SAS Group

EUROPE´S MOST PUNCTUAL AIRLINE

For the third consecutive year

A STAR ALLIANCE MEMBER

SAS Group Annual Report 2011
with sustainability overview

Quick guide to the SAS Annual Report – and more online

In 2011, SAS was named most punctual airline in Europe for the third consecutive year. Several other significant milestones were also achieved, such as the highest customer satisfaction rating in 11 years and modernization of the aircraft fleet through the order of 30 Airbus A320neos.

Core SAS

During the year, SAS achieved key competitive advantages. A prerequisite for this was the successful implementation of Core SAS. Cost savings amount to SEK 7.6 billion and the unit cost (CASK) has declined 23% since 2008.

4EXCELLENCE

4Excellence was launched in September, 2011. SAS will continue to be the first choice for business travelers, and the leisure travel offering will be strengthened. Another objective is to reduce the unit cost by 3–5% per year and during 2012–2013, 4Excellence will deliver SEK 5 billion in total effects.

SAS
widerøe Blue1

SAS offers more departures, a wider network and greater punctuality than its competitors. In 2011, a total of 128 destinations were offered with Scandinavian Airlines, Widerøe and Blue1. During 2011, 27.2 million passengers traveled with the SAS Group, an increase of two million passengers.

SAS Group's formal annual report with comments on income statements and balance sheets. The notes contain detailed information pertaining to financial risks, pensions and the airlines' earnings.

A full version of the sustainability report for 2011 and an online version of the financial accounts are available at **www.sasgroup.net**

While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

Core SAS enabled us to reduce our cost level while advancing our customer position. But our aims are higher than that. Our vision is to be valued for excellence by all stakeholders. Our goal is to achieve sustainable profitability to ensure a satisfactory yield for our shareholders. Our new strategy, 4Excellence, will take us there. The 4Excellence strategy will strengthen our offering for leisure travel and maintain our position as the first choice for Nordic business travelers. We will continue lowering our costs, yet still achieve our ambitious environmental targets. Our journey toward Excellence has begun.

SAS Group Key Figures

	2011	2010	Change
Revenue, MSEK	41,412	41,070	+0.8%
EBITDAR before nonrecurring items, MSEK	4,089	3,858	+6.0%
EBT before nonrecurring items, MSEK	94	–444	+538
EBT margin before nonrecurring items, %	0.2	–1.1	+1.3 p.p.
Income before tax, EBT, MSEK	–1,629	–3,069	+1,440
Net income for the period, MSEK	–1,687	–2,218	+531
Cash flow from operating activities before changes in working capital, MSEK	734	232	+502
Cash flow from operating activities, MSEK	–482	–155	–327
CFROI, 12-month rolling, %	17	6	+11 p.p.
Earnings per share, SEK	–5.13	–7.79	+2.66
Equity per share, SEK	37.79	43.88	–6.09
Equity per share at year-end, SEK	8.0	22.5	–64.4%
Dividend (proposal for 2011)	0	0	-

	2011	2010	Change
Number of passengers, million	27.2	25.2	+7.8%
Adjusted equity/assets ratio, %	26	28	–2 p.p.
Adjusted debt/equity ratio	1.33	0.89	+0.44
Financial preparedness, MSEK	8,901	10,189	–1,228
Financial preparedness, % of revenue	21	25	–4 p.p.
Financial net debt, MSEK	7,017	2,862	+4,155
Investments, MSEK	2,041	2,493	–452

	2011	2010	Change
Average number of employees	15,142	15,559	–2.7%
of which women	38%	38%	0
Sick leave [1]	7.0%	7.1%	–0.1p.p.
Carbon dioxide (CO_2), 000 tonnes	3,863	3,654	+5.7%
Nitrogen oxides (NOx), 000 tonnes	15.6	14.8	+5.4%
Climate index	91	90	+1

1 Pertains to Scandinavian Airlines

Events during the year

2011 in brief

First quarter

- Rickard Gustafson took office as President and CEO on February 1, 2011.
- Göran Jansson took office as the new CFO and Deputy President of SAS on March 1, 2011.
- SAS issued a bond loan totaling SEK 2 billion.
- SAS named Travel Marketer of the Year by the Norwegian chapter of the Hospitality Sales and Marketing Association International (HSMAI).
- Favorable passenger growth was noted, a 6.2% increase.

Grand slam for SAS at Grand Travel Awards

SAS won three awards at the Grand Travel Awards gala. Readers of Sweden's most prominent travel industry magazine voted SAS as the winner in three categories: European Airline, Intercontinental Airline and Domestic Transport.

Second quarter

SAS passenger traffic continued to grow and SAS reported its highest customer satisfaction rating in 11 years

- Blue1 phased out the Avro aircraft and resumed its focus on the Scandinavian/Finnish market.
- SAS Smart Pass, a wireless communication technology that allows passengers to proceed simply, efficiently and quickly through the airport, was introduced throughout Scandinavia.
- SAS was praised for its 2010 social media and PR campaign "Love is in the air" and was a finalist for Sweden's top PR of the year award for the same campaign.
- The Swedish government has continued confidence in SAS, which together with Star Alliance, has once again secured the government's contract for air travel.

