | | **8,414** | **5,727** |
| *Owned by Nordair A/S:* | | | | | | |
| SAS Cargo Group A/S | Tårnby | 25736443 | 200,500 | 100 | 83 | –243 |
| *Owned by SAS Investments Denmark A/S:* | | | | | | |
| SAS Trading Denmark A/S | Tårnby | 42710814 | 700 | 100 | 1 | 1 |
| *Owned by SAS Ground Services AB:* | | | | | | |
| RASN A/S | Copenhagen | 24202941 | 500 | 100 | 1 | 0 |
| Spirit Air Cargo Handling Group AB | Stockholm | 556604-2908 | 11,000 | 100 | 0 | –108 |
| SAS Ground Services Finland OY | Helsinki | 1749532-9 | 3,616 | 100 | 10 | 11 |
| SAS Ground Services UK, Limited | London | 5126372 | 160,000 | 100 | 21 | 33 |
| | | | | | **32** | **–64** |
| *Owned by Uris Ltd:* | | | | | | |
| Commercial Aviation Leasing Limited | Dublin | 30 8550 | 1,613 | 6 | 3 | 5 |
| *Owned by Cherrydean Limited:* | | | | | | |
| Commercial Aviation Leasing Limited | Dublin | 30 8550 | 25,266 | 94 | 119 | 72 |

## Note 42 • Significant events after the balance sheet date

### Sale of Air Maintenance Estonia

On January 25, 2010, SAS signed an agreement to sell its wholly owned subsidiary, Air Maintenance Estonia, a Tallinn-based company specializing in aircraft maintenance.

### Proposed rights issue

The Board of SAS has decided on a new rights issue of approximately MSEK 5,000, which is conditional on the Annual General Meeting's approval, to support the implementation of the remaining parts of the Core SAS strategy. The rights issue is supported by SAS's four largest shareholders and by a syndicate of underwriters, provided that SAS refinances approximately MSEK 2,000 in principal amount of bonds maturing in 2010 and a final agreement is reached with the pilot and cabin crew unions that results in MSEK 500 in additional cost savings. An agreement was reached with the unions on March 11, 2010. In addition, SAS's four largest shareholders have expressed their support to the issuance of up to MSEK 2,000 in principal amount of bonds convertible into SAS shares, which SAS expects to issue to further refinance its bonds maturing in 2010. The Board of SAS has resolved to propose to the Annual General Meeting an authorization for the Board to resolve, on one or several occasions and until the next Annual General Meeting, on the issuance of up to MSEK 2,000 in principal amount of convertible bonds, free from shareholders' preemptive rights.

*Amendment of credit agreements*

As discussed in Note 1, the Group negotiated a change in the terms of four credit facilities representing approximately MSEK 5,000 of the Group's facilities as at December 31, 2009. The modified terms extend the maturities of the facilities to 2013 and change the financial covenants. These amendments are conditional on the raising net proceeds of no less than MSEK 4,000 in the rights issue.

The borrowings under these agreements, which are included in other loans, have been reflected as current liabilities and presented as such in the maturity table disclosures throughout the financial statements. This represents an acceleration of the actual maturities of these loans, as the amendments to these credit facilities are contingent on future events. The loans reclassified as current liabilities include MSEK 2,485 related to the credit facilities that are subject to amendment. Upon the completion of the rights issue, and the resulting amendment of the credit facilities, these liabilities will be reclassified as long term liabilities.

*New financing*

In March 2010, the Group issued bonds on the EMTN market in an aggregate principal amount of MEUR 60 (approximately MSEK 580). This issue was carried out as part of the condition to refinance approximately MSEK 2,000 of bonds maturing 2010 and the new bonds will mature in March 2016.

## Note 43 • Shareholders' equity

### Share capital

The Company has two classes of shares, common shares and subordinated shares. On February 2, 2009, the Board of Directors resolved to reduce share capital by approving the decrease of the quota value of common stock from SEK 10 to SEK 2.50. The Board's resolution was approved at an Extraordinary Shareholders' Meeting held on March 13, 2009. Consequently, the aggregate quota value of the issued common stock and share capital were decreased by reclassifying MSEK 1,234 from share capital to retained earnings in the Group's consolidated statement of changes in equity.

Additionally, on February 2, 2009, the Board of Directors resolved to increase share capital by not more than MSEK 5,757.5 through the issue of not more than 2,303 million common shares. The Board's resolution was approved at an Extraordinary Shareholders' Meeting held on March 13, 2009. The Group's existing shareholders received preferential rights to subscribe for the new common shares in relation to the number of shares they already owned. Every previously owned shared entitled the shareholders to subscribe for fourteen new common shares at a subscription price of SEK 2.63 per share. As of year-end, all common shares had been subscribed. As a result, the Company's share capital was increased by MSEK 5,757 and retained earnings by MSEK 300.

All shares and per share amounts in the consolidated financial statements and notes to the consolidated financial statements, have been retroactively adjusted, for all periods presented to reflect the rights issue and decrease in quota value per share.

Other contributed capital includes amounts paid in excess of quota value which are restricted, whereas the transactions above have been reflected in retained earnings as they are unrestricted amounts.

As at December 31, 2009, 2,467,750,000 common shares, which together constitute a registered share capital of SEK 6,168,750,000, had been issued and were outstanding. There are no issued or outstanding subordinated shares.

The common shares are divided into 2,467,750,000 shares, with a quota value of 2.5 per share.

The common shares give shareholders all of the rights found in the Companies Act and the 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 Articles of Association require a majority of the shares to be held by Scandinavian shareholders. To ensure this ownership ratio the Board is entitled to make a decision on mandatory redemption of shares held by shareholders outside of Scandinavia without refund to affected shareholders. Should the redemption of such shares not be possible, the Board is entitled (following the approval of the Shareholders' Meeting) to transfer warrants with subscription rights to subordinated shares to Scandinavian shareholders to dilute the non-Scandinavian shareholding to below 50%.

### Dividend policy

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

### 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 includes exchange-rate differences arising on translation of liabilities and forward exchange contracts designated as hedges of net investments in foreign operations. The hedging reserve includes the effective part of the cumulative net change in fair value on a cash flow instrument attributable to hedging transactions that have not yet occurred.

# SAS AB, Parent Company

## Statement of income

| MSEK | Note | 2009 | 2008 |
|---|---|---|---|
| Revenue | | 289 | 353 |
| Payroll expenses | 1 | –332 | –379 |
| Other operating expenses | | –328 | –349 |
| **Operating income before depreciation/amortization** | | **–371** | **–375** |
| Depreciation/amortization | | 0 | 0 |
| **Operating income** | | **–371** | **–375** |
| Income from participations in Group companies | 2 | –980 | –2,807 |
| Income from participations in affiliated companies | 2 | –229 | 93 |
| Income from other participations | 2 | - | - |
| Impairment of current receivables | | | –4,131 |
| Interest income and similar income items | | 111 | 324 |
| Interest expenses and similar income items | | –172 | –368 |
| Exchange rate differences | | 83 | –28 |
| **Income before tax** | | **–1,558** | **–7,292** |
| Tax | 3 | 193 | –21 |
| **Net income for the year** | | **–1,365** | **–7,313** |

## Change in shareholders' equity

| MSEK | Share capital | Restricted reserves | Unrestricted equity | Total equity |
|---|---|---|---|---|
| **Opening balance, January 1, 2008** | **1,645** | **306** | **9,589** | **11,540** |
| Group contribution received | | | 53 | 53 |
| Tax effect of group contribution | | | –15 | –15 |
| Net income for the period | | | –7,313 | –7,313 |
| **Shareholders' equity, December 31, 2008** | **1,645** | **306** | **2,314** | **4,265** |
| Reduction of share capital | –1,234 | | 1,234 | 0 |
| Rights issue | 5,757 | | 300 | 6,057 |
| Cost of rights issue | | | –249 | –249 |
| Tax effect of cost of rights issue | | | 65 | 65 |
| Net income for the year | | | –1,365 | –1,365 |
| **Shareholders' equity, December 31, 2009** | **6,168** | **306** | **2,299** | **8,773** |

No. of shares: 2,467,500,000. Quota value 2.5 (10). Each share is entitled to one vote and all shares own equal rights to shares in the company's assets and profits.

There were no dilutions during the year.

## Balance sheet

| ASSETS, MSEK | Note | 2009 | 2008 |
|---|---|---|---|
| Non-current assets | | | |
| *Intangible assets* | 4 | 8 | 8 |
| *Tangible fixed assets* | | | |
| Equipment | 5 | 2 | 2 |
| *Financial fixed assets* | | | |
| Shares in subsidiaries | 6 | 5,669 | 6,195 |
| Participations in affiliated companies | 7 | 41 | 230 |
| Other holdings of securities | 8 | 231 | 2 |
| Long-term receivables from Group companies | | - | 14 |
| Deferred tax asset | | 588 | 329 |
| Other long-term receivables | | 0 | 32 |
| **Total non-current assets** | | **6,539** | **6,812** |
| **Current assets** | | | |
| *Current receivables* | | | |
| Accounts receivable | | 1 | 0 |
| Receivables from Group companies | | 4,925 | 4,187 |
| Receivables from affiliated companies | | 0 | 0 |
| Other receivables | | 7 | 225 |
| Prepaid expenses and accrued income | | 2 | 5 |
| | | **4,935** | **4,417** |
| Cash and bank balances | | 2 | 90 |
| **Total current assets** | | **4,937** | **4,507** |
| **TOTAL ASSETS** | | **11,476** | **11,319** |

| SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK | Note | 2009 | 2008 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| **Restricted equity** | | | |
| Share capital | | 6,168 | 1,645 |
| Statutory reserve | | 306 | 306 |
| **Unrestricted equity** | | | |
| Retained earnings | | 3,664 | 9,627 |
| Net income for the period | | –1,365 | –7,313 |
| **Total shareholders' equity** | | **8,773** | **4,265** |
| **Long-term liabilities** | | | |
| Long-term liabilities to Group companies | | 2,418 | 6,334 |
| Pensions and similar commitments | | 14 | 7 |
| Other liabilities | | 14 | 58 |
| **Total long-term liabilities** | | **2,446** | **6,399** |
| **Current liabilities** | | | |
| Liabilities to Group companies | | 56 | 335 |
| Accounts payable | | 30 | 37 |
| Other liabilities | | 129 | 181 |
| Accrued expenses and prepaid income | | 42 | 102 |
| **Total current liabilities** | | **257** | **655** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **11,476** | **11,319** |
| **Pledged assets and contingent liabilities** | | | |
| Pledged assets | | - | - |
| Contingent liabilities | 9 | 392 | 738 |

## Cash flow statement

| MSEK | 2009 | 2008 |
|---|---|---|
| **Operating activities** | | |
| Income before tax | –1,558 | –7,292 |
| Depreciation and amortization | 0 | 0 |
| Income from the sale of shares, etc. | 167 | 216 |
| Impairment of shares | 804 | 2,067 |
| Impairment of receivables | 294 | 4,593 |
| Adjustment for items not included in the cash flow | - | - |
| **Cash flow from operating activities before changes in working capital** | **–293** | **–416** |
| *Change in:* | | |
| Operating receivables | 156 | 107 |
| Operating liabilities | –326 | 26 |
| **Cash flow from changes in working capital** | **–170** | **133** |
| **Cash flow from operating activities** | **–463** | **–283** |
| **Investing activities** | | |
| Purchase of equipment | - | 0 |
| Investment in subsidiaries and affiliated companies | –90 | –2,439 |
| Disposal of subsidiaries/affiliated companies | 171 | 28 |
| **Cash flow from investing activities** | **81** | **–2,411** |
| **Financing activities** | | |
| Change in long-term receivables | 4 | –17 |
| Change in current receivables | –1,364 | 679 |
| Change in long-term liabilities | –3,916 | 1,665 |
| Change in current liabilities | –238 | 189 |
| Group contribution received, net | - | 10 |
| Rights issue | 6,057 | - |
| Cost of rights issue | –249 | - |
| **Cash flow from financing activities** | **294** | **2,526** |
| **Cash flow for the year** | **–88** | **–168** |
| Cash and cash equivalents at beginning of the year | 90 | 258 |
| **Cash and cash equivalents at year-end** | **2** | **90** |

## Note 1 • No. of empl., salaries, other remuneration and soc. security exp.

The average number of employees was 221 (259). A breakdown of the average number of employees by country is provided in the table below.

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Men | Women | Men | Women |
| Denmark | 35 | 26 | 47 | 34 |
| Norway | 2 | 1 | 3 | 1 |
| Sweden | 93 | 64 | 106 | 68 |
| **Total** | **130** | **91** | **156** | **103** |
| **Total men and women** | **221** | | **259** | |

For salaries, remuneration, social security expenses and sick leave, see SAS Group Note 3 – Payroll expenses, page 67.

## Note 2 • Income from financial items

| | Income from participations in Group companies | | Income from participations in affiliated companies | | Income from other participations | |
|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Dividend | - | 30 | - | - | - | - |
| Capital gain/loss from disposal of participations | –167 | –310 | - | 93 | - | - |
| Impairment losses | –813 | –2,527 | –229 | - | - | - |
| | **–980** | **–2,807** | **–229** | **93** | **-** | **-** |

## Note 3 • Tax

| | 2009 | 2008 |
|---|---|---|
| Current tax | - | - |
| Deferred tax | 193 | –21 |
| **Deferred tax** | **193** | **–21** |

## Note 4 • Intangible assets

| Other assets | 2009 | 2008 |
|---|---|---|
| Opening cost | 8 | 8 |
| Cost for the period | 0 | 0 |
| **Closing accumulated cost** | **8** | **8** |
| Opening amortization | - | - |
| Amortization for the period | - | - |
| **Closing accumulated amortization** | **-** | **-** |
| **Book value** | **8** | **8** |

## Note 5 • Tangible fixed assets

| Equipment | 2009 | 2008 |
|---|---|---|
| Opening cost | 8 | 9 |
| Sales/disposals | –3 | –1 |
| Cost for the period | 0 | 0 |
| **Closing accumulated cost** | **5** | **8** |
| Opening depreciation | –6 | –6 |
| Disposals/sales | 3 | 0 |
| Depreciation for the period | 0 | 0 |
| **Closing accumulated depreciation** | **–3** | **–6** |
| **Book value** | **2** | **2** |

## Note 6 • Shares in subsidiaries

See SAS Group Note 41 – Subsidiaries in the SAS Group, page 87.

## Note 7 • Participations in affiliated companies

| | Domicile | Corporate ID no. | No. of shares owned | Holding | Book value |
|---|---|---|---|---|---|
| AS Estonian Air | Tallinn | 10076042 | 44 100 + 266 pref | 49% | 0 |
| Skyways Holding AB | Stockholm | 556021-5872 | 1 548 000 | 25% | 41 |
| | | | | | **41** |

## Note 8 • Other holdings of securities

| | 2009 | 2008 |
|---|---|---|
| Incorporate Cell Company | 2 | 2 |
| Spanair | 229 | - |
| **Total** | **231** | **2** |

## Note 9 • Contingent liabilities

| Other contingent liabilities benefiting: | 2009 | 2008 |
|---|---|---|
| Blue1 | 144 | 151 |
| Spanair | 248 | 379 |
| Aerolineas de Baleares | - | 142 |
| Widerøes Flyveselskap | - | 54 |
| Go Now | - | 12 |
| **Total** | **392** | **738** |

Effective December 31, 2003, SAS AB has pledged to guarantee as its own liability the SAS Consortium's current and future interest-bearing obligations, leasing commitments and other financial obligations (irrevocable undertaking).

## Note 10 • Fees to auditing firms

Fees paid to Deloitte amounted to MSEK 10 (10) for auditing services and MSEK 10 (16) for non-auditing services.

The Board of Directors and President hereby give their assurance that the annual financial statements have been prepared according to the Annual Accounts Act and RFR 2.1. Accounting for Legal Entities and provide a true and fair view of the company's financial position and earnings and that the Report of Board of Directors provides a true and fair overview of the performance of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, March 15, 2010

**Fritz H. Schur**
*Chairman of the Board*

**Jacob Wallenberg**
*Vice Chairman*

**Jens Erik Christensen**
*Board Member*

**Timo Peltola**
*Board Member*

**Anitra Steen**
*Board Member*

**Carsten Nielsen**
*Board Member*

**Berit Kjøll**
*Board Member*

**Dag Mejdell**
*Board Member*

**Ulla Gröntvedt**
*Board Member*

**Asbjørn Wikestad**
*Board Member*

**Mats Jansson**
*President and CEO*

As stated above, the annual financial statements and consolidated financial statements were approved for issuance by the Board of Directors on March 15, 2010. The Group's statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on April 7, 2010.

Our auditors' report was submitted on March 15, 2010

Deloitte AB

**Peter Gustafsson**
*Authorized Public Accountant*

# Auditor's report

*To the annual meeting of the shareholders of SAS AB*
*Corporate identity number 556606-8499*

We have audited the annual financial statements, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of SAS AB for the financial year 2009. The company's Annual Report is included in the printed version of this document on pages 49-91.The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated financial statements have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual financial statements and the consolidated financial statements.

We recommend to the Annual General Shareholders' Meeting that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 15, 2010

Deloitte AB

**Peter Gustafsson**
*Authorized Public Accountant*


SAS
DANGER
HOT
EXHAUST

# Corporate Governance Report

SAS AB follows the Swedish Code of Corporate Governance. Well-functioning corporate governance is vital for ensuring that shareholders know that the activities of the SAS Group are characterized by efficiency and reliability. The aim of corporate governance is for SAS to have effective management and control of its operations, in combination with adequate transparency, clarity and proper business ethics.

SAS AB is the Parent Company of the SAS Group and a Swedish public limited company headquartered in Stockholm, Sweden. Corporate governance in the SAS Group is based on Swedish legislation, the Articles of Association, the Swedish Code of Corporate Governance, and the NASDAQ OMX Stockholm rules for issuers, as well as other applicable rules and recommendations issued by relevant Swedish and international organizations.

The SAS Group continues to follow developments in the area of corporate governance and adapts its principles for corporate governance with the aim of creating effective corporate governance and provision of information to shareholders and real owner influence. In accordance with the NASDAQ OMX Stockholm rules and regulations the SAS Group has developed an information/IR policy to ensure adequate disclosures to the capital market.

## Application of the Code

SAS AB applies the Swedish Code of Corporate Governance, “the Code”, which has been included in the NASDAQ OMX Stockholm rules and regulations since July 1, 2005. This report constitutes the SAS Group’s corporate governance report for the 2009 financial year and has been prepared in accordance with the provisions of the Code. The report has not been examined by the company’s auditors.

## Departure from the Code

The SAS Group followed the Code apart from the following instance: Clause 1.5 states that the Shareholders’ Meeting is to be conducted in Swedish and that the material presented is to be available in Swedish.

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

## Shareholders’ Meeting

Pursuant to the Companies Act, the Shareholders’ Meeting is the company’s supreme decision-making body. At the Shareholders’ Meeting of SAS AB, one share is equal to one vote. Shareholders who are recorded in the share register as of the meeting date and have given notice of their attendance in due time have a right to attend the meeting and vote their total holding of shares. Decisions at the meeting are generally made by a simple majority. However, in certain matters the Companies Act or SAS AB’s Articles of Association require a motion have the support of a higher percentage of the shares represented and votes cast at the meeting. Decisions made at the Shareholders’ Meeting are made public after the meeting in a press release, and the minutes of the meeting are published on the company’s website. www.sasgroup.net

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

Notice of a Shareholders’ Meeting is published in daily newspapers in its entirety in Sweden and in abbreviated format in Denmark and Norway and is announced in a press release and published on the company’s website. The company e-mails notices to the shareholders whose e-mail addresses are known to the company.

## Shareholders’ Meetings in 2009

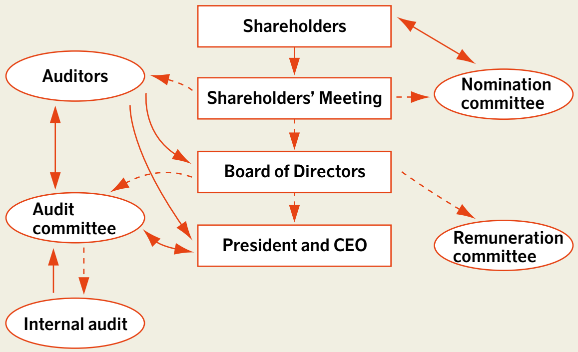
In 2009 an Extraordinary Shareholders’ Meeting was held on March 13 in Stockholm and the Annual General Shareholders’ Meeting was held at the company’s headquarters in Solna.

At the Extraordinary Shareholders’ Meeting, the Board’s proposal for a rights issue was approved. The rights issue was completed in April.

At the 2009 Annual General Shareholders’ Meeting, all Board members were reelected, and Fritz H. Schur was reelected the Chairman of the Board. The auditing firm Deloitte AB was reelected the company’s auditor for a four year-term of office. The meeting also decided certain technical and editorial changes to the Articles of Association, on directors’ and audit fees, remuneration for work on Board committees, remuneration policies and other employment terms for company management and elected members to the nomination committee to serve until the end of the 2010 Annual General Shareholders’ Meeting. The meeting approved the Board’s recommendation not to pay a dividend for 2008.

**Corporate Governance, accountability and decision process**

*The SAS Group had 56,462 shareholders on December 31, 2009. The biggest shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, Unionen, Danmarks Nationalbank, Andra AP-fonden, Första AP-fonden and various bank mutual funds.*




**Meetings in 2009**

*The Board of Directors held 13 recorded meetings. The audit committee had four recorded meetings and the remuneration committee had two recorded meetings. The nomination committee has had four recorded meetings since the 2009 Annual General Shareholders’ Meeting.*

## Board of Directors

The Board consists of seven members elected by the Shareholders' Meeting without deputies and three employee members, each with two personal deputies, who are elected by the SAS Group's employee groups in Denmark, Norway, and Sweden, according to law and a special agreement. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. Further information concerning the members of the Board and relationships to the company's owners, etc., appears on p. 99.

The average age of members is 58 years and two of the seven members elected by the Shareholders' Meeting are women. All members elected by the Shareholders' Meeting are regarded by the Nomination Committee as being independent of the company and company management, while one member is not regarded as being independent of the company's major shareholders. SAS AB meets the requirements of the Code regarding board independence vis-à-vis the company, company management, and the company's major shareholders.

*The Board's responsibility and work*

Pursuant to the Companies Act, the Board is responsible for the company's organization and management and proper control of its accounting, funds management and financial situation in other respects. The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year, which regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. The work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis and instructions for the President and the company's Board committees. According to the Board's work plan:

- The Chairman, in close collaboration with the President, is to monitor the company's performance and plan and chair Board meetings.
- The Chairman shall be responsible for the Board evaluating its work each year, scrutinize his own work routines, and see to it that the Board always receives the information necessary to do its work effectively. The Chairman represents the company in owner matters.
- The Board's tasks are setting the overarching objectives and strategies of the SAS Group, adopting a budget and business plan, discussing and approving the year-end and interim reports, and setting important policies and regulations.
- The Board shall 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.
- The Board shall decide on major investments and changes in the organization and activities of the SAS Group.

