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Press release

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Decision on changes at the SAS Group

The Board of Directors of SAS AB today decided that Scandinavian Airlines is to be incorporated by establishing three independent companies under the SAS consortium and providing Group management with a mandate to implement the change in terms of the required negotiations. With the aim of achieving the full effect of the Turnaround 2005 action program, the Board also made a policy decision to proceed with the alternative savings measures proposed by Group management.

Incorporation of Scandinavian Airlines and merger in Norway
Scandinavian Airlines in Norway will be integrated with Braathens, with the merged operations becoming a subsidiary the SAS consortium under the name SAS Braathens. This change requires new collective agreements for Norwegian pilots and cabin crew in cases where cabin-crew agreements have already been signed. The Board has also decided to establish wholly owned subsidiaries of the SAS consortium in Denmark and Sweden to conduct the airline operations that the consortium currently undertakes through its regional business units. The SAS Group's intercontinental airline operations will continue to be conducted by the SAS consortium.

The SAS Group's overall operations will remain relatively unchanged, while at the same time, conditions will be created for increased competitiveness through new, cost-effective legal entities.

Result of collective-agreement negotiations and alternative action plans
The aim of Turnaround 2005 is to provide the SAS Group with sustainable competitiveness and profitability. If the program is to succeed, savings of about SEK 14 billion are required. Approved and defined measures currently total approximately SEK 12.5 billion, of which 60 percent has been implemented. The remaining amount of about SEK 2 billion pertains mainly to renewed collective agreements for all personnel categories.

The negotiations between company management and the trade unions have achieved favorable results in many cases, including in Norway, where there were satisfactory results for cabin personnel and ground staff. However, agreements are still not in place for sections of the ground staff and for cabin crew in Scandinavian Airlines.

"Group management was therefore assigned to study the business and legal consequences of the proposals contained in the alternative action plan that had been presented to the Board," says SAS CEO Jørgen Lindegaard. An extraordinary Board meeting to be held on March 23, 2004, will make a definite decision on the issue and will decide on the implementation of the alternative measures.

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