- Core SAS was concluded when cost reductions of approximately **SEK 7.6 billion** were completed. Based on the Core SAS program, the unit cost was reduced by about **23%**.
- SAS continued to harmonize its aircraft fleet by placing an order for 30 Airbus A320neo aircraft, with the option of an additional 11 Airbus A320neo aircraft, and final delivery in 2019.

- SAS launched the Oslo-New York route, commenced the start-up of the Stockholm–Gdansk and Copenhagen–Shanghai routes and also doubled the number of departures on the Stockholm–Milan route.

Third quarter

- In August, SAS became the world's most punctual airline for the second consecutive month.

- SAS launched its new 4Excellence strategy, the aim of which is to have achieved excellence in four core areas by 2015: Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence.

4EXCELLENCE

- New Group Management, which will be broader and have a firmly established responsibility for the strategy's four Excellence areas.
- SAS secured the air travel contract for Swedish government employees on all Swedish domestic routes operated by SAS.
- Joakim Landholm appointed new member of SAS Group Management and Head of Commercial, one of the four pillars of the new 4Excellence strategy.

Fourth quarter

- SAS decided on the restructuring of Blue1 to strengthen SAS's long-term position in Finland.
- SAS launched Internet and GSM services onboard flights and now offers one of the best solutions on the market for WiFi, GSM telephony and wireless entertainment. The SAS WiFi Internet service will be offered to all passengers.
- Apple in Scandinavia named the SAS Crew Guide one of the best apps in the Travel category for 2011.
- SAS's long-haul premium economy offering, Economy Extra, was voted the world's best by 36,000 travelers in a survey.
- SAS ordered new, comfortable and lightweight short-haul seats that will provide increased comfort and additional legroom.
- SAS secured new financing of MSEK 500 for four existing A321 aircraft.
- SAS has helped more than 25,000 companies lower their travel expenses since the SAS Credits corporate program was first launched in 2008.
- SAS signed an agreement for the sale of 13 MD80 aircraft and 12 spare engines to a subsidiary of Allegiant Air.
- Commencing in November, SAS has increased the number of departures to several Swedish domestic destinations, such as Luleå, Umeå, Malmö and Gothenburg.
- SAS was one of the first airlines in the world to accept payment in the form of bonus points when passengers make purchases in-flight.

- SAS decided to launch 21 new routes from when the summer schedule comes into operation in March 2012.

Events after December 31, 2011

- Eivind Roald was appointed new Head of Sales & Marketing and a member of SAS's new Group Management, which is now complete following the reorganization in September.
- The Board of Spanair filed for bankruptcy and SAS recognized an impairment of SEK 1.7 billion.
- The Norwegian Competition Authority recommended removal of the entire ban on loyalty programs, including EuroBonus on domestic services in Norway, but only on travel between Oslo and Stavanger, Bergen and Trondheim.

MOST PUNCTUAL IN EUROPE – FOR THE THIRD CONSECUTIVE YEAR!

Source: FlightStats

We are now accelerating our new 4Excellence strategy with an earnings effect of SEK 5 billion in 2012–2013

2011 was yet another year of challenges and change. It began with the earthquake in Japan, continued with turmoil in the Arab world and oil prices that soared at the beginning of the year and then stayed at a high level. The second half-year was also dominated by increasingly tough competition, while we noted a weaker economic trend.

Despite the growing challenges, it is gratifying that the SAS customer offering remains strong, which is demonstrated by favorable passenger growth, two million new passengers, and the highest customer satisfaction rating in 11 years. Our target for the full-year 2011 was a customer satisfaction index of 72, which had already been achieved by the third quarter. Scandinavian Airlines was also named most punctual airline in Europe for the third consecutive year by independent flight data company, FlightStats. This is proof that our customers appreciate our continuous improvement efforts and that our product and service can stand the test of a competitive environment.

2012 commenced with a number of bankruptcies in the airline industry, among them Spanair and Malev. The bankruptcy in Spanair, where SAS had a holding of 10.9%, led to an impairment of SEK 1.7 billion, entailing that we could not deliver positive earnings for full-year 2011. This is, of course, unsatisfactory. However, adjusted for the Spanair effect, our earnings were marginally positive. Scandinavian Airlines delivered a positive result for income before tax and nonrecurring items, mainly due to the major savings generated by Core SAS. At the same time, Widerøe posted historically strong earnings. Widerøe's successes are good news, and the operations are a key component in the SAS Group's broad coverage in Norway. Unfortunately, Blue1 underperformed and the company's operating income was very negative. A number of measures have been introduced to reverse the negative earnings trend in Blue1, including reduced capacity to and from the rest of Europe and focusing on traffic to/from Scandinavia and within Finland. The operations will also be more tightly integrated with Scandinavian Airlines with the purpose of securing and increasing synergies.

"This is proof that our customers appreciate our continuous improvement efforts and that our product and service can stand the test of a competitive environment."

Commercial successes

We continued to invest in our market during the year and launched 22 new routes, including Oslo-New York, which have shown excellent load factors since the start. SAS always aims to be on the leading edge of electronic solutions that create added value for customers and in autumn 2011, we received an IATA award for our innovative electronic travel solutions. We have now progressed to the next level by launching in-flight WiFi and new technology such as NFC (Near Field Communication), which simplifies airport processes. Travelers can attach their SAS Smart Pass to their mobile phone and hold it up to a scanner when checking in. This enables simple, efficient and fast movement through the airport. It is also satisfying to offer one of the best solutions for WiFi and GSM telephony in the market to all of our passengers. All of these features make traveling easier and more pleasant for our customers, who can now choose to use their laptop, smartphone, GSM mobile or tablet on board.