*Board work in 2009*

In 2009 the Board held 13 meetings, of which eight were ordinary and five extraordinary.

Each ordinary meeting followed an approved agenda, and proposed agendas and support documentation are sent to Board prior to each Board meeting. The President and certain other senior executives also attended Board meetings to make presentations, and the General Counsel of the SAS Group served as the Board's secretary.

At its meetings the Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow up, the company's financial position, and investment.

### Main issues considered at ordinary Board meetings in 2009

| | |
|---|---|
| 2/2 | The SAS Group year-end report for 2008, Core SAS and notice of an Extraordinary Shareholders' Meeting with a motion to approve a rights issue. |
| 12/3 | SAS's annual report and approval of subscription terms and approval of the rights issue prospectus. |
| 31/3 | Reporting on flight safety work and review of internal control and compliance efforts. |
| 28/4 | First quarter report. |
| 25/5 | Strategy discussion and decision on a approach to outsourcing processes. |
| 11/8 | Second quarter report, sale of bmi and further cost reductions. |
| 4/11 | Third quarter report and the auditor's review of the "hard close" and evaluation of the work of the Board. |
| 14/12 | Budget for 2010 and Business Plan 2010-2014, financial issues and outsourcing of parts of call center operations. |

The Board also discussed sustainability-related information of material importance and changes in sick leave.

Further information regarding the work of the Board in 2009 may be found in he Report by the Board of Directors in the Annual Report on p. 51.

The Chairman and other members are remunerated for their work on the Board in accordance with a decision made by the Annual General Shareholders' Meeting. See Note 3 p. 67. A compilation of the fees approved by the Annual General Shareholders' Meeting appears below. In September 2009, the members of the Board decided effective September 2009 to reduce by 25% their fees determined by the Annual General Shareholders' Meeting.

### Fees decided at the 2009 Annual General Shareholders' Meeting

| TSEK | Board | Aud.-comm. | Rem.-comm. | Total |
|---|---|---|---|---|
| Fritz H. Schur | 585 | | 70 | 655 |
| Jacob Wallenberg | 390 | | 25 | 415 |
| Jens Erik Christensen | 295 | 45 | | 340 |
| Berit Kjøll | 295 | 45 | | 340 |
| Dag Mejdell | 295 | | 25 | 320 |
| Timo Peltola | 295 | 95 | | 390 |
| Anitra Steen | 295 | 45 | | 340 |
| Carsten Bardrup Nielsen | 295 | | | 295 |
| Ulla Gröntvedt | 295 | | | 295 |
| Asbjørn Wikestad | 295 | | | 295 |
| **Total** | **3,335** | **230** | **120** | **3,685** |

### Outcome 2009 recorded fees for employee representatives, TSEK

| | |
|---|---|
| Pär Anders Gustafsson | 11 |
| Bo Nilsson | 11 |
| Tore Hansen | 11 |
| Trygve Skogseide | 11 |
| Nicolas Fischer | 14.5 |
| Brian Daugaard | 11 |

### Attendance at Board meetings in 2009

| | 14/1 | 29/1 | 2/2 | 12/3 | 31/3 | 15/4 | 28/4 | 25/5 | 11/8 | 7/9 | 20/10 | 4/11 | 14/12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fritz H. Schur, *Chairman* | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Jacob Wallenberg, *Vice Chairman* | ● | ● | ● | ○ | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Jens Erik Christensen, *member* | ● | ○ | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Berit Kjøll, *member* | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Dag Mejdell, *member* | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Timo Peltola, *member* | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Anitra Steen, *member* | ● | ● | ○ | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Ulla Gröntvedt, *employee rep.* | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| Carsten Bardrup Nielsen, *employee rep.* | ● | ● | ● | ● | ● | ● | ● | ● | ◐ | ● | ● | ● | ● |
| Asbjørn Wikestad, *employee rep.* | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |

● Present ○ Absent ◐ Replaced by deputy

## Board committees and committee work

To streamline and enhance the work of the Board there are two committees, the remuneration committee and the audit committee, whose members are appointed by the Board. The main duty of the committees is to prepare issues for the Board's decision. These committees do not imply any delegation of the Board's or its members' legal responsibilities. Reports to the Board on issues discussed at committee meetings are either in writing or given orally at the following Board meeting.

The work on each committee follows written instructions and a work plan stipulated by the Board. The General Counsel of the SAS Group serves as the secretary to the committees. Minutes of committee meetings are provided to all Board members. Remuneration for work on Board committees is determined by the Annual General Shareholders' Meeting.

## Auditors

Auditors are elected by the Annual General Shareholders' Meeting and tasked with scrutinizing the company's financial reporting and management of the company by the Board and the President. Pursuant to the Swedish Companies Act, the term for auditors in Swedish limited companies is four years. There was an election of an auditor at the 2009 Annual General Shareholders' Meeting, when Deloitte AB, with Peter Gustafsson as principal auditor, was reelected for the period until the end of the 2013 Annual General Shareholders' Meeting.

Peter Gustafsson (born in 1956) has headed audit services for Deloitte since 2003. Besides SAS AB he has audit engagements for SAAB Automobile, Ledstiernan, Specialfastigheter, Semcon, Akademiska Hus, Göteborgs Hamn and Göteborgs kommunala Förvaltning AB. Peter Gustafsson was previously an auditor at Elanders, Connex Transport, Ports of Stockholm, Nexus, Song Networks, Rezidor Hotel Group and Teleca. On three occasions during 2009, the principal auditor met with the Board, presenting the program for auditing work, reporting observations from the audit of the financial statements, the examination of the interim accounts as of September 30 and an evaluation of internal control. The auditor attended all meetings of the audit committee during the year. On one occasion the Board met with the company's auditor without the President or anyone else from company management present. Deloitte submits an audit report regarding SAS AB, the Group, and an overwhelming majority of subsidiaries. In the past four years, in addition to its auditing work, Deloitte performed advising services for SAS Group companies in auditing-related areas, such as tax consulting, and the transition to IFRS, for a total invoiced amount of MSEK 72, of which MSEK 26 pertains to 2009. Of the invoiced amount in 2009, around MSEK 13 pertains to extensive work in connection with the company's

### Nomination committee

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

**Nomination committee, three recorded meetings to date**

Björn Mikkelsen, *Ministry of Industry, Employment and Communications, for the Swedish government, chairman*
Peter Brixen, *Danish Ministry of Finance*
Knut J. Utvik, *Norwegian Ministry of Trade and Industry*
Peter Wallenberg Jr., *Knut and Alice Wallenberg Foundation*
Karsten Biltoft, *Danmarks Nationalbank*
Anders Rydin, *SEB Funds*

*Motions to be decided by the 2010 Annual General Shareholders' Meeting:*

- Chairman of the Meeting
- Number of Board members
- Election of Board members and Chairman
- Fees broken down among the Chairman, Vice Chairman and other Board members
- Any remuneration for work on Board committees
- Audit fee
- Nomination committee for 2011 Annual General Shareholders' Meeting

The nomination committee evaluates the Board's work, qualifications and composition. The Chairman shall have a close dialog with the nomination committee, and the result of the Board's evaluation shall be made available to the nomination committee. At least one meeting with the Chairman and Group CEO must be held before the nomination committee makes its recommendations to the Annual General Shareholders' Meeting. The nomination committee's recommendations will be published in the notice of the Annual General Shareholders' Meeting, on the company website, and at the 2010 Annual General Shareholders' Meeting. Members did not receive from SAS any fees or other remuneration for their work on the nomination committee. As needed, the nomination committee utilizes outside advisers and consultants, with the company defraying the cost.

### Remuneration committee

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

**Remuneration committee, two recorded meetings**

| | *Number of meetings attended* |
|---|---|
| Fritz H. Schur (chairman) | 2 |
| Jacob Wallenberg | 2 |
| Dag Mejdell | 1 |

Fritz H. Schur and Jacob Wallenberg are independent in relation to the company, company management, and major shareholders. Owing to his position as President and CEO of Posten Norge AS, wholly owned by the Norwegian government, Dag Mejdell is not regarded as being independent in relation to major shareholders.

The remuneration committee is appointed by the Board. The committee discussed issues concerning profit-sharing systems and salary reductions in 2009 for Group Management and senior executives. The committee also discussed general issues regarding guidelines and policies for compensation for senior executives at SAS and approved certain changes to the terms of employment of one of the members of Group Management.

Prior to the 2010 Annual General Shareholders' Meeting, the committee will prepare the recommendation for remuneration policies and other terms of employment for company management that pursuant to the Companies Act and the Code the Board shall present to the Meeting for approval.

### Audit committee

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

**Audit committee, four recorded meetings**

| | *Number of meetings attended* |
|---|---|
| Timo Peltola (chairman) | 4 |
| Anitra Steen | 2 |
| Berit Kjøll | 4 |
| Jens Erik Christensen | 4 |

Besides the committee secretary, the SAS Group CEO and CFO, the company's external auditor, and, depending on the nature of the business, the head of internal auditing attend meetings of the committee. The committee shall also scrutinize the auditor's independence vis-à-vis the company, including the extent of the auditor's nonaudit-related engagements for the company.

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

In 2009, in addition to the yearly recurring business regarding quality assurance of financial reporting, detailed review of the financial statements and interim report as of September 30, the committee focused particularly on the company's financial position and the sale of airBaltic, Spanair and bmi. Furthermore, the committee worked on the prospectus for the rights issue and discussed the reporting of pensions, the work and function of the internal audit, special focus areas in audit work, risk analyses and internal control and the process for electing an auditor.

rights issue. The auditor receives a fee for his work in accordance with a decision of the Annual General Shareholders' Meeting. For more information about the auditor's fee in 2009, see Note 38 p. 84.

### President and Group Management

The Board appoints the President of SAS AB, who is also Group CEO. The President is responsible for the day-to-day management of company and Group operations. The members of Group Management as well as the heads of two corporate functions report to the President.

The Board's instructions to the President contain detailed rules for the President's authority and obligations. Within the framework of the current work plan and instructions to the President, which regulate, *inter alia*, the relationship between the President and the Board, Group Management is responsible for the Group's operating activities, business management, financial reporting, acquisitions and disposals of companies, collaborations, financing, capital structure, risk management, communication with financial markets, and other matters of a Group-wide nature. The President and CEO is Mats Jansson. Presentation of the President's background, experience, positions, and shareholdings, see p. 100.

The President works closely and exchanges information with the Chairman and also meets regularly with the Chairman to discuss the Group's activities and performance and to plan Board meetings. To enable the Board to monitor the Group's financial position on an ongoing basis, the President makes monthly reports to the Board.

In addition to the President, SAS Group Management comprises four members named by the President in consultation with the Board. The composition of Group Management appears on p. 100.

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Group Management normally has recorded meetings every week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

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

### Remuneration policies and other terms of employment for company management

For 2009, the following guidelines adopted by the Annual General Shareholders' Meeting for remuneration and other terms of employment for senior executives were applied.

Remuneration policies are to be characterized by predictability regarding the costs to the company as well as the benefits for the individual concerned and be based on factors such as qualifications, experience, responsibility, and performance. Company management means the President and CEO and the other members of Group Management (a total of five persons). The remuneration comprising an individual's total compensation shall consist of the following components:

- fixed base salary, which is examined each year
- variable salary
- pension benefits
- other benefits and severance terms

The size of the variable salary is to vary depending on position and agreement, and may be equal to at most 50% of the relevant base salary. The variable salary shall depend on the executive meeting quantitative and qualitative business and personal targets set in an annual target contract.

Pension benefits are to be defined-contribution, with premiums not exceeding 35% of the base salary. Other benefits, such as a company car and health insurance, are to be market-based. There is no share-based incentive program in the SAS Group.

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

The remuneration policies for 2009 remained unchanged compared with those that applied in 2008.

Remuneration of the President is to be decided within the framework of policies approved by the Board of SAS AB and on the recommendation of the remuneration committee established by the Board. Remuneration of other members of Group Management is to be decided by the President within the framework of approved remuneration policies and after consulting with the remuneration committee. The President and Group Management took a 6% cut in their fixed base salaries for 2009 and decided to forgo their variable salaries for 2008. For detailed information about remuneration and benefits paid to the Board, President and senior executives in 2009, see Note 3 p. 67.

### Financial reporting

The audit committee is responsible for preparing the Board's work in quality assuring financial reporting. This quality assurance takes place whereby the committee discusses critical auditing issues and the financial reports that company submits. Among the issues the committee discusses are those regarding internal control, compliance with rules, specifically identified focus areas, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected and verified irregularities, and other matters affecting the company's financial reporting.

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

### Internal control - financial reporting

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

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

*Control environment*

The control environment forms the basis of internal control and includes the culture that SAS communicates and operates from. The aim of the SAS Group is for its values such as reliability and openness as well as consideration and value creation to permeate the organization.

It is important for all actions, internal as well as external, to reflect these basic values. In 2005 a Code of Conduct was distributed to all employees, which describes well the desired attitudes in various situations, including a structure for reporting deviations from desired attitudes (whistleblowing). An updated version was published in 2008 with the requirement that all personnel complete the interactive training program on the Group intranet. The Code of Conduct is also described in the SAS Corporate Manual (see below).

The management of the Group has been described in various internal documents that outline management philosophy, management model, roles and responsibilities of subsidiary boards, shareholder requirements, overarching follow-up, intra-Group business relations and segregation of job tasks. Information regarding the management of the Group is available to all employees on the Group intranet.

For the SAS Group's Board as well as for each subsidiary there are instructions for its board and CEO that clearly set out responsibilities and authority. In connection with the implementation of Core SAS, vital portions of management documents, description of the organization and Group-wide polices, defining mandates and authorizations were compiled in a manual, the SAS Corporate Manual (SAS CM). This manual governs all subordinate SAS manuals and is digitally distributed on the SAS Portal to facilitate easy revision and access.

*Risk assessment*

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

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

*Control activities*

The aim of the SAS Group is to have adequate activities to manage the risks affecting internal control over financial reporting. This also includes control activities that prevent irregularities. Control activities cover, *inter alia*, internal control in each Group company. Beyond this, there are control activities to ensure updating in accordance with IFRS using specific forms for reporting in the Group's corporate reporting system.

All subsidiaries and units have financial officers, who are accountable for earnings and responsible for financial updates.

The corporate functions have a coordinating role regarding important subsidiary balance sheet items, such as pension funds, etc.

In 2006 a relatively extensive formula was prepared containing defined control targets in the management process, financial statement process, revenue process, purchasing process and payroll process. There are also control targets for dealing with fixed assets and dealing with cash/bank balances and loans. The managements of all subsidiaries perform their own evaluations each year regarding internal control with regard to meeting control targets and documenting the processes of control activities. For most subsidiaries, these are also examined by the external auditors, who do an independent analysis of the status and potential for improvement. When analyses are not approved, where the judgment of the external auditors prevails, plans of action are prepared that are subject to follow-up.

The evaluation carried out in 2009 showed results in line with previous years. In addition to this, areas for in-depth study are focused on in the critical processes identified for most Group units and subsidiaries. The audits conducted by the internal audit always result in recommendations that are graded on the basis of a risk perspective. During the year, the internal audit focused, *inter alia*, on the cost culture in the SAS Group from an internal control standpoint and reviewed travel reimbursement routines, the process for global customer agreements and the process regarding purchasing management consulting services. In addition, settlement and follow-up with regard to commercial claims, in part regarding Singapore Technologies and in part regarding Spanair, were examined from an internal control standpoint. In-depth reviews, conducted by the Group's central accounting unit, are done on an ongoing basis of accounting and applying the SAS Group's accounting policies in subsidiaries.

*Information and communication*

The SAS Group's ambition is for information and communication paths regarding internal control for financial reporting to be appropriate and known in the Group. Policies and guidelines regarding the financial process are communicated to all parties in the Group affected through direct distribution via electronic mail, but also via the intranet, where all policies and guidelines in the financial areas are collected in the "SAS Group Financial Guide." The SAS Group's published external reports are based on reporting from all legal entities in accordance with a standardized reporting routine. The SAS Group's accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in the units and subsidiaries. Moreover, every month all units and subsidiaries submit a report on their activities, including their financial status and performance. To ensure that the provision of external information is correct and complete, there is an information policy regarding disclosures to the stock exchange as well as an Investor Relations policy that have been laid down by the SAS Group's Board. This policy, which is available on the SAS Group website under Investor Relations, states what, in what manner, and how information is to be dealt with.

*Monitoring*

Follow-up and continuous assessment of compliance with policies and guidelines as well as the follow-up of reported deficiencies are done regularly. In connection with following up plans of action for noted deficiencies in the "self assessment," the new or modified controls are tested. Recommendations from the external and internal audits and the status of measures are compiled in a clear manner and presented to company management and the audit committee. Financial reporting is discussed at each Board meeting and at meetings of the audit committee.

# SAS Group's areas of responsibility

March 15, 2010

**Board of Directors**

## Group Management

- **President and CEO** – *Mats Jansson*
- **General Counsel** – *Mats Lönnkvist*
- **HR, Communication & Strategy** – *Henriette Fenger Ellekrog (Deputy President)*
- **Operations & Commercial** – *John S. Dueholm (Deputy President and CEO)*
- **CFO** – *Mats Lönnqvist (Deputy President)*
- **Individual Holdings** – *Benny Zakrisson*

## Operations & Commercial

- **COO** – *Peter Möller*
- **Widerøe** – *Lars Kobberstad*
- **CCO** – *Robin Kamark*
- **Blue1** – *Stefan Wentjärvi*
- **Accountable Manager** – *Tomas Linden*
- **Cargo** – *Leif Rasmussen*
- **IT** – *Mats Fagerlund*
- **Business support** – *Eric Berggren-Lindberg*

## Individual Holdings - operations being divested or outsourced

- Spanair (19.9%)
- Estonian Air (49%)
- Spirit Air Cargo (100%)
- Trust (100%)
- Air Greenland (38%)
- Skyways Holding AB (25%)

# The SAS Group's labor union structure

within Scandinavia

**Denmark**

Dansk Pilotforening, DPF (pilots)
Danish Cabin Attendants Union, (CAU)
HK Luftfart (white-collar employees)
LH (white-collar employees)
SALDA (white-collar employees)
Prosa (white-collar employees)
Klub 537 (aircraft mechanics)
Klub 222 (auto mechanics)
Craftsmen
Office workers, United Fed. of Danish Workers
Aircraft workers, United Fed. of Danish Workers
United Federation of Danish Workers, Cargo
SISAS (white-collar employees)
Civing (white-collar employees)

**Norway**

SAS Pilots Association, Norway, NSF
Norsk Kabinforening, NKF (cabin)
SNF (former BU pilots)
SNK (former BU cabin)
SPK (white-collar employees)
PSP Parat (white-collar employees)
VKL, Verkstadsklubben (mechanics)
NFO (aircraft engineers)
FLT, Norwegian Engineers and Managers Association
Norwegian Union of Commercial and Office Employees (white-collar employees)
SMF (white-collar employees)
Lederne (managers)
NITO
Tekna
*Widerøe:* WFF, pilots

**Sweden**

Swedish Airline Pilots Association, SweALPA
Scandinavian Cabin Crew Association, SCCA
Unionen (white-collar employees)
SAF (SAS Akademiker) (white-collar employees)
Ledarna (managers)
Transportarbetareförbundet (transportation workers)

# SAS Group legal structure

March 15, 2010

**SAS AB**

**Core SAS airline operations**

| | |
|---|---|
| Oy Blue1 AB | 100% |
| Widerøe's Flyveselskap AS | 100% |
| SAS Tech AB | 100% |
| SAS Cargo Group A/S | 100% |

- **SAS Danmark A/S**
- **SAS Norge AS**
- **SAS Sverige AB**

**Consortium Scandinavian Airlines System**

- **SAS Ground Services Danmark A/S**
- **SAS Ground Services Norge AS**
- **SAS Ground Services Sverige AB**

**Operations to be divested**

| | |
|---|---|
| Spanair | 19,9% |
| AS Estonian Air | 49% |
| Air Greenland | 38% |
| Skyways | 25% |
| Spirit | 100% |
| Trust | 100% |

The SAS Consortium is the SAS Group unit through which Scandinavian Airlines airline business operates and financing and aircraft leasing is carried out.

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

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

The SAS Group has harmonized the legal structure with the Group's business structure. The most important changes in the legal structure were:

- February 2004: a number of subsidiaries were transferred from the SAS Consortium to SAS AB.
- July 2004: SAS Braathens was founded as a subsidiary of the SAS Consortium.
- October 2004: SAS Ground Services and SAS Technical Services were incorporated. SAS Scandinavian Airlines Sverige AB and SAS Scandinavian Airlines Danmark A/S were newly founded as subsidiaries.
- November 2006: Initial public offering of Rezidor Hotel Group.
- February 2007: SAS Flight Academy was sold.
- December 2008: airBaltic was sold.
- January 2009: 80.1% of the holding in Spanair was sold.
- March/April 2009: The operations of the SAS Scandinavian Airlines companies were returned to the SAS Consortium.
- October 2009: The airline operations of SAS Scandinavian Airlines Norge AS were returned to the SAS Consortium.

# Board of Directors

The Board is responsible for the company's organization and management and proper control of its accounting and financial situation in other respects and for appointing the President. All Shareholders' Meeting-elected members of the Board are independent of the company and company management. At the 2009 Annual General Shareholders' Meeting, the nomination committee deemed all members of the Board to be independent of major shareholders, with the exception of Dag Mejdell, owing to his position in the wholly Norwegian-government owned Posten Norge AS. The SAS Group has not issued any share convertibles or options.

**Auditors:** Deloitte AB

**Principal auditor:**
Peter Gustafsson, born 1956, Authorized Public Accountant. Elected in 2003.

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

**Corporate Secretary:**
Mats Lönnkvist, General Counsel, SAS Group and Member of SAS Group Management.

*The current Board members Anitra Steen and Berit Kjøll have informed the nomination committee that they will not seek reelection. The nomination committee proposes Monica Caneman and Gry Mølleskog as new Board members to the Annual General Shareholders' Meeting.*

Chairman

## Fritz H. Schur

*Born 1951*
Chairman of the Board of SAS AB since April 2008.
Member of the Board of SAS AB since 2001.
Chairman of the companies in the Fritz Schur Group.
*Directorships:* Chairman of Posten Norden AB, DONG Energy A/S, F. Uhrenholt Holding A/S., Relationscore ApS and C.P. Dyvig & Co. A/S. Vice Chairman of Brd. Klee A/S.
*Education:* Handelshøjskolens Afgangseksamen (HA) business degree.
*Shareholding:* 300,000

Vice Chairman

## Jacob Wallenberg

*Born 1956*
Vice Chairman of the Board of SAS AB since 2001.
Chairman of Investor AB.
*Directorships:* Vice Chairman of Atlas Copco and SEB. Member of the Board of ABB Ltd, The Coca-Cola Company, the Knut and Alice Wallenberg Foundation and the Stockholm School of Economics.
*Education:* B.Sc. in Economics and MBA, Wharton School, University of Pennsylvania.
*Shareholding:* 75,000

## Jens Erik Christensen

*Born 1950*
Member of the Board of SAS AB since 2006.
*Directorships:* Chairman of Scandinavian Private Equity A/S, Dansk Merchant Capital, Tower Group A/S, Alpha Holding A/S, Your Pension Management A/S, Nordisk Kontoforsikring AS, Copenhagen Multiarena A/S, 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, Nordic Corporate Investments A/S, member of the Danish Government's infrastructure commission and the executive board of the Danish Cancer Society.
*Education:* Cand. act, Univ. of Copenhagen.
*Shareholding:* 95,000

## Berit Kjøll

*Born 1955*
Member of the Board of SAS AB since 2001.
*Directorships:* Member of the Boards of Interoil Exploration& Production ASA, Hurtigruten ASA, Student Association at BI in Oslo, DNT - the Norwegian Trekking Association, NRYF- Norwegian Equestrian Federation, Claus Helbergs Stiftelse, Corneliastiftelsen and The Liv Arnesen Foundation, C Lüden Ringnes Stiftelse/Victorius Invest a.s.
*Education:* B.A. in Travel and Tourism, Markedsøkonom degree, AMP from Harvard Business School and INSEAD.
*Shareholding:* 1,600

## Dag Mejdell

*Born 1957*
Member of the Board of SAS AB since 2008.
President and CEO of Posten Norge AS.
*Directorships:* Chairman of the employers' association Spekter. Member of the Board of International Post Corporation, IK Investment Partners, Orkla ASA (corporate assembly).
*Education:* MBA, Norwegian School of Economics and Business Administration.
*Shareholding:* 31,160

## Timo Peltola

*Born 1946*
Member of the Board of SAS AB since 2005.
*Directorships:* Chairman of Neste Oil. Member of the Boards of Nordea, AW Energy Oy, TeliaSonera, CVC Capital Partners Advisory Board. Adviser in the CapMan public market fund.
*Education:* MBA, Turku School of Economics and Business Adm. Studied at IMI, Geneva. Honorary doctorate in economics, Swedish School of Economics and Business Adm. in Helsinki and Turku School of Economics and Business Administration.
*Shareholding:* 15,000

## Anitra Steen

*Born 1949*
Member of the Board of SAS AB since 2001.
*Directorships:* Chairman of Telge Inköp AB, member of the Board of Svensk Handel, member of Lantmännen.
*Education:* Cand.phil. degree with a concentration in the behavioral and social sciences, Uppsala University.
*Shareholding:* 0

Employee representative

## Ulla Gröntvedt

*Born 1948*
Employed at SAS Scandinavian Airlines System.
Member of the Board of SAS AB since 2001.
*Shareholding:* 4,500
*Deputies:*
Pär-Anders Gustafsson, first deputy.
*Shareholding:* 0
Bo Nilsson, second deputy.
*Shareholding:* 0

Employee representative

## Carsten Bardrup Nielsen

*Born 1957*
Employed at SAS Tech in Denmark.
Member of the Board of SAS AB since 2008.
*Shareholding:* 22,215
*Deputies:*
Nicolas Fischer, first deputy.
*Shareholding:* 78,500
Brian Daugaard, second deputy.
*Shareholding:* 0

Employee representative

## Asbjørn Wikestad

*Born 1948*
Employed at SAS Ground Services Norge AS
Member of the Board of SAS AB since 2008.
Labor union leader since 1976.
*Shareholding:* 0
*Deputies:*
Tore Hansen, first deputy.
*Shareholding:* 0
Trygve Skogseide, second deputy.
*Shareholding:* 0

# Group Management


*Group Management is responsible for the Group's business management, financial reporting, acquisitions/disposals, financing and communication with the stock market and other corporate matters. This is primarily tied to active work on the boards of subsidiaries and business units. The members of Group Management are appointed and supervised by the President in consultation with the Board of Directors. Only the President, Mats Jansson, reports to the Board, whereas the other members of Group Management report to the President. Group Management's responsibilities are divided among the members with regard to the managing the Group's business affairs, and it normally has recorded meetings on a weekly basis. Pictured from left: Mats Lönnqvist, Mats Lönnkvist, Mats Jansson, Henriette Fenger Ellekrog, John S. Dueholm and Benny Zakrisson.*

## Mats Jansson

*Born 1951*
*President and CEO*
Assumed office on January 1, 2007.
Formerly President and CEO of Axfood and President and CEO of Axel Johnson AB.
*External directorships:* Member of the Board of Danske Bank.
*Education:* Studies in cultural geography, economic history and sociology at Örebro University.
*Shareholding:* 252,000

## John S. Dueholm

*Born 1951*
*Deputy President and CEO*
Member of SAS Group Management since September 1, 2002. Responsible for SAS Commercial SAS Operations, SAS Group IT, SAS Cargo, Widerøe, Blue1. Previously head of the business areas Scandinavian Airlines, Airline Support Businesses and Airline Related Businesses, CEO of SAS Data and Senior Vice President of SAS Technical Division 1996-1998. Senior Vice President of Group4Falck 1998-2002.
*External directorships.* Chairman of Addici AB, member of the Board of Storebrand ASA.
*Education:* Cand. merc. Financing & Business Administration.
*Shareholding:* 223,320

## Henriette Fenger Ellekrog

*Born 1966*
*Executive Vice President and Deputy President, Human Resources, Communication and Strategy*
Member of SAS Group Management since February 9, 2010. Since 2007 responsible for Human Resources, and since 2010 responsible for Communication and Strategy. Since 2000 executive positions in TDC A/C, most recently as HR & Chief of Staff Senior Executive Vice President and Tele Danmark A/S 1998-2000. Prior to that, various positions and supervisory posts at Mercuri Urval A/S and Peptech (Europe) A/S.
*External directorships:* Member of the Board of Fonden for Dansk-Norsk Samarbejde, Advisory Board for women in management positions and the boards of the Confederation of Danish Industry and member of the University of Copenhagen expertise panel.
*Education:* Cand.ling.merc. degree from Copenhagen Business School, 1992.
*Shareholding:* 91,500

## Mats Lönnkvist

*Born 1955*
*Senior Vice President and General Counsel*
Member of SAS Group Management since 2009
Head of Legal Affairs and Corporate Secretariat and serves as Corporate Secretary of SAS AB
*Other engagements:* Member of the Board of TeliaSonera Mobile Networks AB
*Previous engagements/posts:* Various legal posts in the SAS Group 1988-2005, Law firm of Mannheimer & Zetterlöf 1984- 1988.
*Education:* Jur.kand. degree from Uppsala University.
*Shareholding:* 20,000

## Mats Lönnqvist

*Born 1954*
*CFO and Deputy President*
Member of SAS Group Management since January 1, 2009, and responsible for Corporate Functions in Group Control, Asset Management, Treasury Group Accounting, Taxes, Investor Relations. Formerly CFO of such listed companies as Eniro, Esselte and Biacore.
*External directorships:* Chairman of Intellecta AB. Member of the Boards of Bordsjö Skogar AB, Camfil AB, Spendrups Bryggeri AB, Ovacon AB, A/S Det Østasiatiske Kompagni et al.
*Education:* Civilekonom degree from the Stockholm School of Economics and IT from Uppsala University.
*Shareholding:* 270,000

## Benny Zakrisson

*Born 1959*
*Executive Vice President Individual Holdings*
Member of SAS Group Management since June 14, 2007, and responsible for Individual Holdings and SAS Cargo. Previously Senior Vice President Corporate Advisory SAS Group, 2003-2007, Vice President Corporate Advisory/Finance SAS Group, 1993-2003, Director Corporate Taxes, SAS Group 1990-1993.
*External directorships:* Rezidor Hotel Group AB (publ).
*Education:* Jur.kand. degree from Stockholm University.
*Shareholding:* 100,000

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

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


SAS
LN-RRA

# Sustainability Report

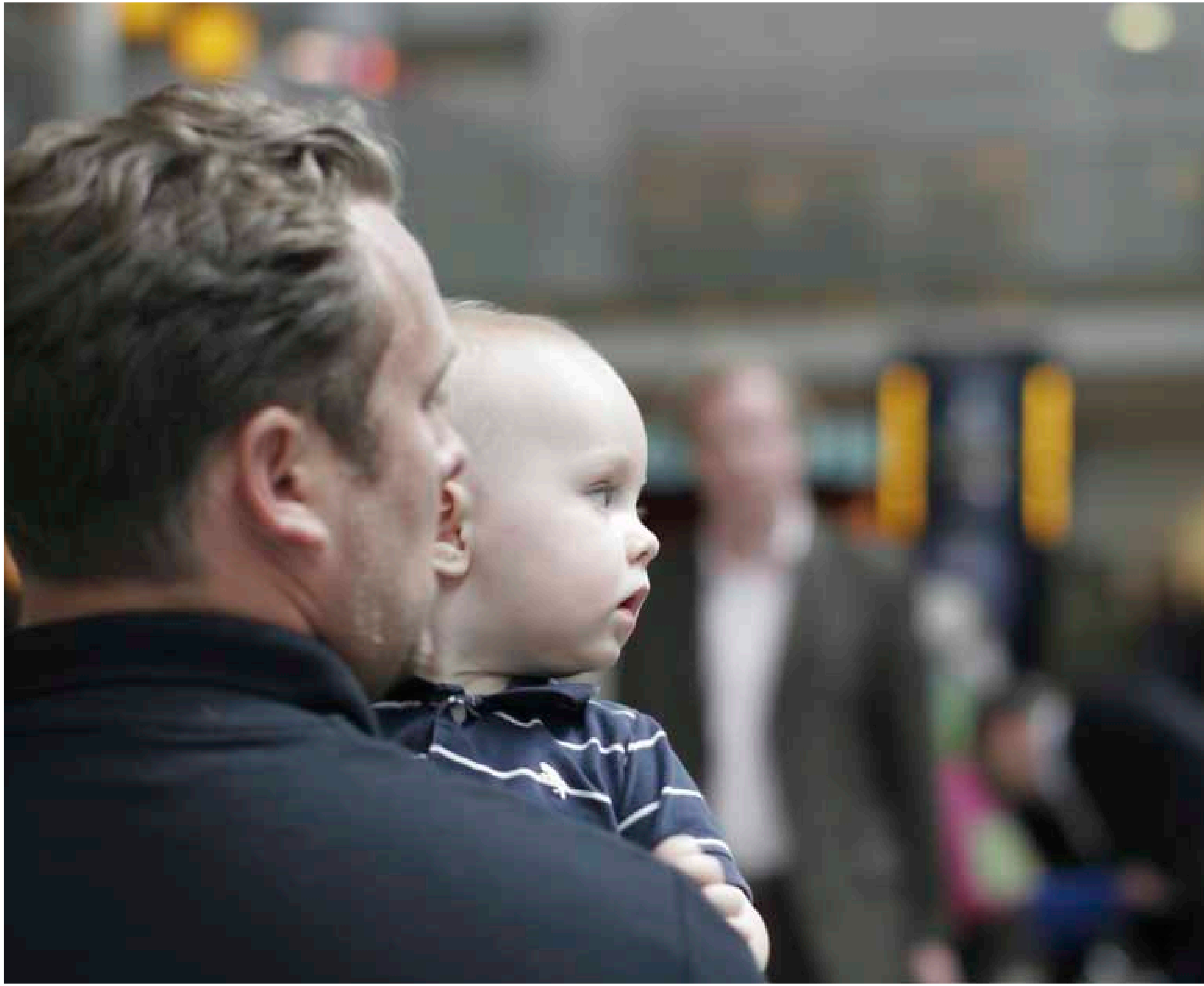
SAS welcomes an open debate about aviation and the environment. On the basis of scientific findings we will present a nuanced picture of the airlines' actual environmental impact and help ensure a competition-neutral policy framework.

**Important events in 2009**

- COP15 concluded with the "Copenhagen Accord," a political goal of a maximum temperature rise of two degrees Celsius. SAS and IATA were active in the process.
- IATA and the aviation industry agreed on specific and relative targets for reducing greenhouse emissions.
- SAS's MRV (Monitoring–Reporting–Verifying) plan, which represents the basis for calculating carbon dioxide and tonne kilometers for the EU ETS, was approved.
- SAS's climate index improved by four points to 93 (97).
- Blue1 was certified and Cargo recertified according to ISO 14001.
- SAS stepped up its environmental communication internally and externally.
- The phasing out of older aircraft resulted in a substantial improvement in the fleet's total environmental performance.

| Sustainability-related KPIs[1] | 2009 | 2008[2] | 2007 |
|---|---|---|---|
| Operating revenue, MSEK | 44,918 | 52,870 | 50,598 |
| EBT before non-recurring items, MSEK | –1,754 | –339 | 1,234 |
| EBT margin before non-recurring items, % | –3.9 | 0.6 | 2.4 |
| Average number of employees | 18,786 | 24,635 | 26,538[3] |
| of which women, % | 45 | 42 | 41[3] |
| Sick leave, % | 6.9 | 6.5 | 6.4[3] |
| Climate index[4] | 93 | 97 | 95 |
| Carbon dioxide ($CO_2$), emissions, 1,000 tonnes | 3,784 | 5,840 | 6,295 |
| Nitrogen oxides ($NO_x$), emissions, 1,000 tonnes | 15.0 | 24.2 | 25.6 |
| Grams of carbon dioxide ($CO_2$)/RPK | 127 | 129 | 130 |
| Total fuel consumption, 1,000 tonnes | 1,208 | 1,857 | 1,999 |
| Fuel consumption, liter/RTK | 0.46 | 0.47 | 0.48 |
| Water consumption, 1,000 $m^3$ | 175 | 176 | 208[3] |
| Energy consumption, ground, GWh | 207 | 213 | 209[3] |
| Unsorted waste, 1,000 tonnes | 1.5 | 0.9 | 1.0[3] |
| External environment-related costs, MSEK | 368 | 453 | 414 |
| Number of passengers, 1,000[5] | 27,382 | 41,741 | 44,772 |

[1] All financial key data follow the financial portion of the Annual Report. Wherever possible, all sustainability KPIs include operations owned during the reporting year. [2] Apart for average number of employees, all key data for 2008 exclude airBaltic. [3] Data have not been examined by an external auditor. [4] The climate index has been corrected in the Internet version and thus departs from the index in the print version. [5] Including paying, bonus and charter passengers and non revenue passengers.



We're reducing our climate impact for long-term, responsible traffic growth

# Our world – our stakeholders

SAS's activities include flight operations and operations on the ground. Actual flights account for the biggest environmental impact by far, yet ground operations and onboard customer service also impact the environment.

SAS believes in sustainable development as a concept both for taking responsibility and as way of creating value for shareholders. Continuously improving processes and optimizing production in a sustainable way creates value, not only in the form of growth for shareholders but also for outside stakeholders, suppliers and passengers. To communicate these efforts and their results, SAS strives to continue to be a leader in sustainability reporting, work that is propelled by the demands of the outside world and by the expectations of stakeholders.

The airline industry is sensitive to outside disruptions. These have been amplified during the most recent decade, with the market affected by cyclical fluctuations, acts of terrorism, war and the current financial crisis. At the same time, competition is increasing, which puts additional pressure on falling margins in a labor- and capital-intensive industry.

SAS's long-term objectives remain firm, and reporting of sustainability work is to maintain the same high standards that have been garnering praise for SAS from sustainability analysts and other outside commentators.

### Market performance

The airline industry is now seeing lower demand from business travelers in particular, the most important segment for the established network carriers.

This has led to greater competition and increasing pressure on fares, affecting margins and profitability for the entire industry. At the same time, substantial capacity has been mothballed, and many airlines have put new investment on hold.

In the long term, however, a continued uptick for the airline industry is expected with average passenger growth of 3-4% per year. Most of the growth is expected in Asia, primarily in China and India, while the mature markets in the industrialized West will post lower figures.

During the period 2008-09 SAS reduced its capacity by 15%, resulting in an increase in the passenger load factor from 72.3 to 72.7% in 2009. IATA estimates that demand fell by around 8% in 2009, with growth picking up again by 2011 at the earliest.

In 2009 the environmental debate intensified with a continued focus on global emissions of greenhouse gases, primarily carbon dioxide ($CO_2$). There is growing agreement that a considerable effort is required to limit and eventually reduce emissions. However, major emitters such as the U.S., China and India have difficulty reaching a consensus on specific targets and a timetable for taking action. See also the report from COP15 at right.

### On the way to zero emissions

In 2007 the industry organization IATA formulated a vision whereby it will be possible to fly commercially without impacting the climate by 2050. This vision is to be realized through a combination of new technology, more efficient air traffic management, new fuels and measures to improve infrastructure and other external conditions under which the airlines operate.

Realizing zero emissions requires the total replacement of existing aircraft fleets with a new generation of aircraft not yet in production. The lead time for such a changeover is 20-30 years, which is why the vision of zero emissions should be interpreted to mean that the necessary technology is to be commercially available and adopted by the airlines at a financially proper pace.

On the way to this vision, IATA and the rest of the aviation industry agreed on joint recommendations and a target scenario ahead of the COP15 climate conference:

- Improving energy efficiency by an average of 1.5% per year until 2020.
- Carbon-neutral growth starting in 2020.
- 50% reduction in greenhouse $CO_2$ emissions by 2050, compared with 2005 levels.

ACARE (Advisory Council for Aeronautical Research in Europe) has set a goal for developing technology for aircraft, engines and better air traffic management to reduce greenhouse $CO_2$ emissions by 50% per revenue passenger kilometer and nitrogen oxides ($NO_X$) by 80% by no later than 2020. In addition, noise levels are to be cut in half compared with today's. Another example of

## Aviation sector a key player at UN climate conference

COP15 COPENHAGEN
UN CLIMATE CHANGE CONFERENCE 2009

In 2006 the airline industry began to examine industry positions on being included in the European emissions trading scheme. Already then advantages were identified of seeking global solutions to avoid competition-distorting rules and purely regional systems.

At the end of 2008/beginning of 2009, SAS invited the IATA and a number of industry players to attend the World Business Summit climate conference, held in Copenhagen in May 2009. Subsequently, IATA was able to present an initial proposal for a global strategy for the airlines' greenhouse emissions. IATA then obtained industry acceptance of the strategy ahead of the UN climate summit in New York in September 2009. Since SAS played a leading role in the process, SAS Group CEO Mats Jansson was one of three airline chiefs tasked with presenting the strategy. In September 2009 the strategy was also presented at a preparatory climate conference, Nordic Climate Solutions, in Copenhagen. SAS was a "greening partner" at both the World Business Summit and Nordic Climate Solutions. During the year, global industry organizations for airports, air traffic management and aircraft and engine manufacturers also endorsed IATA's global strategy.

This means that the global aviation industry stands united on common goals, a situation, by the way, that is unique in the world, since no other global industry had succeeded in agreeing in this way, ahead of COP15. ICAO, the UN civil aviation body, held a meeting prior to the climate conference where environmental issues topped the agenda. Despite initial differences, during COP15 it became clear that ICAO and the aviation industry are largely in agreement on basic principles.

### Conclusion: less than two degrees

Following serious problems reaching agreement in the negotiations among 192 countries, the world had to settle for the final report, the "Copenhagen Accord". Despite the lack of targets and plans, it is however, positive that COP15 resulted in a political pledge to keep the global temperature increase under two degrees Celsius. Moreover, almost all countries in the world endorsed the declaration to establish and report national targets.

While aviation was on the policy agenda at the summit, it was not included in any agreement. In the short term this may be seen as an advantage, since aviation avoided the tax measures that many countries had proposed, but a more long-term assessment is that a clarification would have been best, preferably in the form of a global framework for regulating aviation.

### Intensive industry collaboration

During the entire COP15, SAS was part of an IATA team, which worked intensively to establish contacts with negotiators and decision-makers from all over the world. The aim was to create a dialog on the needs and requirements of aviation and present the industry's own recommendations. Particular weight was given to industry desires for a global agreement and for ICAO regulation of airline emissions.

During COP15, SAS was a sponsor of airport services, which meant that in partnership with the Danish foreign ministry, SAS personnel offered all customers and stakeholders service in all practical matters.

how air traffic management will be optimized is SESAR JU (the Single European Sky ATM Research Joint Undertaking), with the goal for 2020 of reducing travel times by 8-14 minutes, cutting fuel consumption by 300-500 kg and thus reducing $CO_2$ emissions by 1-1.5 tonnes for an average European flight.

### Impact of air transport

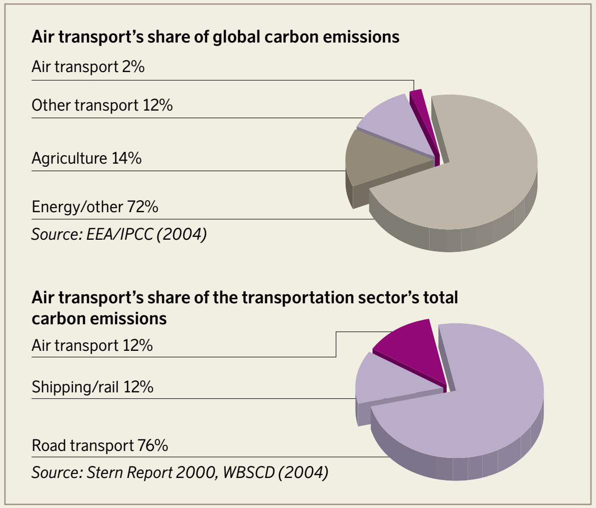
The airline industry currently accounts for 2-3% of global $CO_2$ emissions, which is equal to around 12% of the transportation sector's global emissions. $CO_2$ emissions account for about two-thirds of air transport's total impact on climate, while $NO_X$, water vapor and particulates are assumed to be responsible for most of the balance.

Under the Kyoto Protocol commitments, which extend to 2012, all industrialized countries must reduce their emissions by 5%, compared with 1990-levels. The EU has gone a bit further, pledging to reduce the community's total $CO_2$ emissions outside the Emissions Trading Scheme (ETS) by a total of 20% by 2020. The airlines will be included in EU emissions trading in 2012.

Industry and IPCC estimates indicate a possible reduction in $CO_2$ emissions of 2% per year on average through new technology and efficiency gains. This trend, in combination with expected long-term growth, means that aviation's environmental impact will increase if no actions are taken. That is why the entire aviation industry agreed on ambitious, long-term environmental goals. Read more on p. 103.

For long journeys there is no real alternative to flying. Historically, air transport has belonged to the industrialized world. Today, the major growth in both nominal and relative terms is taking place in Asia and the Middle East, while Africa continues to post modest growth. In countries within these geographical areas both private persons and industry can now utilize the infrastructure previously reserved for the industrialized world. Thus, environment-motivated global restrictions on aviation would primarily affect those who previously neither had the means nor the opportunity to fly. Air transport is therefore a key part of the infrastructure of a globalized world, necessary for economic and social progress.