EuroBonus is a key component in our customer offering and it is encouraging to note that EuroBonus also received an award for Best Redemption Ability at the prestigious 2011 Frequent Traveler Awards. In January 2012, free coffee and tea was introduced for all service classes. This is a step toward an even better product offering, which we believe will increase our already record-high customer-satisfaction rating.

Our specific situation places high demands on responsibility and commitment

Our employees, who are strongly committed to our service pledge – Service And Simplicity – are one of our greatest assets. An employee survey conducted in 2011 showed that employee motivation has increased. This is also confirmed by how our customers perceive us, and indicates that our level of service and punctuality is world-class. A marked rise in job satisfaction in connection with the launch of a new strategic platform also demonstrates that our employees believe in, and want to dedicate themselves to, the course that SAS has chosen. The fact that our unions have undertaken to reduce employee-related costs by SEK 1 billion shows commitment and responsibility for the future of SAS.

The fact that the employee survey also indicates growing satisfaction with SAS's leadership is very positive. It shows that our systematic efforts to promote strong leadership as a means of enabling employees to deliver the highest possible standards of service have been successful.

In 2011, SAS's sustainability efforts continued to gain momentum and we accelerated our environmental targets, which are now a 20% reduction of our total carbon emissions by 2015, compared with 2005. We are determined to attain this ambitious target and have introduced a number of activities within the framework of our environmental management system to secure their fulfillment.

Financial position

SAS's financial preparedness on December 31, 2011 amounted to SEK 9 billion corresponding to 21% of revenue. SAS has SEK 3.8 billion of this amount in cash and cash equivalents. In 2011, we had a negative cash flow of MSEK 482 from operating activities compared with MSEK –155 in the preceding year, but adjusted for an EU fine that was recognized in 2010 but charged to 2011, the cash flow was slightly positive. During the year, we succeeded in reducing the unit cost by 3.7% adjusted for jet fuel and currency, and we will do our utmost to continue lowering our costs in the future.

Efficiency enhancement and modernization of the fleet

We have further developed our fleet strategy and made several major strategic decisions during the year to simplify the aircraft fleet at our three main bases. Stockholm and Oslo will be Boeing 737NG hubs and Copenhagen, an Airbus hub. This will provide eco-friendlier and more fuel-efficient aircraft, and generate a total saving of MSEK 200–300 by 2015.

At present, slightly more than two-thirds of the fleet comprises next-generation aircraft. SAS has already signed a leasing contract for 21 737NGs. We have a firm order for 30 new A320neos (New Engine Option) for delivery from 2016 with the option of another 11. Consequently, we will be first in the Nordic region to acquire the Airbus A320neo. Not only will the fleet be simplified and achieve better operating economy, these measures will also render it more eco-efficient. The A320neo will have 15% lower fuel consumption and generate 50% less noise than today's 737NG and A320.

New strategic focus – 4Excellence

2011 was also the year that we concluded the Core SAS strategy with a cost program of SEK 7.6 billion. Since 2008, SAS has reduced its total unit cost by 23% and total costs by 24%.

In 2011, we launched the new 4Excellence strategic focus, with the aim of achieving excellence in four core areas by 2015 – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence. SAS will continue to be the first choice for business travelers, and the leisure travel offering will be strengthened. We will enhance the efficiency of our sales model and offer the most attractive loyalty program in the market. SAS will also continue to be the most punctual airline in Europe and deliver a level of quality and service that provides best value for both time and money for all customers.

The strategy maintains a strong focus on the unit cost, where one of the strategic targets is to lower the unit cost by 3–5% annually. This will be implemented with a focus on both productivity and cost reductions. We have also set a number of ambitious objectives entailing that we will reduce our total emissions by 20% by 2015, that we will be the most popular airline in the Nordic region and that our work satisfaction will rate among the Top Five in the Nordic region. Combined, these will help us achieve sustainable profitability to ensure a satisfactory return for our shareholders.

> **"The fact that our unions have undertaken to reduce employee-related costs by SEK 1 billion shows commitment to, and responsibility for, the future of SAS."**

Accelerated 4Excellence 2012–2013

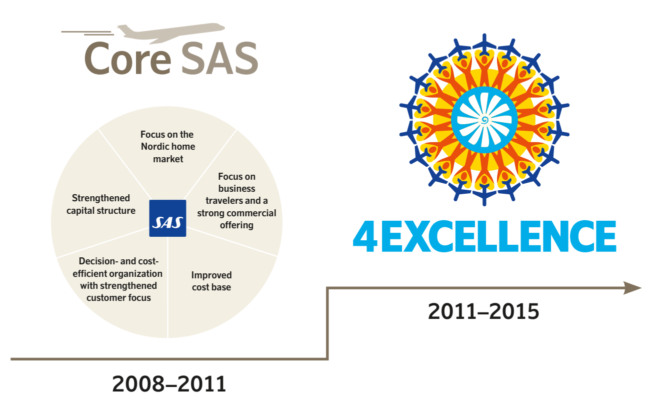
Due to the challenging situation with slower economic growth, we will accelerate the plan in 2012 and 2013 to achieve SEK 5 billion in revenue and cost effects. Among other things we will reduce administration by the equivalent of 300 full-time positions, and SAS trade unions have undertaken to contribute savings corresponding to SEK 1 billion during 2012–2013. We will now continue our development through the 4Excellence strategy and further strengthen our position in the Nordic airline market.