SAS's main market is the Nordic region, with emphasis on travel to, from and between the Nordic countries. The Group's share of total traffic in its main markets is around 37%. All of Norwegian domestic traffic accounts for 1.7% of national $CO_2$ emissions. The corresponding figures for Danish, Swedish and Finnish domestic traffic are 0.4%, just under 1% and 1.3%, respectively. (*Source: National statistics*).




### Emissions trading

In 2008 the EU adopted the revised general ETS directive and a special directive to include air transport into the EU/ETS from 2012. The aviation directive may be overhauled in 2014 to enable a global ETS system.

The decision means that the airlines must deliver one emission allowance for each tonne of $CO_2$ emitted. Airlines will be allocated approximately 80% of the allowances at no cost, with 2004-2006 as a base period. The remainder, including any emission increase, must be purchased in the market. SAS estimates that the costs may amount to MSEK 200-300 per year based on expected production and an estimated credit price of EUR 30 per tonne.

So far, the climate impact of air transport has concentrated on $CO_2$ emissions. Now that emissions trading is being introduced, the focus is likely to be on other environmental impacts, primarily $NO_X$ and contrails.

Industry and scientists generally agree on the magnitude and effects of $CO_2$ emissions. There is less agreement, however, regarding $NO_X$, particulates and water vapor. At the same time, there are increasing calls for introducing some form of tax on $NO_X$. SAS and the airline industry recommend the ECAC model with differential landing fees based on $NO_X$ emissions. There are also suggestions to use a multiplier, though its size is controversial and not based on scientific findings. Ten years ago, a multiplier of 2-4 was under discussion, while the current value is around 1.2-1.8. The issue is on the EU agenda, and some form of decision is expected no later than 2012. See the article from Cicero on aviation's environmental impact at www.sasgroup.net under "Sustainability."

SAS fully endorses the "polluter pays principle" and is prepared to account for its share. This assumes that any taxes imposed on it are based on scientific findings and that the total climate impact of competing modes of transportation is taken into consideration. In the current debate, the actual environmental impact of air transport is, in many respects, often unfairly and crudely depicted. It is also important that EU environmental standards not create conditions that disadvantage European over non-European airlines.

An AEA working group, with SAS participation, has put forth a proposal for a global system called GAP (Global Approach for International Aviation Emissions), which takes into account the UN CBDR principle (Common But Differentiated Responsibility), aimed at leveling the playing field for airlines. The proposal divides the world into three blocs, with more onerous obligations on the industrialized zone than on developing countries. Moreover, IATA is working on a document outlining ideas for economic instruments for reducing air transport's $CO_2$ emissions.

### Environmental policies

Airline operations are subject to the environmental policies applicable to each airport. These usually involve noise, rules for using deicing fluids and limits on emissions to air and discharges into soil and water.

In 2009, SAS did an updated survey of the Group's busiest Scandinavian airports and engaged in dialogs with them to ensure that they had the required permits.

One of Stockholm-Arlanda Airport's environmental rules is a ceiling for how much $CO_2$ and $NO_X$ the airport may emit. In 2008 the Environmental Court ordered a postponement from 2011 to 2016 of the date when Arlanda's emission ceiling is supposed to go into effect, provided that LFV submits an application for a new environmental permit by no later than the end of 2010. However, on formal grounds, the Supreme Court rejected this linkage between a change in terms and the application, which means that the emission ceiling will be compulsory in 2011. LFV has been working on an application for a whole new environmental permit since 2008, and the goal is to submit it at year-end. When this application is considered, the emission ceiling will be examined in its entirety, which for formal reasons was not possible in the Supreme Court hearing. SAS has extensive activities at Arlanda and is very much dependent on the airport's environmental permit.

The environmental permit for Copenhagen Airport includes a noise limit of 80dB(A) for night traffic. SAS is evaluating technical fixes for lowering the noise level of its MD-80 aircraft. So far, this attempt has not had satisfactory results. At the same time, SAS is reducing its need to use MD-80 aircraft, and airport noise limits are not expected to have any material effect on SAS's traffic planning.

Due to stricter noise standards, a growing number of airports have tougher restrictions regarding permitted approach and takeoff corridors. Deviations generally result in fines on the airline.

LFV has appealed a judgment regarding noise restrictions in connection with Landvetter Airport outside Gothenburg. SAS and LFV believe that since the judgment does not take into account all factors impacting the environment, it unfairly affects airlines with good environmental performance.

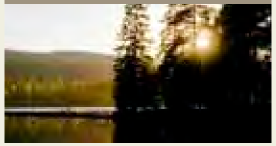
In general, the trend is toward increased use of environment-related charge systems and operational limits. The twofold purpose is to reduce local environmental impacts and create incentives for airlines to speed up the use of aircraft with the best available "green" technology. Read more about policies and violations in the Report by the Board of Directors, pp. 52-53.

## What comes in and goes out

### Air

IN

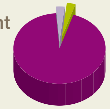
**SAS's responsibility**
Aviation fuel
Engine oil
Halons



OUT

**SAS's responsibility**
Carbon dioxide ($CO_2$)
Nitrogen oxides ($NO_X$)
Hydrocarbons (HC)
Volatile organic compounds (VOC)
Oil aerosols
Jettisoned fuel
Noise
Water vapor ($H_2O$)
Sulfur dioxide ($SO_2$)
Carbon monoxide (CO)
Halons (CFC)

Flight operations account for an estimated 95% of SAS's environmental impact



### Cabin

IN

**SAS's responsibility***
Food and beverages
Packaging
Disposable/semi-disposable items
Articles for sale
Newspapers
Chlorinated water
Germicides

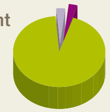
OUT

**SAS's responsibility***
Organic waste
Waste
Unopened packaging
Waste and recycling
Lavatory waste

**Airport owner's responsibility**
Wastewater (disposal)

Lavatory waste (disposal)

Cabin operations account for an estimated 2% of SAS's environmental impact



### Ground services

IN

**SAS's responsibility***
Glycols
Water
Maintenance supplies
Energy
Vehicle fuel
Office supplies
Chemicals
Equipment
Work clothes and uniforms

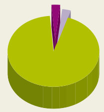
**Airport owner's responsib.**
Urea/Acetate

OUT

**SAS's responsibility***
Waste
Hazardous waste
Wastewater
Sulfur dioxide ($SO_2$)
Carbon dioxide ($CO_2$)
Nitrogen oxides (NOx)
Hydrocarbons (HC)
Soot and particulates
Volatile organic compounds (VOC)

**Airport owner's responsibility**
Glycols
Urea/Acetate
Wastewater (disposal)

Ground operations account for an estimated 3% of SAS's environmental impact



* Direct and indirect responsibility

See also Environmental management system on p. 111.

## Environmental vision

- SAS intends to be a leader in work toward sustainable development in air transport, thus contributing to sustainable social progress.
- SAS intends to have the most ambitious long-term environmental program in the airline industry.

## Principal strategic targets

In line with IATA's vision, the overriding long-term objective of SAS's environmental work is to make it possible to fly without greenhouse emissions by around 2050.

- 20% lower emissions by 2020, traffic growth included
- 50% lower emissions per unit produced by 2020

## Environmental goals 2008–2011

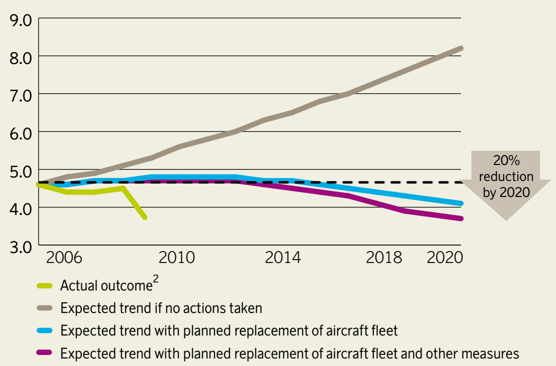
SAS will

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

**The SAS Group's vision, goals and strategies for its sustainability work are reported in their entirety at www.sasgroup.net under "Sustainability."**

**SAS' environmental strategy targets for 2020**[1]

Million tonnes $CO_2$ *Based on 4% annual growth*




[1] *Adjusted from 2005 to reflect the current Group.* [2] *Improvement explained by a 15-20% decline in traffic and higher energy efficiency.*

# Goals, strategies and goal attainment

**The overall objective of SAS's sustainability work is to create long-term growth in shareholder value and help the Group reach its goals. Formulated goals and adopted strategies for sustainability work are a part of Core SAS. The environmental goals for 2011 are to lay the groundwork for SAS's operations becoming sustainable in the long term.**

In 2009 SAS's sustainability work continued at high intensity in all Group units in line with the action plans drawn up in 2008 for reaching the goals by no later than 2011. The deterioration in the market environment has not affected goals or timetables.

This section reports the current status at the end of 2009 and measures planned for 2010.

**SAS will be seen as the most environment-conscious airline in Europe**

### Goal attainment 2009

The goal to step up external communication and involvement was pursued by publishing an environmental folder, articles in internal and external publications and by heavy involvement in environmental conferences, seminars and presentations. Environmental work was enhanced in all areas to ensure that the environmental strategy goal is reached in 2020.

SAS has given priority to initiatives aimed at giving passengers a positive experience also from an environmental standpoint. These include environmental adjustments on board and in lounges, communication on SAS's environmental work, more green flights, etc.

It is of the utmost importance that all stakeholders receive an objective and correct picture of the current state and long-term goals of the airlines in relation to the benefits air transport contributes to society.

In 2009 SAS was involved in a number of conferences and fairs. For example, SAS was a "greening partner" at both the World Business Summit and Nordic Climate Solutions and sponsored airport services during COP15. In addition, numerous environmental presentations were made at fairs and events attended by many different stakeholders.

During the year SAS actively improved customers' ability to purchase carbon offsets. While demand has been limited, it is expected to grow as SAS gets more environmental information out and awareness in society increases. Major customers were offered environmental statistics and the ability to buy carbon offsets as part of contracts with SAS. SAS was involved in transportation to and from major conferences. Here too, offsets were included in numerous agreements with the organizers. Carbon offsets are purchased for all business travel at SAS. More environmental information was added to the frequently used emission calculator on the SAS website, which may well be one of the most elaborate in the market. It has also been examined by a third party.

SAS's process for monitoring, reporting and verification in emissions trading was submitted on time and approved by the authorities. This ensures the Group a correct and fair allocation of allowances for the period 2012-2020. Since the emissions trading scheme will represent costs to the airlines, a correct allocation is essential for competitive pricing in the future. Many airlines had not reported required plans when the deadline expired at year-end.

During the year, 1,500 employees underwent training in the *"SAS and the Environment"* program. The program is a key element of certification work now under way.

SAS was major advocate of environmental and sustainability issues in international bodies such as IATA and AEA and actively participated in society-wide discussions of these issues.

Environmental and sustainability data were a key element of numerous contracts with major customers, governmental as well as private. In Sweden there are guidelines for all wholly owned state enterprises to present a certified sustainability report. The Government will work to require partly-owned state enterprises to apply these guidelines as well. SAS has been doing this for more than ten years.

### Measures in 2010

In 2010, SAS will continue its extensive environmental communication work, placing it in the context of the benefits that air transport contributes to society.

During the year SAS will initiate activities in the form of articles, presentations, conference attendance, *"official airline"* agreements with a green perspective and similar activities to speed up the effort to make the company more eco-friendly. A key task will be to formulate new environmental targets for the period from 2012 up to and including 2015. Voluntary carbon offsets will be enhanced to make them more accessible and easier to buy. SAS will also continue to be involved in the international collaboration from COP15 aimed at global regulation of aviation.

**SAS will have ISO 14001-certified environmental management systems**

### Goal attainment 2009

All companies have already integrated environmental and climate issues into their management systems. The goal for SAS is ISO 14001 certification during 2010. The timetable was adhered to during the year, and all indications are that the goal will be reached. Moreover, SAS will be certified according to EMAS. This will make SAS the first airline with combined ISO and EMAS certification of its entire operations.

Blue1 was certified and SAS Cargo recertified according to ISO 14001 in 2009. SAS Cargo has been ISO-certified since 2006.

### Measures in 2010

SAS will continue the process toward getting all operations certified during the year. During the first half of the year, SAS Tech and Widerøe will be certified.

**SAS will have the industry's most effective fuel saving program**

### Goal attainment 2009

In 2005 SAS began a fuel saving program aimed at cutting consumption by 6-7% by 2011. Fuel consumption per flight is calculated and adjusted for relevant weight and wind conditions relative to averages corresponding to the destination in question. The program is on schedule, and by the end of 2009 a saving of 4.3% was reported for Scandinavian Airlines compared with the end of 2005. These measures were motivated by environmental concerns and by costs.

In 2009, a 1% cut in fuel consumption meant savings of MSEK 70-80 for the whole Group and $CO_2$ emissions lower by 38,000 tonnes. The saving program also includes a number of measures in areas such handling and modifications of aircraft, more efficient speed planning and sharing experiences with other players, especially within Star Alliance.

SAS has amassed an extensive database (MRV) of fuel-related KPIs for each type of aircraft, individual aircraft and route, which is constantly being evaluated and followed up with recommendations for improvements. The database provides input for calculations in the emissions trading scheme and confirms SAS's leading position in the area.

### Measures in 2010

During the year, SAS will continue to implement the fuel saving program. SAS will step up the development of computer-based system support to further refine methods for measuring goal attainment and set future targets after 2011. The target for 2010 is to reduce fuel consumption by 1%.

**SAS will be among the first airlines to use alternative fuel blends once they are approved and commercially available**

### Goal attainment 2009

The future of aviation strongly depends on the industry's ability to find alternative aviation fuels based on one or more renewable sources. These are primarily renewables that can be blended with existing fossil fuels to reduce greenhouse $CO_2$ emissions. In that regard, the whipsawing oil prices combined with greater environmental awareness are pressing incentives.

SAS helped to form SAFUG (Sustainable Aviation Fuel User Group), tasked with speeding up the development of new, long-term sustainable aviation fuel from renewable sources. Participants include Boeing, the fuel developer Honeywell UOP and a number of airlines. Participating airlines together account for over 20% of commercial aviation's fuel consumption. The group is closely following currently ongoing efforts aimed at certifying alternative fuels in 2010/2011.

Any renewable aviation fuels that are developed need to perform as well as today's fossil fuels and have a minimal overall impact on ecosystems. Moreover, production must be sustainable in the long term and thus not compete with food production and must use as little drinking water and acreage as possible.

Both algae and the plant *Jatropha curcas*, which produce vegetable oils, are deemed to be important renewable sources that can be used to produce alternative aviation fuels. In many regions, agricultural and forestry residues and organic waste products from industry and households may become an important source. Several processes for producing biofuels are already known, and the challenge will be to have sufficient production capacity once the fuel is certified.

Current tests of alternative fuels indicate that as early as 2011 there should be certified and commercially marketable products that can be used in existing engines. Successful test flights have already been carried out with airlines actively participating in SAFUG.

### Measures in 2010

In 2010, SAS will continue its involvement in SAFUG and in the Biofuel Network that is part of Copenhagen Capacity. The network also includes Boeing, Novo Zymes and Maersk. SAS will make its expertise and aircraft available for carrying out suitable evaluations in the Scandinavian climate.

During the year, SAS will work together with a number of potential suppliers of alternative aviation fuel in the Nordic market. The aim is to hasten developments towards the day certification is ready and commercial flights can be take place using a 50/50 blend using alternative aviation fuel.

SAS's ambition is to use as much biofuel as possible once it is commercially available.

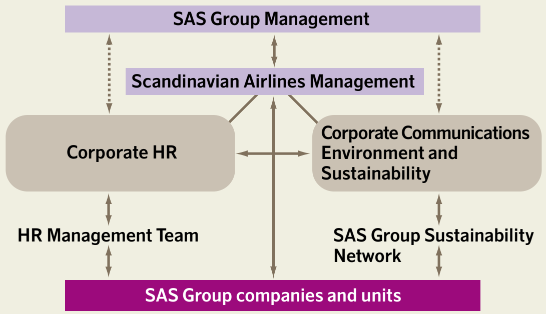
# Organization and management 2009

Sustainability work is based on SAS's policies, as well as the Group's commitment to comply with the principles of the UN Global Compact. The strategy for sustainability work, sustainability and environmental policies, as well as targets and KPIs connected with them, are a part of the Core SAS structure.

**Handling sustainability data**

Environmental data are reported twice a year, while data concerning employee sick leave and injuries are followed up at a local level on an ongoing basis. In addition, units and companies are to report at least once a year on measures aimed at improving the Group's sustainability work. Reporting includes areas such as community involvement, supplier contracts, collaboration with stakeholders, working environment, training, conflicts, work on the Group's Code of Conduct and the UN Global Compact.

Responsibility for reporting rests with the head of each Group company or unit, but reporting is coordinated by the Sustainability Network. Data are compiled by the Group department for Environment and Sustainability and are then reported to Group Management.




**Group Management** *Sets framework in the form of the Code of Conduct, overarching objectives, policies and other guidelines. Initiates support activities.*

**Scandinavian Arlines Management** *Responsible for carrying out support activities. On behalf of Group Management performs Group-wide support functions for sustainability work via its staffs.*

**SAS Corporate Human Resources** *Coordinates, negotiates, administers and develops the Group's human resource-related issues. Contributes through the HR Management Team, where the Group's HR supervisors meet, to develop sustainability work by coordinating employee issues.*

**SAS Corporate Communications** *Besides responsibility for press and information issues in the Group, also includes the functions Investor Relations and Environment and Sustainability.*

**Environment and Sustainability** *Coordinates and advises on issues concerning the environment and sustainability/CSR for Group Management and other SAS functions and companies.*

**SAS Group Sustainability Network** *Representatives from companies, units and Group Management functions coordinate SAS's sustainability work and compile data for the annual report.*

**SAS koncernens bolag och enheter** *Set specific goals for sustainability work, environmental and social targets and targets in other areas. Carry out activities and follow up results.*

The process outlined above for sustainability work applied in 2009. SAS's new organization, which was approved in February 2010, will be reflected in the 2010 Sustainability Report. See p. 13.

**SAS will have a long-term plan for its aircraft fleet that leads to a significant reduction of greenhouse emissions**

### Goal attainment 2009

An essential requirement for SAS to reach its strategic environmental goals by 2020 is a cost-effective and economical aircraft fleet tailored to market needs. The strategy is based on continually replacing aircraft with the best available technology when financially justifiable.

In 2009, the SAS Group put 16 new and two used short-range aircraft into service, while 35 older aircraft were taken out of service.

At the end of 2009, Scandinavian Airlines had nine long-range and 87 short-range aircraft of the most recent generation, corresponding to 69% of the company's fleet. If Scandinavian Airlines were to opt to replace all MD-80 today, this would result in a theoretical short-term fuel reduction in the SAS Group of 3–3.5% at an investment of just over SEK 7 billion. From a sustainability standpoint such an investment is not profitable. The long-term effect would be that SAS would likely not reach its strategic environmental goals for 2020, since an aircraft flies for 15-25 years.

The net effect of the measures is a reduction in the SAS Group fleet of 17 aircraft. The phasing-in of new aircraft and phasing-out of older ones lowered the average age of the active fleet from 12.1 years to 11.5 years.

An aircraft's age does not always correlate with its environmental performance. For example, the MD-90 is an aircraft that went out of production 13 years ago, yet it still has very good environmental performance. A brand new 737NG generally has the same environmental performance as one delivered in 1998. Although certain developments have taken place resulting in a 2-3 percentage point improvement, *how* the aircraft is flown is more important than how old it is, assuming it is of the same generation.

Between generations of the same aircraft type, however, there is quite a big difference. There can be on the order of 15-20% lower fuel consumption and $CO_2$ emissions. Moreover, engine manufacturers tend to achieve lower $NO_X$ emissions with each generation. This trend is very positive, since about a third of aviation's greenhouse emissions involve other greenhouse gases, of which $NO_X$ is a substantial portion. Besides, $NO_X$ is not affected by the admixture of alternative aviation fuels.

### Measures in 2010

In 2010 an additional one Boeing 737NG, one CRJ900 and three Q400s will be put into service. After that, SAS has no further approved acquisitions of new capacity.

Like many other airlines, SAS is watching for the results of development efforts currently in progress by relevant manufacturers. Read more on p. 110.

SAS has a favorable fleet composition, which allows for great flexibility in advance of coming aircraft purchases.

SAS continually assesses various options for the future composition of its aircraft fleet and along with Star Alliance airlines has its own development "wish list." A number of factors play a part. They include assessments of the market structure and demand, aircraft environmental performance, economy of operation, passenger comfort, etc. The current market situation and ongoing development work among manufacturers mean that there is no hurry to make a final decision. Read more on pp. 29-30.

**SAS will have reached the target for SAS's eco-efficiency index.**

### Goal attainment 2009

Except for intercontinental traffic, the environmental index for the majority of SAS airlines improved during the year. They are thus ahead of, or in line with, their targets for 2011. This is thanks to an early implementation of Core SAS, which quickly adjusted SAS's capacity following the falloff in demand. This has allowed SAS to retain a high passenger load factor. Moreover, the fuel saving program went better than planned, and less energy-efficient aircraft were replaced with more fuel-efficient ones. See p. 107.

### Measures in 2010:

The fuel saving program will continue to reach the target for the eco-efficiency index. SAS will continue to ensure a high passenger load factor and high energy-efficiency in all operations. This guarantees a continued positive trend for all environmental indexes.

# Responsibility for sustainable development

**SAS is convinced that financially sustainable operations require social and environmental responsibility. In various ways, work on sustainability issues contributes to value growth and competitiveness.**

### Dialog with stakeholders

A key contributor is dialog with stakeholders, with whose help SAS can identify, define and deal with important sustainability issues. SAS takes the initiative on dialogs, and anyone seeking contact with SAS will be heard. SAS has an ongoing dialog with various customer groups as a tool for refining and adapting products to the market's shifting demands. Here sustainability issues have become increasingly important, evident for instance in purchasing routines and input from both government and business. Similarly, employee attitudes to the company and the company's ability to meet employee needs regarding working environment and other important factors affecting commitment and loyalty are constantly being measured. Ethical issues and development of culture and values are emphasized.

SAS plays a very active role in dialog with authorities, airports, industry bodies and opinion makers and in clarifying and explaining the role of the airlines in global efforts for sustainable development. SAS has also taken the initiative in specific methods to reduce noise and emissions. These include green approaches together with LFV. Regarding air traffic management (ATM), SAS has actively worked to shorten flight paths by changing routines for approaches and takeoffs and using computer systems for navigation planning. SAS has also been a tireless advocate of both air transport and emissions trading, participating in numerous reports, committees and lobbying groups on these topics.

The media focus on aviation's adverse impact on the environment is a challenge for the entire airline industry. SAS has chosen to take a leading role in the debate as part of its efforts to link the brand with dealing responsibly with climate issues.

Sustainability aspects are also increasingly important in the capital market. Investors closely follow environmental work, environmental liabilities and any risks tied to failure to adapt company operations to laws, rules and regulations regarding health, the environment and climate. SAS has been a pioneer in reporting environmental and sustainability work, which has been noticed in numerous forums.

### SAS Corporate Manual (CM)

SAS's four core values – consideration, reliability, value creation and openness – form the basis for the Group's sustainability work. The Corporate Manual describes SAS's organization, form of management and the overarching policies that all together govern the Group's sustainability work and operations in general.
www.sasgroup.net

### Code of Conduct

To summarize and clarify the Group's stated values, policies, guidelines and other regulations, the SAS Board of Directors has issued a Code of Conduct that covers all Group employees. To underscore the Code's importance, there are systems for reporting and dealing with suspected violations. Supervisors and other managers play a key role in implementing and following up the Code. An extensive training program supports the Code, and the aim is for all personnel to participate in the program. By the end of 2009, 57% of the employees had done so. The Code's whistleblower function was used in nine cases, three of which were dismissed without action. Four were dismissed after an investigation and two matters are under investigation.

### Business relations

With its tradition of close partnerships, antitrust issues are always in focus in the airline industry. The SAS Competition Law Compliance Program covers all affected employees and is to ensure that SAS complies with laws, rules and practices in this area. There are particularly strict rules against offering or accepting bribes or improper perquisites.

### Global Compact and the GRI

The SAS Group joined the Global Compact in 2003 and participates in the Global Compact Nordic Network. One criterion for publishing company information on the Global Compact website is an annual update of the material, the Communication On Progress (COP). The most recent update of SAS's information was done in June 2009.

SAS's sustainability reporting follows the guidelines in the Global Reporting Initiative (GRI) and is examined by an external auditor.

THE GLOBAL COMPACT
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## SAS's sustainability-related policies

**Environmental responsibility • Corporate social responsibility • Financial responsibility**


Core values

**Consideration • Reliability • Value creation • Openness**

SAS's four core values cover all operations in the Group and form the basis for all work on sustainability issues. On the basis of these core values, SAS has set overarching policies that along with a number of strategies govern its sustainability work. An account of the most important of SAS's policies can be found at **www.sasgroup.net**

| Stakeholders | Examples of dialogs* |
|---|---|
| *Employees* | Employee index PULS. Development interviews. Whistleblower function. Meetings with employees at all levels including meetings related to ISO 14001 and EMAS |
| *Customers Contract customers* | Customer surveys. Interviews. Customer Satisfaction Index (CSI). Image index, $CO_2$ Reduction Network. Direct dialog in meetings and ongoing contact with several thousand contract customers |
| *Owners, investors and financial analysts* | Board meetings. Shareholders' Meeting. Surveys. Telephone conferences. Regular meetings. |
| *Authorities* | International working groups. Close contact with relevant authorities, policymakers, airport owners and air traffic management |
| *Suppliers* | Purchasing negotiations based on the SAS Group's purchasing policy and compliance with Global Compact principles |
| *Aircraft, engine and chemical manufacturers* | Dialog on greener products |
| *Partnerships and networks* | Star Alliance. Global Compact Nordic Network. CSR Sweden. Copenhagen Climate Council. NHO Climate Panel |
| *NGOs* | Bellona. Friends of the Earth, WWF, Save the Children |
| *Organizations* | ICAO Committee on Aviation Environmental Protection. Association of European Airlines (AEA). IATA's environmental committee Confederation of Swedish Enterprise. Confederation of Danish Industries. Confederation of Norwegian Enterprise, etc. |
| *Mass media* | Interviews. Articles and opinion pieces |
| *Schools and universities* | Dialog prior to theses and dissertations. |

** A more detailed description of the SAS Group's dialogs with stakeholders with in-depth information may be found at **www.sasgroup.net***

## Four pillars of SAS and airline industry environmental work

**New technology**

*ACARE*
*Breakthroughs*
*Alternative fuels*
*Improved aerodynamics*

**Infrastructure**

*Single sky*
*NUAC+FAB*
*Coordinated ATM*

**Operational measures**

*Fuel saving program*
*Green flights*

**Economic instruments**

*Emissions trading*
*Taxes, charges, regulations*

### Ground-based environmental measures

**Energy**

SAS works continuously on adjustments and improvements to reduce its energy consumption. In 2009, Coor, SAS's main provider of property services, made it less cumbersome to examine environmental data and the buildings are inventoried on an ongoing basis with the aim of finding ways to optimize energy consumption. SAS endeavors to only use energy from renewable sources.

All sources of energy consumption are to be examined and optimized to reduce energy use. SAS and Coor will carry out an energy saving campaign in 2010.

**Ground transportation**

SAS endorses airport owners' efforts to reduce $CO_2$ emissions and participates in projects for "better air." As a result, SAS's ground equipment (such as vehicles) are improved, adjusted or replaced with greener units.

SAS is working for all company cars to be replaced with green vehicles. Guidelines will be issued for all companies and units in SAS, though decisions will be made locally, since green vehicles are defined differently from country to country.

**Deicing**

Deicing aircraft before takeoff uses glycols, which are harmful to the environment. SAS continues to search for alternative technologies. Various methods to reduce glycol use are currently being evaluated. For example, a system is being tested with electronic control of glycol content and a preventive deicing method that may lead to a substantial reduction of glycol use with the same degree of safety.

# The airline industry's four pillars

**The industry's environmental work takes place in four areas: New technology, Infrastructure, Operational measures and Economic instruments. The airline industry' commitment to reducing its environmental impact requires long-term investment in environment-related measures that take time to carry out and are capital-intensive.**

The airlines are a relatively young industry, but there is considerable potential for environmental improvements, provided that they are technically feasible and economically justifiable.

In the last forty years developments have significantly altered the airlines' operating assumptions. $CO_2$ emissions per produced revenue passenger kilometer have been reduced by 70%, and in the next forty years, it is the airline industry's goal to lower total greenhouse emissions by 50% compared with 2005.

www.enviro.aero

### New technology

New technology primarily means lighter and more aerodynamically designed aircraft, more efficient engines and alternative fuels based on renewable sources.

The major aircraft and engine manufacturers are now focusing on the next generation of long-range aircraft, which will be in commercial service in a few years. After that, short- and medium-range aircraft will be prioritized and will probably be commercially available around 2020. The major aircraft and engine manufacturers indicate that the next generation short- and medium-range aircraft will have fuel consumption that is 30-35% lower than current best available technology, with corresponding reduction of $CO_2$ emissions. There is a parallel development effort by smaller aircraft manufacturers, which will have a short- and medium-range aircraft available already in 2013. It will reduce fuel consumption and $CO_2$ emissions by 15-20% compared with other aircraft of the same size. This development has prompted the major manufacturers to consider the possibility of installing next generation engines on aircraft currently available, which will reduce fuel consumption and $CO_2$ emissions by 10-15%. Moreover, next generation engines will mean approximately 60% lower $NO_X$ emissions and substantially less noise.

### Infrastructure

Within the framework of Eurocontrol there is an ongoing effort aimed at coordinating European air traffic management – SESAR (Single European Sky ATM Research). This would lead to shorter flight paths, shorter holding time in the air and on the ground and less congestion in the air and at airports. Fully-implemented, it would result in an estimated 10-12% lower environmental impact. It is estimated that this process will be completed by 2020. A step in the right direction is that a common Nordic airspace is being established as a part of the Single European Sky. Similar projects are being carried out in many places in the world.

### Operational measures

Most major airlines have action programs for optimizing resource in order to reduce environmental impacts over time. These include fuel saving, route planning, optimizing speed and altitude, weight reduction and improvements in communication, training and information to create awareness of the need for small- and large-scale changes in all parts of operations. This effort is absolutely crucial for improving efficiency using existing aircraft and under current assumptions.

### Economic instruments

Taxes and charges are often used by opinion makers as examples of effective economic instruments for reducing the airlines' environmental impact. The debate takes two main approaches. One is for airlines to pay for their environmental impact, and the other is not only to limit the growth of air transport, but also its current scope.

The EU's own estimates show that taxes and charges do little to reduce demand. On the other hand, they increase costs for the airlines, which affects fares. At the same time, the airline industry is going against the tide of opinion, which facilitates the introduction of environment-related taxes.

The airline industry's general view is that economic instruments should be competition-neutral, cover the global industry and always be based on actual emissions rather than the number of passengers. The essence of the economic instruments must be to encourage lower emissions rather than limit the growth of the airline industry and thereby deny society the benefits of air transport.

# Results for the year

**Despite the fact that 2009 was characterized by a deep recession and receding demand, SAS's climate and environmental index improved in all areas, except for intercontinental traffic. Total carbon emissions were the Group's lowest ever.**

SAS's carbon dioxide ($CO_2$) emissions per unit produced fell to 127 (129) g/RPK. The climate index, which also includes emissions other than $CO_2$, improved to 93 (97). The chief reasons for the improvements are that the Core SAS strategy adjusted SAS's supply early on to the falling demand and that during the year, SAS was successful in reducing fuel consumption in day-to-day operations. Moreover, 16 new aircraft with better environmental performance went into service during the year.

Historical data have been adjusted to reflect developments in the companies in Core SAS.

With regard to individual company and unit environmental indexes in 2009, all improved except for intercontinental traffic, whose deterioration was due to a fall in the passenger load factor during the year. All told, however, the absolute majority of SAS companies and units are ahead of, or in line with, their environmental targets for 2011.

The SAS Group's total $CO_2$ emissions fell by 35% in 2009 compared with 2008. The reduction is primarily due to the sale of Spanair and airBaltic, capacity cuts within the framework of the Core SAS strategy and a successful effort to reduce fuel consumption through fuel saving projects and the introduction of 18 new aircraft, for example.

In February 2010, the Core SAS strategy was strengthened, which involves substantial changes in SAS's production and organization and for the individual employee. Management of SAS will be centralized and streamlined, which will be reflected in sustainability reporting for 2010.

## Environmental responsibility

In 2009, the SAS Group's flight operations accounted for more than 95% of its overall environmental impact. The remainder came from ground and cabin operations.

Customer perceptions of SAS as an environmentally and socially responsible company are measured in the annual customer survey that is part of the Customer Satisfaction Index. A survey was done in February 2009, which showed a clear improvement. The results are presented on page 115.

### Climate index

Starting in 2007, SAS has reported a climate index, which refers to weighted climate impact excluding noise, i.e., emissions of $CO_2$ and nitrogen oxides ($NO_X$). The index measures the Core SAS's overall climate impact relative to traffic measured in RPK and was worked out in the period 2005-09.

The trend was positive in 2005-07. In 2008 the climate index deteriorated, and in 2009 it improved by four points to 93. The chief cause was a change in the utilization of the aircraft fleet and a relative decrease in $CO_2$ and $NO_X$ emissions. The target for 2011 is 89.

### Environmental index

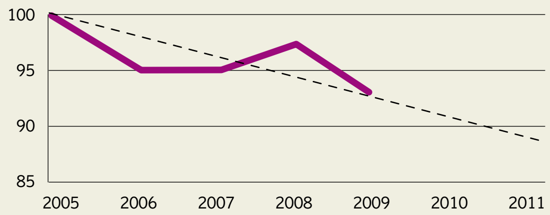
Since 1996 SAS has been measuring eco-efficiency using an environmental index in which environmental impact is measured relative to production. Read more about calculation methods under "Reports, Accounting principles" at www.sasgroup.net. An environmental index is measured for each company, but not for the Group as a whole. These indexes are a tool for managing and following up the Group's environmental performance.

In 2009 most companies continued to show a positive trend.
See p. 119.

### Environmental management system

SAS's environmental work is based on the ISO 14001 standard as a framework for environmental management, a requirement for constant improvements and an environmental responsibility for stakeholders. Since the mid-1990s, all companies and units have their own environmental management system that is inte-

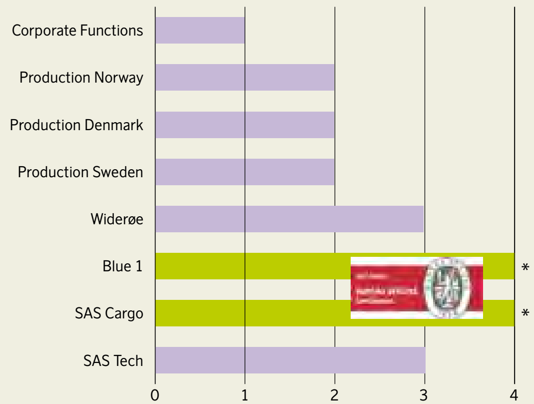
**SAS climate index***




*The climate index measures climate impact relative to production measured in RPK and consists of 2/3 carbon dioxide and 1/3 nitrogen oxides (as a non-$CO_2$ indicator).*

** Adjusted from 2005 to reflect the current Group's climate impact. Corrected in the Internet version, thus departs from the index in the print version.*

**SAS Group work on ISO and EMAS**




*0 = Not started 1 = Started 2 = Well on the way 3 = Internal audit 4 = Certified*

*All companies have begun the process of assembling a formalized environmental management system in accordance with ISO 14001. The goal is certification before 2011. The diagram illustrates process status at the end of February 2010.*

** EMAS-certification requires completion of ISO 14001 certification. Blue1 and SAS Cargo will be EMAS-certified during the first half of 2010.*

grated into management and quality processes and are aimed at complying with the principles in ISO 14001.

The environmental management system and SAS's environmental policy cover all activities in Scandinavian Airlines, technical operations, ground services, goods handling and the airlines Widerøe and Blue1 with main bases in Copenhagen, Oslo, Stockholm, Bodø and Helsinki. The system covers all activities, products and services that to any material degree impact the environment. The most important are fuel, noise, oil and chemicals, energy use, waste and general resource use, primarily in passenger service. Read more about environmental polices and environmental aspects at www.sasgroup.net

Following the SAS Group's overarching objectives and strategies, each company or unit sets environmental targets based on the requirement for constant improvements in environmental performance. One goal is for the entire Group to be certified according to ISO 14001 and EMAS before 2011. As the first SAS Group airline, Blue1 was ISO 14001-certified in 2009. SAS Cargo was recertified according to ISO 14001 during the year. The process for ISO certification involves both internal and external audits. The audits connected with certification and recertification showed no major non-conformances, only minor comments.

### Environmental permits

Airline operations have no separate licenses or environmental permits for operation, but depend on permits that airport owners hold, such as for glycol handling, runway deicing, and noise and emission thresholds.

However, environmental approval is part of the aircraft certification process followed in the three Scandinavian countries as well as in the terms for technical aircraft maintenance.

Airline operations have a statutory dispensation for halon use and submit annual reports to the authorities on consumption and storage. The reason for the dispensation is that there is no certified alternative to halons for extinguishing fires in aircraft engines, cabins and aircraft toilets. In the SAS aircraft fleet a total of just over 6 kg was released during the year.

SAS Oil is an aviation fuel purchasing company for the SAS fleet at Copenhagen, Oslo and Stockholm airports. Through SAS Oil, SAS is a minority owner of a number of smaller companies that handle aviation fuel.

The Group is satisfied that these companies have the necessary permits, contingency plans and insurance.

A detailed description of SAS's licenses and environment-related permits is found in the Report by the Board of Directors.
See p. 52.

### Carbon offsets

SAS's offer of voluntary carbon offsets for a flight is an important part of SAS's commitment to the environment.

All business travel at SAS is offset and corresponds to emissions of 4,000-5,000 tonnes per year. For organizers of conferences, seminars, trips, meetings, etc., SAS offers customized offsets, often when SAS is the Official Airline, such as at the climate conferences in Copenhagen in 2009. A similar agreement was signed with the organizers of a conference in Copenhagen in May 2010 that will conclude five years' work on a new ISO 26000 standard for Social Responsibility (SR).

Major customers are encouraged to sign up for carbon offsets, which are based on estimates of travel volume on an annual or semiannual basis. It has been relatively complicated for individual customers to buy carbon offsets. In March 2009 SAS began offering a simplified payment solution for carbon offsets on the Internet.

Carbon offset payments go entirely to SAS's partner, the CarbonNeutral Company, which is responsible for funding energy projects based on renewables in verified/certified projects.
See p. www.sasgroup.net under "Sustainability."

### Purchasing

The SAS Group has numerous subcontractors, manufacturers of everything from disposable articles for onboard service to aircraft and engines. Negotiations are increasingly coordinated from the Group's central purchasing function, through which it is ensured that suppliers follow the guidelines in the Code of Conduct. Suppliers with certified environmental and sustainability work are given priority when economically possible.

## CSR

The SAS Group's primary social responsibility is to its own employees and the communities dependent on and affected by SAS's operations in a number of countries, primarily in the Nordic region.

At SAS individual units give priority to issues based on their own operations. For that reason what their social responsibility entails may vary depending on time, place and content.
See p. 116-119.

SAS is a vital part of society's infrastructure both nationally and internationally. SAS benefits society by enabling citizens to attend international meetings concerning development and cooperation in a global perspective. In this connection it is vital for SAS employees to see the challenges and be able to offer solutions to the issues arising in their day-to-day work.

Competition in the airline business in Europe is fierce. In this situation employees play a key role in adding value to the product. SAS's strategic cultural work is therefore aimed at improving job satisfaction, motivation and dedication among its own staff. The goal is for this to have positive effects on relations with customers and boost SAS's competitiveness.

### Service And Simplicity

SAS's vision is to be the obvious choice for air travel. In the Core SAS strategy, "Service And Simplicity" is established as both the company's promise to customers and as the principle for SAS's corporate culture.

Customers and co-workers alike are to be treated with friendliness, courtesy and helpfulness.

### Cultural development

The development of corporate social responsibility is based on the following focus areas, on which SAS's cultural turnaround rests.

*Incentive with customer focus*

A project began in 2007/2008 aimed at introducing a profit-sharing and employee stock ownership plan for all employees at a suitable point. In 2009 the project was shelved, since the first priority was on cost savings and the impact the falling market and financial crisis was having on SAS. SAS management intends to present a proposal for a profit-sharing program, and the issue will be revisited in 2010.

*Management development*

With regard to meeting social responsibility, management has a key role as role models and in interpreting and implementing SAS's strategies. SAS endeavors to have clear leadership, characterized by consistency, honesty and reliability. Managers must be self-aware and mature, and know how personal qualities are to be used to achieve a trustful working relationship with personnel.

In 2009 SAS, continued to develop a "role model" for all managers in the organization. It contains an assessment module that once a year will show whether managers live up to requirements and a leadership program for the requisite know-how. Both the evaluation module and several parts of the leadership program began in 2009. This includes a focus on the TOP100 group and a master's program for 45 manages in partnership with the BI Norwegian School of Management.

## Organizational development

Introduced in February 2009, the Core SAS organization entails a fundamental restructuring of SAS's previous organization. In February 2010 a further step was taken in organizational development, focusing on measures to ensure clearly managed, efficient processes that result in better profitability.

See p. 13.

*Adjustment and redundancy*

The weak economy in 2009 had an adverse impact on demand for air travel. Generally the industry has responded with further capacity cuts, timetable changes, fewer departures and savings programs. During the year SAS carried out additional cost reductions within the Core SAS framework.

Redundancy among staff as a consequence of these actions is primarily dealt with in individual units and companies. Negotiations follow national laws and agreements. In 2009 several companies were sold or outsurced, such as Spanair, airBaltic, bmi and parts of SGS International, entailing a marked reduction in the workforce within the Group. A number of company sales in progress will, once carried out, result in a further reduction in personnel in the SAS Group.

The reorganizations and other initiatives in the cost program have meant that around 4,600 FTEs (full-time equivalents) have left or will leave the company. Of these, nearly 2,900 FTEs left the Core SAS organization in 2009. Divestments and outsourcing, including the sale of Spanair, resulted in a further reduction of the number of employees in the SAS Group in addition to the cost program.

## Working environment

In 2009 total sick leave in the Group totaled 6.9 (6.5)%. The increase is likely due to employees being under severe strain in 2009 in connection with the restructuring and downsizing. The variation between various occupational groups is still high. This area has high priority, and in 2010 efforts are being redoubled to reduce sick leave.

In the SAS Group there are a large number of occupations represented, working in different environments and exposed to different sorts of occupational injuries, etc. Thus, average sick leave is not an unambiguous concept, nor does it provide general guidance for actions that can be taken to reduce absences and related problems for the individual and costs to the company.

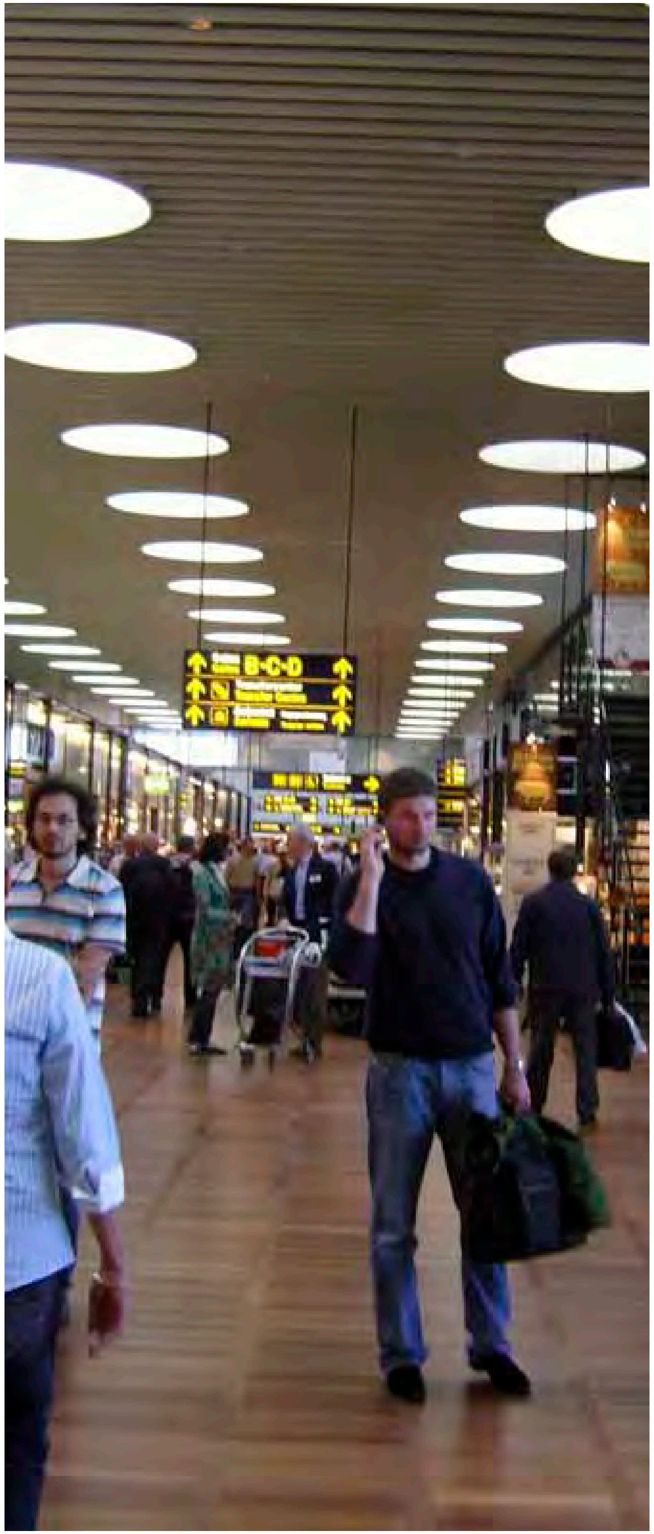
To obtain data for analyses and better target systematic preventive efforts, a project aimed at coherent reporting of sick leave has been stepped up. Expected to go into operation in 2010, the program enables quicker compilation and action-taking. SAS management is convinced that this tool will result in lower sick leave.