A difficult year to assess

Assessment of the situation we are faced with in 2012 is not straightforward due to a weaker GDP trend and continued intense competition as well as uncertainty regarding fuel prices and exchange rates. We forecast and are planning for continued pressure on yield and RASK in 2012. To meet these challenges, the 4Excellence strategy is being accelerated and cost and revenue measures corresponding to SEK 5 billion are being implemented in 2012–2013. The challenging nature of the prevailing economic climate in combination with the earnings effect of 4Excellence being realized in the latter part of 2012 mean that the seasonally weak first quarter will also remain weak in 2012. Bookings continue to be stable though with an increased degree of uncertainty arising from economic developments as well as jet-fuel prices and additional market capacity.

Stockholm, March 2012

Rickard Gustafson
President and CEO



Core SAS successfully concluded

Reduced unit costs, a streamlined core business and greater focus on the Nordic market are the most significant results of the concluded Core SAS strategy. SAS is now well-placed to meet future challenges and to capitalize on the opportunities that arise for a company with satisfied customers, world-class punctuality and dedicated employees.

Core SAS

Reduced cost level

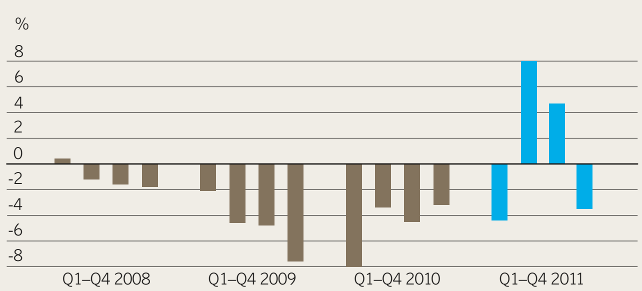
The cost-saving program of SEK 7.8 billion in Core SAS was originally launched in February 2009. In December 2011, cost-saving activities totaling SEK 7.6 billion have been implemented and MSEK 200 has thus been transferred to 4Excellence. The number of employees in 2009–2011 declined approximately 4,600. The achieved earnings effect in 2011 is SEK 1.0 billion in addition to SEK 3.6 billion, which was realized in 2010 and SEK 2.2 billion, which was realized in 2009. In 2012, the remaining earnings effect from Core SAS is expected to amount to about SEK 0.5 billion, while about SEK 0.2 billion was transferred to 4Excellence.

SEK **7.6** billion achieved in 2009–2011

Improved EBT margin

In 2011, the EBT margin before nonrecurring items amounted to 0.2%. SAS's objective is an EBT margin of 7% so the outcome is still far from the level that is required to generate an adequate yield.

Operating margin (EBT), per quarter



Financial preparedness of SEK 8.9 billion

At the end of 2011, SAS's financial preparedness was 21%. The target is at least 20%. Maintaining high financial preparedness is crucial due to the airline industry's sensitivity to economic fluctuations and the major seasonal variations in working capital. Financial preparedness includes a liquidity reserve of SEK 3.8 billion and unutilized credit reserves of SEK 5.1 billion.

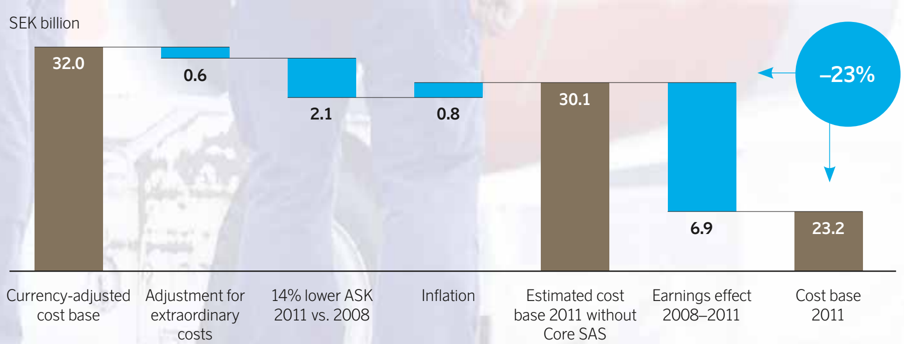
	Total Dec 31 2011, SEK bn	Maturity
Cash and cash equivalents	**3.8**	
Contracted credit facilities:		
Revolving credit facility, MEUR 366	3.3	2013
Revolving credit facility, MUSD 104	0.7	2013
Revolving credit facility, MUSD 74	0.5	2017
Revolving credit facility, MUSD 125	0.9	2016
3 bilateral bank facilities, MSEK 1,250	1.3	2013
Other facilities	0.4	2012
Total contracted credit facilities	**7.0**	
- of which utilized credit facilities	1.9	
- of which unutilized credit facilities	5.1	

Financial preparedness 21%

Lower units costs (CASK)

Through Core SAS, Scandinavian Airlines has reduced its unit costs (CASK) by 23% and its operational costs by 24% since 2008. As a result, SAS is now better equipped for the prevailing situation with increased competition, an uncertain macroeconomic trend and accelerating fuel prices.

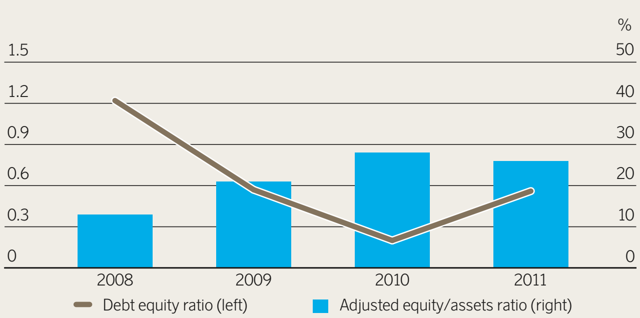
Cost reduction (excluding fuel costs) 2008–2011



Favorable equity/assets ratio but net liability impacted by Spanair impairment

Due to capital injections and improved cash flow, net liability improved in 2010. In 2011, net liability was primarily impacted by the impairment of loans to Spanair. The adjusted equity/assets ratio amounted to 26%.

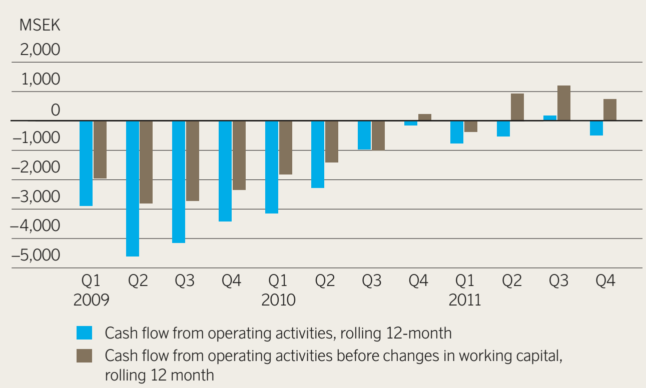
Debt/equity ratio and adjusted equity/assets ratio



Operations generate positive cash flow

SAS has continued to improve its cash flow and reduce capital employed in recent years. Both of these were under extreme pressure during the financial crisis in 2008–2009, but in 2011, SAS delivered a positive cash flow from operating activities before changes in working capital adjusted for payment of the EU fine for actions by SAS Cargo in 2011.

Cash flow



SAS position – customers

We achieved valuable competitive advantages

SAS continued to strengthen its position with Nordic travelers. The benefits of traveling with SAS include world-class punctuality, the strongest global and regional partner network, and the leading and attractive loyalty program EuroBonus. In addition, our prices are both competitive and clear. Quite simply, SAS lives up to its brand promise – Service And Simplicity.

Most frequencies to important destinations

SAS offers 128 destinations, 1,085 departures per day on its own flights and in 2011, ensured that over 27 million passengers reached their destination. Star Alliance membership is the core of the SAS Group's global partner and network strategy.

The 28 airlines offer 21,000 daily departures to 185 countries and transport about 650 million passengers annually. SAS also works closely with ten other airlines, enabling the company to offer an even wider network to its customers. The SAS Group now offers direct routes and flights with only one stop, for example. One of the network airline company's strengths is the large number of destinations that can be reached with only one stop.

Passengers who travel with SAS can now choose between 70,000 travel combinations in Europe alone. The equivalent number of travel combinations for the major low-cost airlines is 20,000.

Stockholm–Oslo

SAS 20

Largest competitor 12

Stockholm–Copenhagen

SAS 21

Largest competitor 8

Copenhagen–Oslo

SAS 21

Largest competitor 8

Bergen–Oslo

SAS 24

Largest competitor 21

The SAS Group

- 128 destinations
- 22 new routes launched in 2011
- 1,085 departures per day
- Over 27 million passengers

Loyalty benefits – closer relationships with our travelers

EuroBonus is one of the largest loyalty programs in the Nordic market with about 3 million members. The goal is to be the leading loyalty program. This will be achieved by offering a broad portfolio of opportunities for earning points, and flexible and attractive benefits. EuroBonus can be used for air travel with the SAS Group's airlines and Star Alliance, hotel stays, car rentals or for online shopping with more than 2,000 products and events. At the end of the year, it also became possible to pay for onboard purchases using bonus points.

SAS's punctuality rewarded

SAS retained its position as the most punctual airline in Europe for the third consecutive year. This is one of our most important customer benefits, and something we safeguard. In 2011, SAS was the first airline to win the IATA's Fast Travel Gold Award for its range of initiatives to help passengers find their way around airports as fast and efficiently as possible. The award was shared with Copenhagen Airport. Travelers who fly once per week save about 40–50 hours per year by choosing SAS.

The most punctual airline in Europe

Winner of the IATA Fast Travel Gold Award

No surprises

Many factors are involved when comparing the total price of SAS with that of low-service companies. SAS's advertised prices are all-inclusive, including 23 kg checked baggage and 8 kg carry-on baggage. Low-service companies charge extra for check-in and baggage, for example. As a result, SAS's total price is usually more advantageous and most importantly, travelers know what the price is when they make their booking.

Advantage in decisive customer meetings

SAS customers are more satisfied than ever when it comes to all aspects of the service offered by our employees. Service and attitude are key components of the total travel experience. Systematic efforts with our total offering and our loyal employees are some of SAS's priorities and strengths.