The number of occupational injuries continues to fall, owing to staff reductions as well as preventive measures. In 2009, the SAS Group reported a total of 291 occupational injuries, compared with 368 the previous year.

SAS Ground Services (SAS) had the largest number of personal injuries in the Group. In 2009 the total number of occupational injuries was 173 (224). The reduction is due in part to preventive efforts and in part to staff reductions.

Occupational injuries at SAS Tech were reduced to 17 (28) and at SAS Cargo/Spirit/Trust to 19 (32). Production Denmark rose to 47 (39), though is below the outcome for 2007.

Besides sick leave and occupational injuries, each company and unit is working actively on such issues as telecommuting, flextime, health insurance, etc. It is each company's responsibility to ensure a well-functioning working environment. This work takes place in collaboration with safety representatives, supervisors and labor-management joint safety committees that cover all employees in each country. Besides medical staff, the company health services or health, safety and environment (HSE) department employs therapists, stress and rehabilitation experts, and ergonomic engineers. The department has also developed and offers special services, including aviation medicine, stress management, sick leave follow-up, health profiles, ergonomics and advising in handling chemicals.



**Diversity and equality**

The SAS Group's diversity policy is based on equal treatment of all employees and job applicants. Work on equal treatment includes promotion of diversity and equality in all its forms.

Union membership is high in SAS in the Nordic region, and labor organizations enjoy a strong position. Collective agreements govern working hours, pay and other terms of employment in great detail. With equal pay for equal work, full gender equality prevails in these issues as well.

In general in the SAS Group, women predominate in such jobs as cabin crew, administrative staff, assistants and passenger service at airports, while men predominate in such areas as pilots, technicians, aircraft maintenance and baggage loading and unloading. Women also work more part-time than men.

Of the company's pilots, 95% are men, and among captains the share is 97%. At the same time, the recruitment base for female pilots is small, since few opt for such a career. Nor has SAS recruited pilots in the last ten years. The ratio for cabin crew is 79% women.

Top management in Group is dominated by men. At the highest level of management there was only one woman in 2009. After February 2010, Group Management consists of one woman and five men. The figure for the TOP100 management forum is approximately 20% women.

Each year, an equal treatment plan is drawn up based on analysis and surveys of a number of factors, ranging from sick leave to bullying and harassment. A reference group representing the parties provides support.

**Employee surveys**

PULS, SAS's employee survey, was conducted at the end of the year. The response rate was over 76%, which is tied with 2008 for the highest ever. Just over 14,000 employees responded to questionnaires sent out. The results for the SAS Group as a whole is also compared with an external index for the Nordic transportation industry (EEI - European Employee Index).

The survey results show that job satisfaction at SAS is under heavy pressure, and the index fell by 6 points to 61 (67), while the index for EEI remained unchanged at 67. Extensive measures have been taken at all levels in the Group to prepare action plans and activities to boost job satisfaction. However, there are bright spots. Widerøe had a very strong PULS outcome, with an improved job satisfaction index. The survey generally showed strong dedication among employees in all of SAS.

**Human resource development**

The SAS Group has around 1,100 managers at various levels in the Group. The number will drop with the implementation of the new organization as of February 2010. More than half of managers are in operations with direct customer contact, such as sales, airport services and onboard service. The development of managers' skills is based on and evaluated according to SAS's "role model" for managers. A systematic survey is in progress in the whole Group, of existing managers as well as to identify persons who may meet the need for managers in the somewhat longer term. The aim is for all manager material to have an individualized development program. The entire manager process is based on the "role model," which reflects general personal attributes as well as SAS's business objectives. Evaluation focuses on the individual's performance, ability to change, leadership, potential and ambition.

Around 30 persons with potential as future managers have undergone a number of skills modules and worked on a number of projects in a *Business Driven Action Learning* program. This program concluded in 2009.

Besides this, there are around 50 mentoring relationships with internal and external mentors, as well as the previously mentioned master's program for 45 managers in partnership with BI Norwegian School of Management.

Human resources development is an important, ongoing activity in the entire SAS Group. Flight staff and operational ground staff are covered by a number of licensing and qualification requirements from EU-OPS and IATA through the IOSA (IATA Operational Safety Audit). The obligatory training for various personnel categories has been carried out as planned, such as in hazardous cargo, passenger rights, IT security and food safety. Training in the Code of Conduct is ongoing.

During the year SAS employees had access to nearly 110 web-based training programs, and the number of users has almost tripled since 2007. At SAS Scandinavian Airlines practically all employees are involved in e-learning, flight staff as well as ground personnel.

*Cooperation with labor unions*

Cooperation with labor organizations mainly takes place regionally in units, where dialog takes place with organizations with a collective agreement with SAS. Cooperation takes place within the framework of national laws and agreements affecting the unit concerned.

Employee representatives from the Scandinavian countries sit on the SAS Group Board of Directors. The employees can elect representatives from units in the Group's Scandinavian operations. Group Management and the Board are engaged in an ongoing discussion with union representatives primarily on issues concerning cost reductions, organizational structure, the cultural turnaround and the need for a customer-oriented culture.

### Contract negotiations and disputes

2009 was characterized by an intensive dialog between SAS management and union organizations on outsourcing and redundancies resulting from the Core SAS strategy and contract changes affecting personnel at SAS.

There is an ongoing effort to optimize production and changes in salary and remuneration levels to achieve further cost-effectiveness.

During the year SAS was a party to a number of disputes heard by the courts. These disputes cover several areas such as occupational injuries, pension benefits and age discrimination. For example, SAS in Denmark, Norway and Sweden was a party to an age discrimination suit in each country regarding pilots' rights to continued employment after age 60. In Norway and Sweden the judgments were in SAS's favor. In Denmark, a decision was handed down in one of six ongoing cases. The court found in favor of the pilot plaintiff.

### Humanitarian assistance and sponsorships/ partnerships

SAS has a number of agreements with the Swedish government to make available two specially equipped SAS Boeing 737s as air ambulances within the framework of Swedish National Air Medevac (SNAM). During the year a drill was held, but no evacuations. Similar agreements also exist with the Norwegian Armed Forces.

Otherwise, SAS engages in sponsorships and aid activities of various sizes with a focus on local communities. Sponsorships and partnership agreements in the area of sustainability will grow in importance and scope, as a natural element of the SAS Group's commitment to society. In 2009, SAS was primarily involved with Save the Children, and SAS is one of that organization's main sponsors.

## Financial responsibility

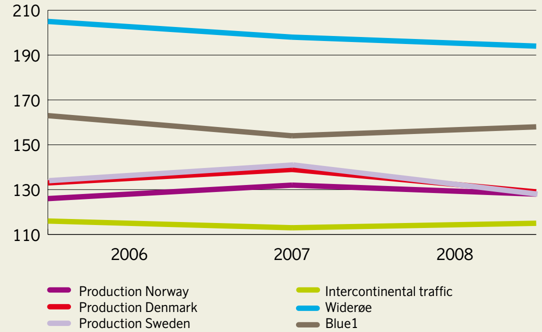
SAS is convinced that it is impossible to have economically sustainable operations in the long term without being socially and environmentally responsible. To boost the SAS Group's competitiveness, the strategy plan Core SAS was launched. A more efficient and profitable SAS will come from targeting the Nordic market, focusing more on business travelers, improving the cost base, streamlining the organization and strengthening the capital structure.

The link between sustainable development and the bottom line is obvious to SAS. An analysis of SAS's statement of income reveals that major portions of revenue and expenses, and relevant industry-specific earnings measurements are items relevant from an environmental and/or social perspective. In short, the highest possible financial return is generated by the best possible resource utilization and management of the company's assets, human as well as financial.

Optimal resource utilization means flying fuel-efficiently and making the most of capacity for carrying passengers and freight. A clear example is the relationship between $CO_2$ emissions and the aircraft's fuel consumption. Lower fuel consumption leads to lower fuel costs, while also reducing the charges the SAS Group pays for $CO_2$ emissions. The same applies to all other activities that, in addition to environmental considerations, have strong financial incentives to reduce consumption of energy and other resources. One way to protect the company's assets is to have positive and improving relations with employees and responsibly ensure maintenance of aircraft and other plant and equipment. Conversely, long-term sustainable profitability and growth are a sine qua non for being able to meet and preferably surpass the environmental standards and demands for social responsibility and for ethical conduct placed on SAS today. If the financial resources are lacking for long-term investment and maintaining extensive sustainability work, the necessary steps in a positive direction will not be made either.

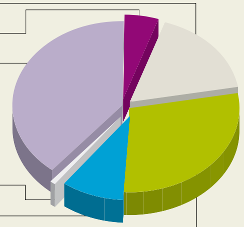
SAS aims to show clearly how its strategic sustainability work helps to create long-term value. In the current debate the airline industry in general and SAS in particular have been depicted as climate villains. This means that the ability to work to improve SAS's environmental performance, as well as to communicate this work, has a direct positive impact on the Group's earnings. The ability of the SAS Group to increase its revenues relies on its ability to retain current customers as well as attract new ones.

**Relative $CO_2$ emissions**
g $CO_2$/RPK




**Breakdown of costs in 2009**

| | |
|---|---|
| Jet fuel | 17% |
| Leasing costs | 5% |
| Payroll expenses | 39% |
| External environmental costs | 1% |
| Government user fees | 9% |
| Other | 29% |



**Geographical breakdown of employees in 2009**

| | |
|---|---|
| Denmark | 31% |
| Finland | 3% |
| Sweden | 22% |
| Norway | 39% |
| Other | 5% |

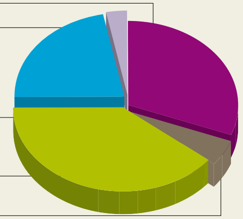
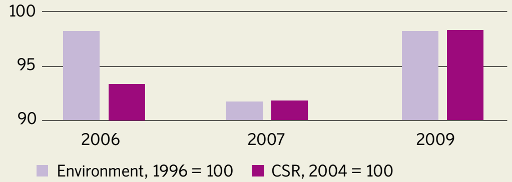
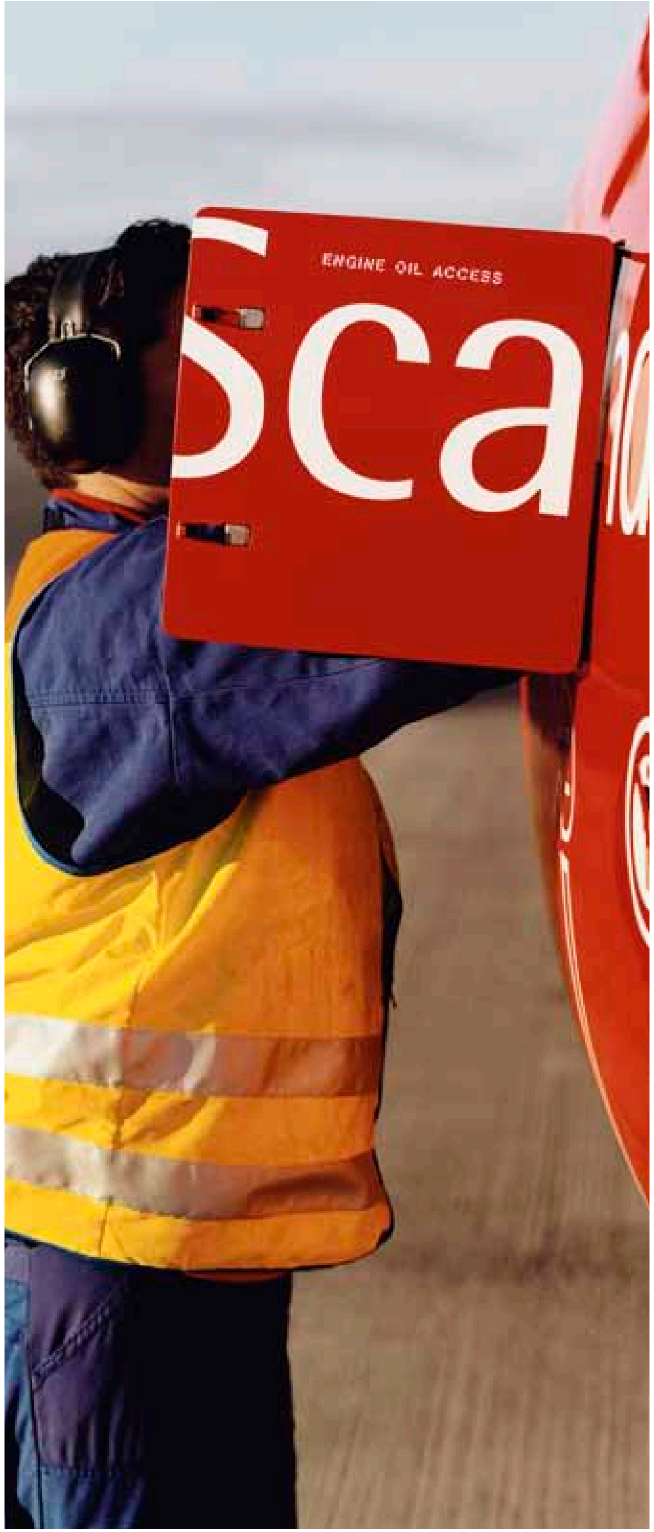


**Image index, environment and CSR**




*Work on sustainable development has a positive impact on the SAS Group's image since 1998. According to the survey for 2009, the image index for both environmental and social responsibility improved markedly compared with the previous survey.*




The customer's choice to use SAS's services depends a great deal on sustainability issues, since environmental matters have received more attention and since social issues, primarily related to labor conflicts, are something many customers are increasingly aware of.

For SAS it is relatively easy to specify the cost reductions that focused sustainability work can result in, not only in terms of resource use in the form of lower fuel and energy costs but also in terms of the taxes and charges the Group pays.

One of the aims of systematic and proactive sustainability work is to prevent or at least reduce the risk of being surprised by new and tougher government and market demands. This is crucial, in view of the fact that bad press and direct costs in the form of fines and civil damages can also result in indirect costs owing to a tarnished brand and poor market image. The ultimate consequence may then be that customers abandon SAS for other operators.

## Financial aspects of environmental responsibility

The SAS Group's environmental work has several overriding purposes. Besides optimizing resource use and improving environmental performance, it includes ensuring that Group operations comply with environmental laws and regulations. Below is an account of some of the most important financial aspects of environmental work.

### *Program for saving fuel*

SAS has an ambitious fuel saving program. The goal of the fuel saving program, launched in 2005, is a 6-7% relative saving by 2011. At year-end savings of 4.3% since the program began were achieved. In view of the year's fuel costs, a 1% reduction corresponds to cost savings of MSEK 70-80. The fuel saving program is reported in more detail on page 107.

### *Infrastructure charges and security costs*

Airlines pay the costs for the infrastructure they need and use to complete flights, i.e., airports and air traffic management. For 2009 these costs fell by just under 3% to MSEK 7,466, of which MSEK 3,609 was paid directly by customers via the ticket price. Likewise, SAS pays MSEK 1,373 in security costs, which for most other forms of transportation are financed through taxes.

### *Environment-related costs*

The SAS Group's external environment-related costs fell by 19% till MSEK 368 in 2009. These costs consisted of environment-related taxes and charges that are often related to aircraft environmental performance and are included in the landing fee. The fall was primarily due to a decline in the number of passengers and flights. Other environment-related costs, such as expenses for waste management, purification plants and costs for the environmental organization, amounted to MSEK 82.8 (76.4). The increase is mostly a result of higher costs for gylcol handling and for personnel related to ISO certification.

The SAS Group has no known major environment-related debts or contingent liabilities, for example in the form of contaminated soil.

### *Environment-related investment*

The investment made by the SAS Group in accordance with Group policies shall be both environmentally and financially sound, thus contributing to the Group's value growth and helping to ensure that the Group meets future environmental standards. It should be noted that investment not emphasized in this section may also have a positive impact on the environment. Investment that can clearly be linked to structured environmental work is disclosed in this section.

The most effective measure to improve the fleet's environmental performance is to renew the equipment, investing in aircraft with fuel-efficient engines with low noise and emissions. This renewal is an ongoing activity in SAS airlines.

See pp. 29-30 and 110.

Investment in 2009 amounted to MSEK 4,661 (4,455), of which MSEK 16.5 (17.6) represented environment-related investment, primarily related to winglets on delivered Boeing 737NGs.

### *Research and development (R&D)*

The SAS Group contributes in many ways to the emergence of a sustainable society. Among them are the Group's commitment to and support of the development and dissemination of green technologies such as bio-based aviation fuel and green flights. In 2009 the SAS Group was involved in the Sustainable Aviation Fuel User Group, whose goal is to hasten the development, certification and commercial use of environmentally and socially sustainable aviation fuel. SAS also works with the Scandinavian providers of air traffic management, aimed at hastening the development of a more efficient use of airspace.

The SAS Group engages in – and to a certain degree pays for – technology development benefiting the entire industry. The Group and its airlines also play a leading role internationally in drafting environment-related norms and standards for air transport. SAS is represented on a large number of committees, projects and working groups related to the environment and corporate social responsibility in such bodies as IATA, ICAO, AEA, and N-ALM.

## Financial aspects of CSR

The SAS Group's first social responsibility is to its own employees and the communities dependent on and affected by SAS's operations. For employees this includes issues concerning human resources development, pay and working environment efforts. In addition, the Group is to contribute to social progress wherever it operates and be a respected corporate citizen.

Air transport helps improve labor market conditions in rural areas in the Scandinavian countries and makes business travel easier in Europe and to other continents. Given increasing globalization, airlines facilitate business and other contact opportunities where efficient transportation to, from and within the countries is more or less a prerequisite for economic development and progress. The airlines also contribute expertise and transfers of technology and make necessary investment in infrastructure.

*SAS's contribution to the economy*

Airline operations are powerful engines of job creation. This is made clear in the report, Luftfarten i Skandinavien – værdi og betydning. Calculations in the report 2004 show that each employee of SAS's airline operations generates approximately one additional job in other companies and industries, indirectly creating employment for many in the Scandinavian countries.

In 2009 the SAS Group paid wages and salaries totaling MSEK 17,233 (17,286), of which social security expenses were MSEK 1,943 (2,047) and pensions MSEK 2,687 (2,594).

SAS endeavors to achieve market pay for all employee categories. See p. 12.

*Courses and professional development*

To retain and develop employee skills, extensive training programs are carried out each year. In 2009 SAS employees underwent an estimated 450,000 hours of training, most of which relates to mandatory training programs. A growing share of the SAS Group's training takes place through web-based courses, or e-learning. E-learning cannot always replace classroom instruction, but thanks to its greater flexibility and availability, more courses can be offered at a lower cost.

*Costs of sick leave and accidents*

Sick leave and occupational injuries are a heavy cost for the individual employee and employer, as well as for society as a whole. Sick leave is affected by a number of factors such as illness and accidents as well as physically and mentally stressful working environments. SAS Group companies employ various methods to prevent both short-term and long-term sick leave.

Given SAS's total payroll expenses of just over SEK 17 billion, it is possible to estimate the total cost to society of sick live at around SEK 1 billion. According to these calculations, a one-point reduction in sick leave would have a lower cost to society of nearly MSEK 170.

## Sustainability-related business opportunities and risks

The intention of the SAS Group's sustainable development work is to identify new business opportunities and minimize the environmental and social business risks that operations are subject to. For that reason, for SAS, the climate change issue is not only a matter of minimizing risks in the form of regulations and adverse public opinion, but also a reason to offer customers added value through the opportunity to buy carbon offsets and aim for independently examined sustainability information, greater transparency and reliable corporate governance.

In the same way, SAS's work on safety issues is a matter both of minimizing the risk of near accidents and of developing security routines and systems that are highly reliable, but pose little inconvenience, such as biometric security control. Minimizing safety and security risks not only protects customers and employees, but also bolsters public confidence in SAS.

Thanks to the growing interest in social and environmental issues among investors, customers and other stakeholders, the SAS Group is convinced that structured sustainability work and transparent reporting of both progress and setbacks is an advantage in the stiff competition prevailing in the markets where the Group operates.


### Sustainability-related charges, costs and investment

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Infrastructure** | | | |
| Infrastructure charges | 7,466 | 7,680 | 7,694 |
| of which the Group's own costs | 3,857 | 4,120 | 4,085 |
| Security costs | 1,373 | 1,372 | 1,490 |
| **Environmental costs** | | | |
| External environment-related costs | 368 | 453 | 414 |
| of which environment-related charges | 76.2 | 88.6 | 72.6 |
| of which environment-related taxes | 293 | 364 | 341 |
| Other environment-related costs | 82.8 | 76.4 | 81.5 |
| **Environment-related investment** | | | |
| Flight operations | 15.6 | 16.7 | 38.9 |
| Ground operations | 0.9 | 0.9 | 0.1 |
| Total | 16.5 | 17.6 | 39.0 |
| Share of the SAS's total investment in % | 0.4 | 0.4 | 1.5 |

# Operations in 2009

## Scandinavian Airlines

In 2009 an organizational change was carried out within the framework of Core SAS, and three production units were created within Scandinavian Airlines. In this connection, SAS's long-haul operations are reported separately, but organizationally are a part of Production Denmark.

During the year, Scandinavian Airlines' fuel efficiency improved significantly, and relative $CO_2$ emissions fell. The positive performance is primarily due to a higher passenger load factor thanks to timely adjustment of capacity in the declining market, but also to higher demand, high punctuality, success in SAS's fuel saving project and the rejuvenation of the aircraft fleet during the year.

Work to implement ISO 14001 progressed on schedule in all production units and operations during the year. Read more on p. 111.

*Production Norway*

Production Norway had an average of 1,622 employees in 2009 and accounted for 35 (27)% of the Group's passengers. During the year the passenger load factor rose to 70.3 (69.5)%. Fuel consumption was unchanged at 0.042 kg/RPK. Production measured in RPK was down 16%, and $CO_2$ emissions fell by 19% to 920 tonnes. The environmental index reached 93 (94). The target for 2011 is 87.

In 2008 a discharge of oil and glycol was identified outside a workshop at Oslo Airport. The incident was investigated and the case closed.

During the year minor spills of Jet A1 fuel were reported in some instances in connection with aircraft refueling. The fuel was dealt with according to established routines. In mid-2009 a new law went into effect banning the disposal in landfills of degradable waste. The company is studying the consequences and evaluating new waste management routines.

In 2009, SAS Norway's own Air Operator Certificate (AOC) was phased out, and all operations are now under joint management, based on the SAS Group's AOC. The changeover involved some personnel changes, and a few issues became legal cases.