Passengers on the Oslo–London route, May 14, 2011:

"Her service and attitude gave a better impression of SAS than all the advertising in the world!"

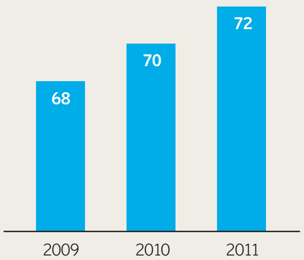
Passengers on the Stockholm–Luleå route, June 21, 2011:

"Tried to help me far more than what the pickiest traveler would expect. Wow, what service, what determination. You rock!"

Passengers on the Copenhagen–New York route, November 7, 2011:

"Extremely helpful personnel. The kind of experience that really makes a difference, something you would tell your colleagues!"

Customer satisfaction



SPET (SAS Passenger Experience Tracking) for Scandinavian Airlines

These competitive advantages have led to the highest customer satisfaction rating in 11 years

The customer satisfaction rating has risen sharply in recent years. SAS achieved its set targets for customer satisfaction in 2011. A number of factors underlie this positive trend. In addition to SAS customers knowing that we are the most punctual airline, we have also introduced several time-saving solutions. Our network and mobile services are used increasingly often and have made travelling easier – particularly for our business travelers.

External drivers and market

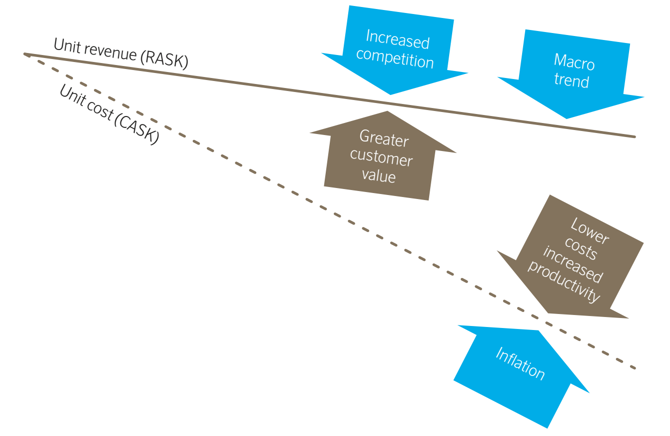
Both challenges and opportunities in the Nordic market

Traditional network airline companies, low-cost carriers and hybrids of both operate in SAS's home market. The network airline companies base their operations on an extensive network of long-haul traffic, shorter routes and collaboration with global and regional partners. Their profitability is mainly derived from long-haul routes. The low-cost carriers offer a scaled-down, standardized product for routes with high passenger flows. The profitability of these companies is based on a low unit cost and the system for charging extra for basic services.

Continued price pressure and focus on cost-efficiency

Through its extensive network and product offering, the SAS Group is mainly a network airline company. Due to a relatively large proportion of medium/short-haul traffic, SAS is also exposed to the low-cost carriers' operations. Through the substantial cost-saving measures within the framework of Core SAS, SAS has reduced its unit cost to a level that is now close to that of the low-cost carriers and can thus also conduct profitable operations in markets where they compete. But the market situation entails continued price pressure and a focus on cost-efficiency in all parts of the Group.

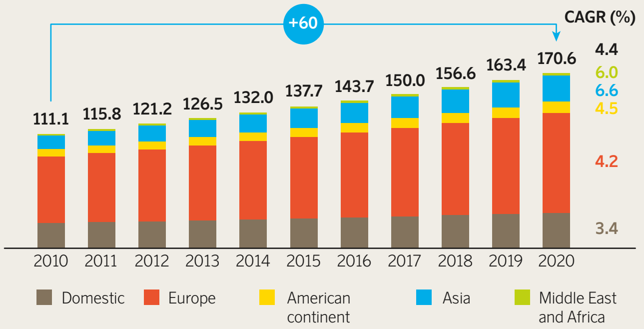
Factors that impact the RASK and CASK trend



Travel in SAS's home markets is expected to generate 70% of market growth

The market for travel to, from and within the Nordic region is expected to grow SEK 60 billion – from SEK 110 billion to SEK 170 billion – by 2020. SAS's home market, the Nordic region, and Europe are expected to account for about 70% of growth during the period.

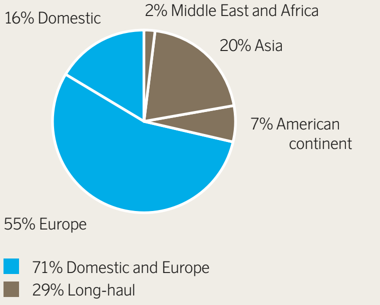
Nordic travel trend, 2010–2020



CAGR = Compound Annual Growth Rate

Source: IATA

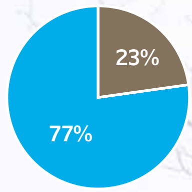
Share of travel growth



Future growth is increasingly driven by leisure travel

The future growth of aviation is mainly assessed to be generated by increased leisure travel. By 2020, growth in leisure travel is expected to represent about 80% of market growth. Business travel is expected to represent 20%. This assessment provides an important basis for SAS's strategy for the coming years. SAS has a broad customer base and a strong relationship with business travelers. This relationship will now be deepened and will also make SAS the logical choice for its customers' leisure travel.