Production Norway has extensive cooperation with authorities and organizations on environmental issues. In 2009 continued interest was noted from major customers in the company's environmental management system and environmental work.

Since 2008 SAS has had an agreement with the Bellona Foundation aimed at speeding up the development of biofuels and improving the dialog on sustainable aviation. There were several activities in 2009 in partnership with Save the Children and the Christmas Flight benefit.

Production Norway's lost time to injury (LTI) rate was 4 (6), and the number of occupational injuries was 11 (27).

*Production Denmark*

In 2009, Production Denmark accounted for 26.4 (20)% of the Group's passenger volume and had an average of 1,867 employees. The passenger load factor rose to 74.6 (72.5)%. Fuel consumption was 0.041 kg/RPK compared with 0.044 for 2008. The environmental index was 92 (98). The improvement may be due to a higher passenger load factor and a younger aircraft fleet. The target for 2011 is 87.

In cooperation with Naviair there was a greater focus on green takeoffs and to a certain extent also green approaches.

Thanks to good planning and a greater number of CRJ900 aircraft in the fleet, the goal was reached of largely avoiding exceeding the 80dB(A) noise limit after 11 p.m. at Copenhagen Airport. In few cases when an MD-80 was used after 11 p.m., a special takeoff routine, called a cut back, was used to reduce noise at takeoff. A premature turn after take off resulted in an administrative fine of SEK 43,000. The violation was acknowledged by the unit.

In the employee area, a project was initiated in flight staff organizations concerning "well-being at 33,000 feet," which covers healthy eating and good exercise habits. In the administration a total of 90 persons with back, arm or neck pain took part in a large pilot project aimed at integrating movement into office work.

Production Denmark was one of a total of four businesses chosen by an assessment panel headed by the minister of health. The costs for training health ambassadors and for lost work time were covered by funds from the Prevention Foundation.

### KPIs Scandinavian Airlines' operations

### KPIs Widerøe and Blue1

| | Production Norway | | | Production Denmark | | | Production Sweden | | | Intercontinental traffic | | | Widerøe | | | Blue1 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | **2009** | 2008 | 2007 | **2009** | 2008 | 2007 | **2009** | 2008 | 2007 | **2009** | 2008 | 2007 | **2009** | 2008 | 2007 |
| RPK, mill.[1] | 7,182 | 8,585 | 8,366 | 6,829 | 7,551 | 7,666 | 5,434 | 5,646 | 5,836 | 8,329 | 10,125 | 9,953 | 661 | 647 | 608 | 1,332 | 1,399 | 1,413 |
| ASK, mill.[1] | 10,214 | 12,360 | 11,482 | 9,155 | 10,417 | 10,276 | 7,468 | 8,056 | 7,872 | 9,954 | 11,700 | 11,616 | 1,110 | 1,098 | 1,028 | 2,054 | 2,146 | 2,169 |
| Passenger load factor, %[1] | 70.3 | 69.5 | 72.9 | 74.6 | 72.5 | 74.6 | 72.8 | 70.1 | 74.1 | 83.7 | 86.5 | 85.7 | 59.6 | 58.9 | 59.2 | 64.9 | 65.2 | 65.1 |
| Fuel consumption, kg/RPK | 0.042 | 0.042 | 0.040 | 0.041 | 0.044 | 0.042 | 0.041 | 0.045 | 0.043 | 0.037 | 0.036 | 0.037 | 0.057 | 0.063 | 0.065 | 0.050 | 0.049 | 0.052 |
| Carbon dioxide ($CO_2$), emissions, 1,000 tonnes | 920 | 1,133 | 1,056 | 881 | 1,046 | 1,022 | 696 | 798 | 783 | 958 | 1,147 | 1,158 | 118 | 128 | 125 | 210 | 216 | 230 |
| Nitrogen oxide ($NO_x$), emissions, 1,000 tonnes | 2.92 | 3.58 | 3.41 | 3.75 | 4.50 | 4.46 | 2.22 | 2.75 | 2.60 | 5.15 | 6.26 | 6.40 | 0.30 | 0.34 | 0.38 | 0.70 | 0.80 | 0.77 |
| Noise impact, $km^2$/85dB(A) at takeoff[2] | 1.70 | 1.67 | 1.66 | 3.05 | 3.06 | 2.70 | 2.36 | 3.18 | 2.50 | 4.45 | 4.52 | 4.50 | 0.33 | 0.33 | 0.34 | 2.09 | 2.17 | 2.22 |
| Environmental index | 93 | 94 | 91 | 92 | 98 | 94 | 90 | 104 | 95 | 105 | 102 | 105 | 74 | 83 | 92 | 86 | 88 | 89 |

*[1] Includes scheduled traffic, charter, ad-hoc flights and bonus trips, etc., which means that the figures may deviate from the SAS Group's monthly traffic data reporting, also found on pages 1-101.*
*[2] Weighted noise contour by number of takeoffs per day by respective aircraft type in the traffic system.*

Under the slogan “Think about those who carry – pack less in your suitcases,” Copenhagen-based ground service companies, in partnership with the union 3F, ran a campaign to get passengers to think of the impact on baggage handlers’ health when they check in heavy baggage.

The Danish National Board of Industrial Injuries has awarded occupational injury compensation to a Danish SAS flight attendant who developed breast cancer deemed to be linked to night work on long-haul flights. Her employer is treating the matter with the utmost seriousness and is awaiting results of international research.

During the year, Production Denmark was heavily involved in a number of major conferences and for some was the Official Airline. For COP15, SAS entered into partnership agreements with the Danish foreign ministry.

In 2009, Copenhagen Airport and SAS signed a partnership aimed at facilitating shorter turnaround times and more efficient use of available gates.

Production Denmark’s LTI rate was 15 (11), and the number of occupational injuries was 47 (39).

*Production Sweden*

In 2009, Production Sweden accounted for 22 (16)% of the Group’s passenger volume and had an average of 1,154 employees. The passenger load factor rose to 72.8 (70.1)%, and fuel consumption fell to 0.041 (0.045) kg/RPK. The environmental index was 90 (104). The improvement is attributable to the higher passenger load factor, rejuvenation of the aircraft fleet and the fact that at the end of 2008 SAS was forced to use leased aircraft after deciding to phase out the Q400 fleet. The target for 2011 is 89.

During the year, around ten thousand green approaches were carried out according to the simpler version introduced as standard in May 2008 during low traffic periods. The estimated saving is around 80 kg of fuel per approach.

Cooperation with LFV progressed during the year with the aim of optimizing all aspects of flight operations. For example, phase 3 of CASSIS was realized, which is aimed at carrying out the advanced version of green approaches in all traffic densities, that is, around the clock.

The solution whereby aviation fuel is transported to Arlanda by train instead of truck won the ECOLogistics Award for 2009.

There was keen interest in SAS’s environmental work in 2009. A large number of presentations were held at seminars organized by corporate customers, stakeholders in the travel industry and at Swedish travel fairs.

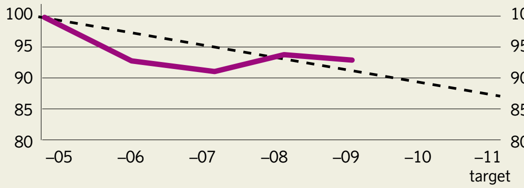
# Scandinavian Airlines

Starting in 2007 all environmental indexes have been reformulated according to a new model with 2005 as the base year. Company targets have been set in consultation with Group Management. The targets for 2011 remain firm, despite the downturn and the impact of the financial crisis on the industry. The index consists of 50% $CO_2$, 40% $NO_X$ and 10% noise relative to the most important production parameter, RPK.[1]

## Environmental index and target scenario for airline operations

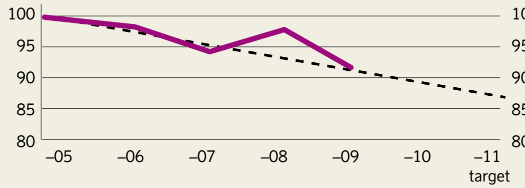
**Production Norway**

Index




**Production Denmark**

Index

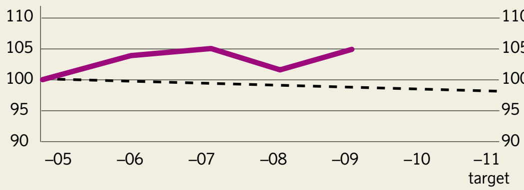



**Production Sweden**

Index

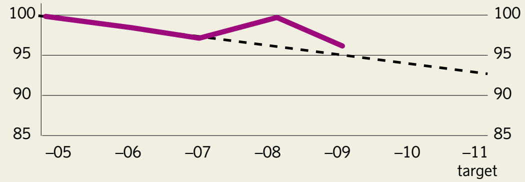

**Intercontinental traffic**[2]

Index



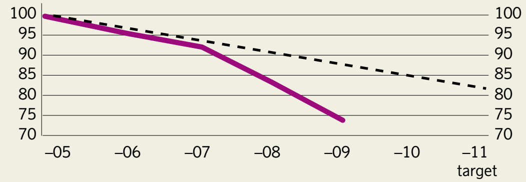

**Scandinavian Airlines total** [3]

Index



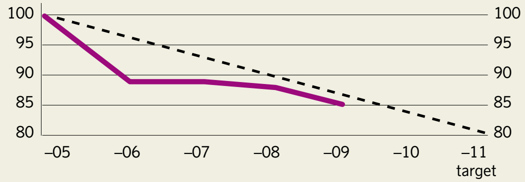

**Widerøe**

Index




**Blue1**

Index




## Environmental index and target scenario for ground operations in Scandinavia

**SAS Ground Services**[4]

Index


**SAS Tech**[4]

Index


*[1] Refers to airlines. SGS and SAS Tech measure their environmental performance using an environmental index with 2005 as the base year. The companies’ environmental indices include the six most important environmental aspects per weighted landing for SGS and hours worked for SAS Tech. [2] Scandinavian Airlines’ long-haul production. [3] The deterioration in 2008 is explained by temporarily leased aircraft with poorer environmental performance. As a whole, Scandinavian Airlines is in line with the target for 2011. [4] The increase in unsorted waste owing to a change in method is not weighted in the environmental index for 2009.*

## Approvals and certifications

SAS Cargo and Blue1 are certified in accordance with ISO 14001. SAS, Blue1 and Widerøe are IOSA-certified through IATA. SAS Tech and Widerøe have EASA Part 145 and Part 147 approval. Blue1 has Part 145 approval.

## More detailed information

Additional environmental data, KPIs and priority environmental aspects for SAS units and companies,
see www.sasgroup.net under "Reports" and "Complementary information."

Production Sweden's LTI rate was 2 (2), and the number of occupational injuries was 4 (5).

*Intercontinental traffic*

In 2009, Scandinavian Airlines' long-haul production accounted for 4 (3)% of Group passenger volume. The passenger load factor deteriorated to 83.7 (86.5)%. Fuel consumption measured in kg/RPK was 0.037 (0.036). The environmental index was 105 (102), primarily due to a lower passenger load factor. The target for 2011 is 98.

The operations' environmental work focuses on improving punctuality, weight reduction and information for employees, above all for pilots. In November 2009 fuel was jettisoned (30 tonnes) off Thailand in accordance with applicable routines.

### Widerøe

Widerøe had just over 8 (5)% of the SAS Group's passenger volume and an average of 1,203 (1,329) employees. The passenger load factor was 59.6 (58.9)% and fuel consumption was 0.057 (0.063) kg/RPK. The environmental index was 74 (83). The target for 2011 is 82.

The PULS employee survey shows that job satisfaction is very high and rose from 2008 to 2009.

A decision was made for Widerøe to take over SAS's F50 production in western Norway, called the Westlink, before the end of 2010. The F50 production will be replaced by Bombardier Q300s and 400s. In all, 75 pilots and cabin crew to be transferred from SAS to Widerøe are affected.

Three Q400NGs were delivered in 2009. A further two will be delivered in the first quarter of 2010 and one will be delivered at the end of 2010.

Widerøe will be ISO 14001-certified during the first half of 2010.

The fuel saving program carried out for nine months in 2009 resulted in savings of more than 500,000 liters, equivalent to some 1,300 tonnes of $CO_2$. Widerøe works with Avinor to achieve more efficient approach routines.

The share of passengers using Widerøe's climate offset system is at the same level as the previous year, nearly 5%, which is higher than for comparable airlines.

The airline sponsored a trip to Legoland for children with cancer and made a donation to Church City Mission.

Sick leave was 5.1 (6.1)%. Widerøe's LTI rate was 8 (6), and the number of occupational injuries was 15 (13).

### Blue1

In 2009, Blue1 accounted for 5 (4)% of the Group's passenger volume and had an average of 430 (460) employees. The passenger load factor was 64.9 (65.2)% and fuel consumption was 0.050 (0.049) kg/RPK. The environmental index was 86 (88). The target for 2011 is 80.

The airline was certified at year-end in accordance with ISO 14001. The fuel saving program had a positive impact. Growing interest in Blue1's environmental performance was noted from customers and the authorities.

Blue1's sick leave was 6.7 (6.2)%. The airline's LTI rate was 6 (0), and the number of occupational injuries was 5 (0).

### Ground operations in Scandinavia

*SAS Ground Services (SGS)*

Besides passenger service, lounges and baggage handling, SGS also performs deicing and towing of aircraft. The most important environmental aspects are the use of energy, water, gasoline and diesel and exhaust emissions from motor vehicles. Deicing fluids pose a risk of being discharged into surface water. In addition, operations generate considerable quantities of waste.

The environmental index deteriorated to 103 (96), explained by the fact that resource use and environmental impact could not be adjusted to the production cuts in time. The increase in unsorted waste is not weighted in the environmental index. The target for 2011 is 95.

SGS utilizes preventive deicing to reduce glycol use. SGS has the strictest environmental policy in the Nordic countries for purchasing deicing fluid. Vacuuming up fluid at the ramp is provided by LFV or another contractor.

## KPIs Core SAS ground operations

| | **2009** | 2008 | 2007 |
|---|---|---|---|
| Energy consumption, GWh[1] | 196 | 196 | 191 |
| Water consumption, 1 000 $m^3$ [1] | 163 | 149 | 184 |
| Unsorted waste, tonnes[1] | 1,315[2] | 682 | 754 |
| Hazardous waste, tonnes[1] | 360 | 480 | 494 |
| Fuel consumption, vehicles, 1,000 liters | 3,757 | 3,706 | 3,993 |
| Glycol consumption, $m^3$ | 2,252 | 2,842 | 2,947 |

[1] *Data from SAS Group FM/Coor Service Management and Air Maintenance Estonia.*
[2] *Increase owing to change in method.*

SGS operations had the largest number of personal injuries in the Group. In 2009 company's LTI rate was 19 (19), and the total number of occupational injuries was 173 (224). The reduction is due in part to preventive efforts and in part to staff reductions.

*SAS Tech*

SAS Tech, which provides technical maintenance of aircraft, operates primarily in Scandinavia. The average number of employees was 2,100 (2,344) during the year. Its biggest customers are Group airlines.

SAS Tech is responsible for most of the operations in the Group requiring environment-related permits. SAS Tech is also the biggest user of chemicals and generates the biggest share of hazardous waste. This is handled by approved waste management companies.

Management of all of the Group's owned and leased properties is provided by Coor Service Management. SAS Tech is thus a participant in Coor's environment and energy program for property management.

SAS Tech has long-standing cooperation with suppliers and researchers to find materials containing less heavy metals and other chemicals than those used till now. SAS Tech has a contract with an external supplier for purchasing and storing chemical products in order to reduce the quantity of hazardous waste, cut storage time and have better cost control. This will also facilitate the transition to the European REACH rules.

During 2009, heavy maintenance of MD-80 at Gardermoen was phased out, which explains the reduction in hazardous chemical waste.

SAS Tech intends to set up a Chemical Review Board in 2010. The aim is to examine all new chemical products from a working environment and environmental standpoint and, as needed, also consider whether they can be replaced by less harmful products. The environmental index was 100 (88). The deterioration is explained by the fact that resource use and the environmental impact could not be adjusted in time to the cut in production. The increase in unsorted waste is not weighted in the environmental index. The target for 2011 is 90. The company's LTI rate was 5 (7), and the number of occupational injuries was 17 (28).

In 2009 a threshold for nickel was exceeded in one instance at the purification plant at Arlanda.

*SAS Cargo*

SAS Cargo had an average of 1,040 (1,247) employees in 2009. The company provides airfreight within the framework of the operations of Scandinavian Airlines, Blue1 and other partners. The bulk of SAS Cargo's freight capacity is found in SAS's own airlines.

The ground handling company Spirit AB was transferred to Individual Holdings pending a sale. This means that SAS Cargo's ISO 9001 certification moved with Spirit, while Spirit's sustainability data will be included in SAS Cargo's results for 2009. The freight forwarding company Trust in SAS Cargo became an independent company in Denmark in 2009. Company formation is also under way in Norway and Sweden. The company's sustainability data are included in SAS Cargo's results.

SAS Cargo is ISO 14001-certified, and in 2009 SAS Cargo was recertified by Bureau Veritas. During the year, SAS Cargo developed "alu-rails," an aluminum support for goods on airfreight pallets, as a replacement for wood. Aluminum is much lighter than wood and has a lower environmental impact. Production began in February 2010.

$CO_2$ emissions are estimated to have fallen more than 120 tonnes thanks to the use of the temperature-regulating "Temptainer," developed in 2008 for improved chilling and lower weight.

Regarding legal issues, see the Report by the Board of Directors, p. 52.

SAS Cargo is currently implementing a new organization owing to significantly lower demand for airfreight services and the closure of certain intercontinental routes, which are the basis of SAS Cargo's operations. At the same time, SAS Cargo will focus on an active sales strategy.

In 2008, SAS Cargo set an environmental target for 2011 for its vehicle transportation of a reduction in $CO_2$ emissions from 153 to 148 g/tonne km. The result for 2009 was 162. The deterioration is explained by the fact that SAS Cargo's road transportation operates in a network system. When demand and production were reduced, it was not possible to adjust the number of shipments accordingly. This results in a lower utilization rate and a higher relative environmental impact.

The company's LTI rate was 12 (16), and the number of occupational injuries was 19 (32).

**Coor Service Management**

Coor has taken over day-to-day operation and maintenance of all of SAS's buildings and premises in Scandinavia, including follow-up of energy, waste management, purification plants, environmental regulations and reporting to the authorities. This is governed in agreements between SAS Group FM and Coor. Coor is contractually obligated to initiate improvement measures and, along with SAS Group FM, follow up on a continuing basis when potentials for improvements and any unforeseen incidents are evaluated.

SAS Group FM has primary responsibility for all facility-related requirements being met, which also includes environmental responsibility. Coor is ISO 14001-certified in Denmark and Sweden and is well on the way to certification in Norway and Finland.

## About the SAS Sustainability Report 2009

The SAS Group Sustainability Report 2009 describes the most essential environmental and societal aspects its operations impact. It reports what is felt, after an ongoing dialog, to be of interest to its main target groups: financial analysts, customers, suppliers, employees, authorities, policymakers and shareholders.

It is the opinion of SAS that the SAS Group Annual Report and Sustainability Report 2009 meets the requirements for sustainability reporting an A+ level in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, version 3.0.

### Reporting principles

The SAS Sustainability Report has been prepared on the basis of the SAS Group's accounting principles for sustainability reporting. They are based in part on Deloitte's "Checklist for preparing and evaluating information about the environment, ethics, corporate social responsibility and corporate governance," 2008 edition. In preparing the Sustainability Report the SAS Group has followed the GRI Sustainability Reporting Guidelines, version 3.0 and all key principles of the UN Global Compact.

- The sustainability reporting includes all sustainability information in the SAS Group Annual Report & Sustainability Report 2009 as well as accounting principles, GRI cross reference list and stakeholder dialog, found on SAS website (www.sasgroup.net under "Sustainability").
- The main principle for sustainability reporting is that all units and companies owned by the SAS Group are to be accounted for. This means that sustainability-related data for divested companies owned by the Group during 2009 will be reported wherever possible.
- Material departures from GRI Sustainability Reporting Guidelines, version 3.0, are commented on in the SAS Group's accounting principles for sustainability reporting or in GRI cross-references on SAS's website. Cross-references also include the tables "GRI Application Levels."
- For financially related information in the Sustainability Report, we are aiming for the same accounting policies as in the financial portion of the Annual Report. In cases where other principles are applied, this is commented on in the SAS Group's accounting principles for sustainability reporting.
- Uniform environmental and social indicators are aimed for Group-wide. Aside from primarily national discrepancies regarding social data without material importance for the information reported, all operations in the Group were able to report in accordance with these definitions for 2009.

The Sustainability Report was approved by SAS Group Management in February 2010. The SAS Group Board of Directors submitted the annual report in March 2010, and was informed of the sustainability report at the same time. SAS Group Management is responsible for organizing and integrating sustainability work with the operations of the Group.

### EMAS publication requirements

This published report has been EMAS-verified by Bureau Veritas. EMAS verification and registration will be issued when all underlying data for each business area mentioned in this report has been verified, as well as when an ISO 14001 certificate has been issued. *Bureau Veritas, accreditation number DANAK 6002*

### External review

External auditors have reviewed all material sustainability information in the annual and sustainability reports for 2009. The assurance report is at right.

### Sustainability information

For further information and views on the SAS Group's sustainability work, contact Niels Eirik Nertun, Director for Environment and Sustainability: niels-eirik.nertun@sas.no

SAS Group Annual Report & Sustainability Report 2008 was published in March 2009.

# Auditor's review of sustainability report

To the readers of SAS Group Sustainability Report 2009

### Introduction

We have been requested by the executive team of SAS Group to perform a review of SAS Group's sustainability report 2009. The sustainability report includes the SAS Annual Report and Sustainability Report 2009, pages 102-122, as well as accounting principles, GRI cross reference list and stakeholder dialogue, found on SAS website (www.sasgroup.net under "Sustainability"). It is the executive team that are responsible for the continuous activities regarding environment, health & safety, quality, social responsibility and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the sustainability report based on our review.

### The scope of the limited review

Our review has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) recommendation "RevR 6 Assurance of sustainability reports". A limited review consists of making inquiries, primarily of persons responsible for sustainability matters and for preparing the sustainability report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing standards The procedures performed in a limited review do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria used in the course of performing review procedures are based on SAS Group's Principles for Sustainability Reporting (www.sasgroup.net) as well as applicable parts of "Sustainability Reporting Guidelines, G3", published by The Global Reporting Initiative (GRI), suitable for the sustainability report. We consider those criteria to be suitable for the preparation of the sustainability report.

Our limited review has been based on an assessment of materiality and risk, among other things included the following review procedures:

a. An update of our knowledge and understanding for SAS Group's organization and activities
b. Assessment of suitability and application of criteria in respect to stakeholders need of information
c. Assessment of the result of the company's stakeholder dialogue
d. Interviews with responsible management, at group level, subsidiary level and at selected business units with the aim to assess if the qualitative and quantitative information stated in the Sustainability Report is complete, correct and sufficient
e. Share internal and external documents to assess if the information stated in the Sustainability Report is complete, correct and sufficient
f. Evaluation of the design of systems and processes used to obtain, manage and validate sustainability information
g. Evaluation of the model used to calculate emissions of carbon dioxide, nitrogen oxides and noise
h. Analytical review of reported information
i. Reconciliation of financial information against company's Annual Report 2009
j. Assessment of the company's stated application level according to GRI:s guidelines
k. Overall impression of the Sustainability Report, and its format, considering the information's mutual correctness with applicable criteria
l. Reconciliation of the reviewed information against the sustainability information in company's Annual Report 2009

### Conclusion

Based on our review procedures, nothing has come to our attention that causes us to believe that SAS Group Sustainability Report 2009 has not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, March 15, 2010

Deloitte AB

**Elisabeth Werneman**
*Authorized Public Accountant*

**Torbjörn Westman**
*Expert member FAR SRS*

# Aircraft fleet (as of December 31, 2009)

The SAS Group's well-balanced aircraft fleet allows it to offer a wide network to major as well as minor destinations with distances varying from 10 minutes' to 10.5 hours' flight time. Flexibility in the fleet enables the Group to adjust capacity between different routes depending on demand. The average age of the aircraft fleet in service is 11.1 years. The effective economic useful life of an aircraft is often over 30 years, while its technical useful life is often over 40 years. In 2009 Scandinavian Airlines aircraft flew a combined distance of 210,736,000 km in scheduled service, which is equal to almost 550 single trips to the Moon.

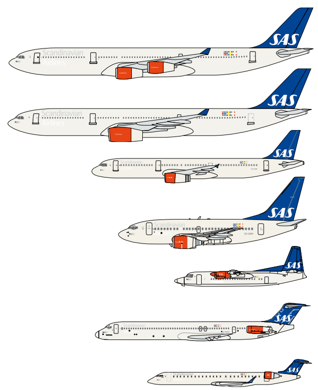
On shorter distances within Europe, the capital cost of aircraft accounts for almost 15% of total operating expenses. On intercontinental routes to the U.S./Asia, the capital cost accounts on average for just over 11%, owing to direct variable costs such as jet fuel, primarily, but also cabin crew. New aircraft have a higher relative capital cost. SAS's fleet strategy see p. 29. Route network see p. 36.

**Scandinavian Airlines**

| | |
|---|---|
| Destinations * | |
| Domestic | 32 |
| Europe | 47 |
| Intercontinental | 7 |
| Daily departures | 707 |
| Passengers, (000) | 21,383 |
| Average number of cabin crew | 2,835 |
| Average number of pilots | 1,609 |
| Revenue pass. km (RPK), mill. | 23,241 |
| Available seat km (ASK), mill. | 32,440 |

*The SAS Group also has deHavilland Q400s, which were withdrawn from service.*

** Destinations as of December 2009.*



**Aircraft in service, excluding wet leases and aircraft leased out**

**5 A340-300s**
*1 owned, 4 leased*

**4 A330-300s**
*3 owned, 1 leased*

**12 A321-200/319-100s**
*4 owned, 8 leased*

**79 737-400/500/600/700/800s**
*22 owned, 55 leased*

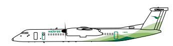
**5 Fokker F50s**
*5 leased*

**24 MD-82s**
*13 owned, 13 leased*

**11 CRJ900s**
*11 owned*

**Widerøe**

| | |
|---|---|
| Destinations | 43 |
| Daily departures | 269 |
| Passengers, (000) | 2,053 |
| Average number of cabin crew | 198 |
| Average number of pilots | 335 |
| Revenue pass. km (RPK), mill. | 666 |
| Available seat km (ASK), mill. | 1,102 |

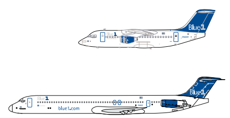


**Aircraft in service, excluding wet leases and aircraft leased out**

**30 Q100/300/400s**
*20 owned, 10 leased*

**Blue1**

| | |
|---|---|
| Destinations | 24 |
| Daily departures | 66 |
| Passengers, (000) | 1,463 |
| Average number of cabin crew | 113 |
| Average number of pilots | 95 |
| Revenue pass. km (RPK), mill. | 1,321 |
| Available seat km (ASK), mill. | 2,029 |



**Aircraft in service, excluding wet leases and aircraft leased out**

**7 RJ85s**
*7 leased*

**5 MD-90s**
*5 owned*

| | Scandinavian Airlines | | | | | | | | | | | | Widerøe | | | Blue1 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Airbus A340-300 | Airbus A330-300 | Airbus A321-200 | Airbus A319-100 | Boeing 737-400 | Boeing 737-500 | Boeing 737-600 | Boeing 737-700 | Boeing 737-800 | Boeing MD-82 | Bombardier CRJ900 | Fokker F50 | Bombardier Q400 | Bombardier Q300 | Bombardier Q100 | Avro RJ85 | Boeing MD-90 |
| Aircraft in service Group total | 5 | 4 | 8 | 4 | 4 | 9 | 28 | 18 | 18 | 26 | 11 | 5 | 4 | 7 | 19 | 7 | 5 |
| No. of seats, max. | 245 | 264 | 198 | 141 | 150 | 120 | 123 | 141 | 186 | 150 | 88 | 50 | 76 | 50 | 39 | 84 | 166 |
| Max. takeoff wgt., t | 275.0 | 233.0 | 89.0 | 75.5 | 68.0 | 60.6 | 59.9 | 69.6 | 79.0 | 67.8 | 38.0 | 20.8 | 29.3 | 19.5 | 15.6 | 42.2 | 75.3 |
| Max. load, tonnes | 44.0 | 44.0 | 21.5 | 16.7 | 13.5 | 13.5 | 13.0 | 15.0 | 19.0 | 17.1 | 9.6 | 4.9 | 8.7 | 5.9 | 3.6 | 8.1 | 18.1 |
| Length, m | 63.7 | 63.7 | 44.5 | 33.8 | 36.4 | 31.0 | 31.2 | 33.6 | 39.5 | 45.1 | 36.2 | 25.3 | 32.8 | 25.7 | 22.3 | 28.6 | 46.5 |
| Wingspan, m | 60.3 | 60.3 | 34.1 | 34.1 | 28.9 | 28.9 | 34.3 | 34.3 | 34.3 | 32.9 | 23.4 | 29.0 | 28.4 | 27.4 | 25.9 | 26.3 | 32.9 |
| Cruising speed, km/h | 875 | 875 | 850 | 850 | 825 | 825 | 825 | 825 | 825 | 825 | 840 | 520 | 667 | 528 | 496 | 750 | 825 |
| Range, km | 12,800 | 10,100 | 3,800 | 5,100 | 3,150 | 4,100 | 2,400 | 4,400 | 3,700 | 2,400 | 2,100 | 1,400 | 850 | 1,500 | 750 | 2,300 | 3,200 |
| Fuel consumption, l/seat kilometer | 0.039 | 0.033 | 0.029 | 0.033 | 0.034 | 0.039 | 0.038 | 0.032 | 0.029 | 0.041 | 0.040 | 0.033 | 0.037 | 0.034 | 0.038 | 0.048 | 0.033 |
| Engine | CFMI CFM56-5C4 | RR Trent 772B | IAE V2530-A5 | IAE V2524-A5 | CFMI CFM56-3C | CFMI CFM56-3 | CFMI CFM56-7B | CFMI CFM56-7B | CFMI CFM56-7B | P&W JT8D 217C/219 | GE CF34-8C1 | P&W PW125B | P&W PW150A | P&W PW123 | P&W PW121 | Honeywell LF507-1F | IAE V2525-D5 |

# Definitions & concepts

## A

**Adjusted capital employed (AV Asset value)** → Total shareholders' equity, plus surplus value in the aircraft fleet , plus 7 times the annual cost of operating aircraft leasing, net, plus financial net debt, less equity in affiliated companies

**Adjusted equity assets ratio** → Equity divided by total assets plus seven times annual operating leasing cost.

**AEA** → The Association of European Airlines.

**Affiliated company** → Company where the SAS Group's holding amounts to at least 20% and at the most 50%.

**AOC** → Air Operator Certificate.

**ASK, Available seat kilometers** → The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

**ATK, Available tonne kilometers** → The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

**Available seat kilometers** → See ASK.

**Available tonne kilometers** → See ATK.

## B

**Block hours** → Refers to the time the aircraft leaves the departure gate until it arrives at the destination gate.

**Book equity** → Total shareholders' capital attributable to Parent Company shareholders excluding minority interests.

## C

**CAPEX (Capital Expenditure)** → Future payments for aircraft on firm order.

**Capital employed** → Total capital according to the balance sheet less non-interest-bearing liabilities.

**Capital employed, market adjusted** → See adjusted capital employed (AV).

**Capitalized leasing costs (x 7)** → The annual cost of operating leases for aircraft multiplied by seven.

**Cash flow from operations** → Cash flow from operating activities before changes in working capital.

**CFROI** → Adjusted EBITDAR in relation to AV.

**Code-share** → When one or more airlines' flight number is stated in the timetable for a flight, while only one of the airlines operates the flight.

**CSI** → Customer Satisfaction Index measures how customers perceive SAS's services.

## D

**Debt/equity ratio** → Financial net debt in relation to shareholders' equity and minority interests.

**Dividend yield, average price** → Dividend as a percentage of the average share price during the year.

## E

**Earnings per share (EPS)** → Income after tax divided by the total number of shares.

**EASA** → European Aviation Security Agency.

**EBIT (including capital gains)** → Operating income.

**EBITDA margin** → EBITDA divided by revenue.

**EBITDA, Operating income before depreciation** → Income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

**EBITDAR margin** → EBITDAR divided by revenue.

**EBITDAR, Operating income before depreciation and leasing costs** → Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

**EBT** → Income before tax.

**EEA** → European Economic Area

**Equity method** → Shares in affiliated companies are taken up at the SAS Group 's share of equity, taking acquired surplus and deficit values into account.

**Equity per share** → Book equity divided by the total number of shares.

**Equity/assets ratio** → Book equity plus minority interests in relation to total assets.

**EV, Enterprise value** → Market capitalization (market value of shareholders' equity) plus net debt and 7 times the net annual cost of operating leases for aircraft.

## F

**Finance leasing** → Based on a leasing contract where the risks and rewards of ownership of the asset remain with the lessee. The asset is reported as a fixed asset in the balance sheet because the lessee has an obligation to purchase the asset at the end of the lease. The commitment to pay future leasing charges is entered as a liability.

**Financial net debt** → Interest-bearing liabilities less interest-bearing assets excluding net pension funds.

**Financial net debt, market adjusted (x 7)** → Financial net debt plus capitalized leasing costs, multiplied by seven.

**Financial net debt, market adjusted, NPV** → Financial net debt plus present value of leasing costs for aircraft, NPV.

**FTE** → Full-time equivalent.

## G

**Gross profit margin** → Operating income before depreciation (EBITDA) in relation to revenue.

## I

**IATA** → International Air Transport Association. A global association of more than 200 airlines.

**ICAO** → International Civil Aviation Organization. The United Nations' specialized agency for international civil aviation.

**Interest coverage ratio** → Operating income plus financial income in relation to financial expenses.

**Interline revenues** → Ticket settlement between airlines.

**IPCC** → Intergovernmental Panel on Climate Change, scientific panel appointed by the United Nations Environmental Program, UNEP, and the World Meteorological Association, WMO, to assess what is happening to the global climate and the impact of climatic disturbances.

**IRR** → Internal Rate of Return- discount rate where the present value of a project's cash flow, from investment to sales, is equal to zero.

## J

**JAA** → Joint Aviation Authorities.

## L

**LCC** → Low Cost Carrier.

## M

**Market capitalization** → Share price multiplied by the number of outstanding shares.

## N

**n.a.** → Not available (data missing).

**Net debt** → Interest-bearing liabilities less interest-bearing assets.

**NPV, Net present value** → Used to calculate capitalized future costs of operating leases for aircraft, for example.

## O

**Operating leasing** → Based on a leasing contract in which the risks and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income.

## P

**P/CE ratio** → Average share price divided by cash flow per share after paid tax.

**P/E ratio** → Average share price divided by earnings per share after standard tax.

**Passenger load factor** → RPK divided by ASK. Describes the capacity utilization of available seats. Also called occupancy rate.

## R

**RASK** → Total traffic revenue/ Total ASK.

**Regularity** → The percentage of flights completed in relation to flights scheduled.

**Return on book equity after tax** → Net income for the period attributed to shareholders in the Parent Company in relation to average shareholders' equity excluding minority interests.

**Return on capital employed (ROCE), %** → Operating income plus financial income in relation to average capital employed. Capital employed refers to total capital according to the balance sheet less non-interest-bearing liabilities.

**Revenue passenger kilometers (RPK)** → See RPK.

**Revenue tonne kilometers (RTK)** → See RTK.

**RPK, Revenue passenger kilometers** → Number of paying passengers multiplied by the distance they are flown in kilometers.

**RTK, Revenue tonne kilometers** → The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

## S

**Sale and leaseback** → Sale of an asset (aircraft, building, etc.) that is then leased back.

## T

**Total load factor** → RTK divided by ATK.

**Total return** → The sum of change in share price including dividends.

## U

**Unit cost, operational** → The airline's operational operating costs adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).

**Unit cost, total** → The airline's total operating costs including aircraft leasing adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).

**Unit revenue (yield)** → Passenger revenue per RPK.

## W

**WACC, Weighted average cost of capital** → Average cost of liabilities, shareholders' equity and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of shareholders' equity and liabilities and the capitalized present value of operating lease costs for aircraft.

**Wet lease agreement** → Leasing in of aircraft including crew.

## Y

**Yield** → See Unit revenue.

# Sustainability-definitions & concepts

## A

**3C - Combat Climate Change** → A global association consisting of 49 leading international companies whose purpose is to integrate environmental issues into the world market by a global framework coming into force in 2013. www.combatclimatechange.org
**ACARE** → Advisory Council for Aeronautics Research in -Europe. An organization consisting of representation from the European Member States, the Commission, representation from the aeronautics industry and the European research establishments and academia. The aim of the organization is to establish and carry forward a Strategic Research Agenda (SRA). This agenda aims to influence the European aeronautic stakeholders in the planning of research programmes. www.acare4europe.org
**Acetate** → Acetic acid ($CH_3COOH$). Used by airport operators to deice takeoff and landing strips.

## B

**Biofuels** → Solid or liquid fuels derived from organic matter (biomass), primarily in the form of plants. The biofuels are considered to be "$CO_2$ neutral" as burning the fuels releases carbon dioxide; but growing the plants absorbs a comparable amount of the gas from the atmosphere. Burning fossil fuels on the other hand adds to the carbon dioxide level in the atmosphere.

## C

**CAEP** → Committee on Aviation Environmental Protection, technical committee of the ICAO (see definition) charged with developing and establishing rules and recommending measures to reduce the environmental impact of aviation.
**Carbon dioxide** → ($CO_2$) A colorless gas that is formed in combustion of all fossil fuels. The airline industry's $CO_2$-emissions are being reduced through a changeover to more fuel-efficient aircraft, something that is also desirable from a financial standpoint since lower fuel consumption automatically means lower costs.
**Carbon monoxide** → (CO) A toxic and combustible gas formed by incomplete burning of substances containing carbon, e.g. fossil fuels.
**Certification requirements** → The ICAO's minimum require-ments for certification of aircraft types, such as limits for noise and emissions of carbon dioxide, nitrogen oxides and hydrocarbons (see Chapter 2, 3).
**CFCs** → Chlorofluorocarbons, certain halogenated hydrocarbons, best known under the trademark Freon.
**Clean Sky** → A research project, built on a joint commitment between the EU and aeronautics industry, aiming to find environmentally friendly solutions and make air travel more sustainable. www.cleansky.eu
**$CO_2$** → Carbon dioxide (see definition).
**Code of Conduct** → Business ethics rules and guidelines.

## D

**dB** → Decibel, a logarithmic unit of measurement that expresses the magnitude of a physical quantity relative to a specified or implied reference level. (See also EPNdB)
**Dow Jones Sustainability Indexes** → DJSI Global indexes that show the financial performance of the leading sustainability-run companies worldwide. www.sustainability-indexes.com

## E

**Ecoefficiency** → A term launched primarily by the environmentally-oriented business organization WBCSD. Ecoefficiency is defined as a tool that companies can use to measure their environmental performance relative to how market demands are met and the company's financial performance is improved. The goal of ecoefficiency is to generate qualitative growth where value is created instead of transforming unnecessary volumes of material and energy into waste.
**EIRIS** → Ethical Investment Research Services. A provider of independent research into the social, ethical and environmental performance of companies.
**EMAS** → EU Eco Management and Audit Scheme. EMAS is based on ISO 14001. Two of its requirements are publication of an environmental audit and employee involvement.
**EPNdB** → Equivalent Perceived Noise, a unit commonly used in an aviation context to express the average perceived noise level. (See also Noise.)

## F

**Fossil fuels** → Fuels consisting of organic carbon and hydrogen compounds in sediment or underground deposits – especially coal, oil and natural gas.

## G

**Germicides** → Chemicals used to kill or prevent the growth of harmful microorganisms such as bacteria, virus or fungus. Added to the sanitizing liquid in aircraft lavatories reduce the risk of infection.
**Global Compact** → A challenge from the former UN Secretary General Kofi Annan to business and industry to live up to ten principles of human rights, employee rights, the environment and anti-corruption, as formulated by the UN. www.unglobalcompact.org
**Glycol** → An alcohol that is sprayed on the aircraft in cold weather to prevent ice formation. Today, a non-toxic propylene glycol is used. Some 80% of the glycol runs off the aircraft when applied, and seeps into the ground unless collected. A further 15% is emitted into the air is thus dispersed in the vicinity of the airport. The airports are responsible for collecting the glycol runoff for reuse.
**GRI** → Global Reporting Initiative. An organization aiming to provide companies and organizations with a global sustainability reporting framework and thereby facilitate comparisons between companies from a social, environmental and economical perspective. www.globalreporting.org
**Green Approach** → In a Green Approach, the approach begins from from the Top of Descent (ToD) using a Continuous Descent Approach (CDA) with minimum thrust.
**Greenhouse effect** → Carbon dioxide and other gases trap and reradiate incoming solar radiation that would otherwise be reflected back into space. The problem is that emissions of greenhouse gases have increased. Most scientists agree that heavy human use of fossil fuels is causing global warming. Carbon dioxide is formed in combustion of all fossil fuels, but burning of biofuels only emits an amount of carbon equal to that absorbed during growth, producing no net emissions. However, use of coal, oil and natural gas produce a net increase, since they release carbon that has been bound in the earth's crust. The freon substitute HFC, methane and nitrous oxide are other powerful greenhouse gases. Other gases that contribute to the greenhouse effect are CFCs (see definition), methane and nitrous oxide.

## H

**Halons** → A collective name for halogenated hydrocarbons and, specifically, a brand name for a fire extinguishing agent. Halons contain bromine, fluorine, iodine or chlorine and among these compounds there are strong contaminants. The atmosphere's ozone layer is depleted by halons and the use of these gases is prohibited. Airline operations have an exemption to use halons since there are no safe alternatives to halons as a fire extinguishant.
**HC** → Hydrocarbons (see VOCs).
**Heavy metals** → Certain high density metals, such as cadmium and mercury, that have both acute and chronic toxic effects.
**Hydrocarbons** → See Volatile organic compounds.

## I

**ISO 14000** → A series of international environmental standards developed by the International Organization for Standardization. The general guiding principles for ISO 14000 are identical to those in the quality standard ISO 9000. There are several environmental standards in the ISO 14000 family, such as for environmental management systems (ISO 14001), environmental labelling, environmental audits and life cycle analyses.

## L

**LTI rate** → Lost-time-to-injury rate. A measurement of the number of workplace injuries relative to the total number of man-hours.

## M

**MRV** → Monitoring, Reporting and Verification of $CO_2$ emissions and production in tonne-kilometers in the EU Emissions Trading Scheme.

## N

**N-ALM** → The Nordic Working Group for Environmental Issues in Aviation, composed of civil aviation, environmental and communication authorities and airlines in the Nordic countries.
**Nitrogen oxides** → ($NO_X$) Formed in all combustion in aircraft engines since the high temperature and pressure cause the atmospheric nitrogen and oxygen to react with each other, mainly during takeoff and ascent when the engine temperature is at a maximum. With effect from 1996 the ICAO has tightened the requirements for nitrogen oxide emissions, and these are expected to be made even stricter. New engines with double annular combusters (DAC), for example, reduce emissions by up to 40% compared with the previous generation of engines. (See also Acidification and Ozone layer.)
**Noise** → Environmentally detrimental, undesirable sounds. The environmental impact of air traffic in the form of noise is primarily of a local nature. Noise is normally described and measured in dB(A), an A-weighted sound level. (See also EPNdB, Chapter 2, 3)
**$NO_x$** → Nitrogen oxides (see definition).

## O

**Oil aerosols** → Oil emitted from the aircraft engines during operation under high pressure. Upon contact with air they form a fine mist, which is then broken down primarily into carbon dioxide.

## P

**PULS** → The Swedish acronym for SAS´s employee surveys, conducted via individual questionnaires.

## S

**SAFUG** → Sustainable Aviation Fuel Users Group. Aviation industry organization focused on accelerating the development and commercialization of sustainable aviation fuels.
**$SO_2$** → Sulfur dioxide (see definitinon).
**SPK** → Synthetic Paraffinic Kerosene. Jet fuel refined from vegetable sources such as algae.
**Sulfur dioxide** → ($SO_2$) Formed in combustion of fossil fuels. A colorless gas with an acrid odor that is toxic when inhaled in large quantities. Aviation fuel contains a minute proportion of sulfur, and, accordingly, causes only minor emissions of this substance. The same applies to the "green" diesel used in ground vehicles. In the airline industry, as in many others, sulfur dioxide emissions come largely from oil-fired heating.
**Sustainable development** → means that when mankind satisfies its needs to today, it does so without limiting the opportunities for future generations to satisfy theirs.

## T

**Tonne kilometers** → The number of transported metric tonnes of passengers and cargo multiplied by the distance flown.

## U

**Urea** → A urine substance synthetically produced from carbon dioxide and ammonia that is used by airport operators for deicing of runways. Contributes to nutrification/eutrophication. See also Acetate.

## V

**VOCs** → Volatile Organic Compounds, Emitted during incomplete combustion of fossil fuels – in aviation mainly when the engine is run at low speed and the temperature in the combustion chamber is low. This category also includes all types of solvents that evaporate from detergents and paints, among other things. With effect from April 1, 2002, only aircraft with low VOC emissions will be permitted in the EU.
**Volatile organic compounds** → See VOCs.

## W

**Weighted landings** → A term used to express the work input per departure, depending on the aircraft type and route sector. Based on SAS's most common aircraft type (MD-81), which has been assigned a weighted landing value of 1.0. A smaller aircraft that requires a lower work input will have a lower value and a larger aircraft will have a higher weighted landing value.

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