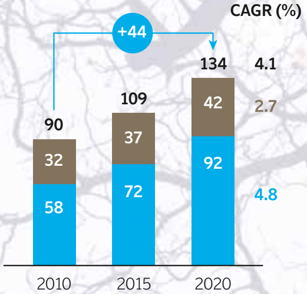
77% of growth will be generated by leisure travel



100% = 44 million passengers

23% (10) Business travel
77% (34) Leisure travel

Passenger trend (million passengers)



Business travel
Leisure travel

Source: IATA

SAS versus low-service

SAS operates in an intensely competitive market. The main competition in the Nordic region comes from various low-cost carriers, which are often relatively young companies with a business concept to attract using low prices, but in relation to SAS's offering, they are not comparable with regard to product content and service offering.

Low-service – LCC*

Ticket
Changes for a fee
Restricted repayment

Before flight
Fee for seat reservations
Fee for card payments
Fee for baggage

On board
Purchase food and drink on board
WiFi certain companies

Loyalty program
Does not correspond to the scope among network airline companies
No lounge or extra service

* Deviations may occur between LCCs

Economy

Ticket
Changes for a fee
No repayment

Before flight
See "Always with SAS" below

On board
CloudShop Café & Store

EuroBonus
25–100% EuroBonus

Economy Extra

Ticket
Changes permitted
Full repayment

Before flight
See "Always with SAS" below
Separate, dedicated check-in
Fast Track Security

On board
Cold meal
Drink with meal
CloudShop Store
Free WiFi (if available)

EuroBonus
150% EuroBonus

Business

Ticket
Changes permitted
Full repayment

Before flight
See "Always with SAS" below
Separate, dedicated check-in
Fast Track Security
Access to SAS lounge

On board
Hot or cold meal
Drink with meal
CloudShop Store
Free WiFi (if available)

EuroBonus
200% EuroBonus

Always with SAS

24h right to cancel
Choice of seat
Baggage

Coffee/tea
Daily newspaper
Several check-in-possibilities

Flight info by text message
Basic points/EuroBonus (except Norwegian domestic)

Network & Timetable
Care

Our vision:
To be **valued for excellence** by all stakeholders

Our mission:
We provide **best value for time and money to nordic travelers** whatever the purpose of their journey

Our brand promise:
Service And **Simplicity**

We have ambitious targets

Our goal is to achieve sustainable profitability through:

- SAS is to be Number 1 – The Nordic region's most valued airline by reaching new heights in customer satisfaction ratings
- Unit cost shall be reduced 3–5% annually
- Our employee satisfaction is to be in the Top Five in the entire Nordic transportation sector
- We are to reduce our overall emissions by 20%.

To secure an efficient return on investment.

We will achieve this with our 4Excellence strategy:

Commercial Excellence
– Continue to offer most value for time and money

Operational Excellence
– Increase efficiency and reduce CASK

Sales Excellence
– Promote loyalty among companies and customers

People Excellence
– Conditions for change work

4EXCELLENCE

Accelerated 4Excellence in 2012–2013 → Some 30 initiatives will generate SEK 5 billion

SAS is increasing the tempo within the framework of 4Excellence, which will generate a total of SEK 5 billion in revenue and cost improvements in 2012–2013, and achieve an earnings effect of SEK 2 billion by 2012.

Of the total earnings effect of SEK 5 billion, SEK 3.5 billion pertains to cost savings in all of the four areas. Activities in Commercial Excellence and Sales Excellence will generate revenue of SEK 1.5 billion.

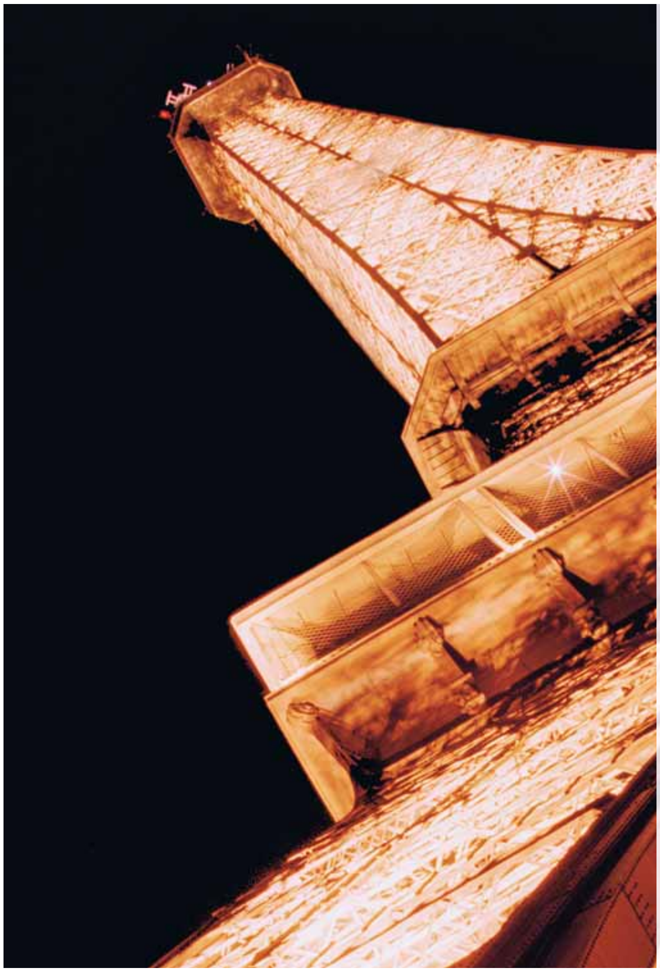
Strategy: Commercial Excellence

How SAS will deliver the best value for time and money

Commercial Excellence entails that SAS will focus on service that customers are prepared to pay for, making us the first choice for Nordic travelers. Service And Simplicity will permeate the customer offering and customer experience. SAS's offering will be continuously developed, particularly in the growing leisure travel sector. Based on its strong starting position, SAS will leverage its ongoing initiatives such as rolling out new and upgraded fleets, and flexible partnerships that take customers to more than 1,100 global destinations.

Strategic prioritizations

- Continued focus on business travel and strong offering for leisure travel
- Increased focus on revenue from supplementary services
- Upgrades of fleets and cabin interiors
- Partner collaboration
- Innovative and time-saving services on the ground
- Harmonization of the product concept



Continued focus on business travel...

More than 50% of SAS's revenue is generated by business travel. SAS has a strong position and strong offering for this target group. The basis of the offering is to fly to business destinations with high frequency due to regular departures. SAS is evaluating opportunities for closer collaboration with selected airlines, both regionally and in Star Alliance. Such partnerships increase SAS's route network in addition to its own capacity, which will strengthen the offering.

...and strong offering for leisure travel

The importance of leisure travel is expected to increase in coming years and is expected to account for nearly 80% of growth. To participate in this growing market, SAS will secure a more attractive offering for leisure travelers. Most leisure travelers fly SAS routes to European capital cities, domestic destinations and between Nordic countries.

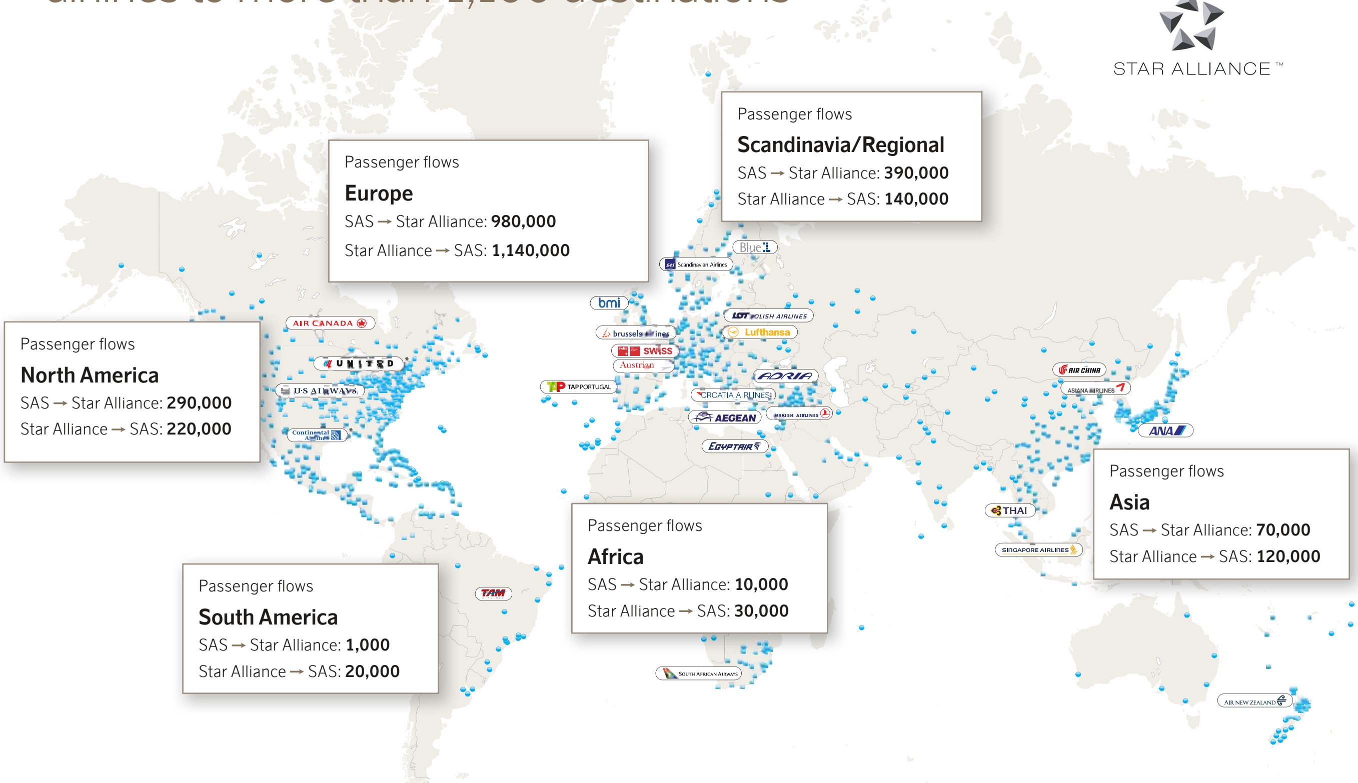
SAS will offer attractive prices for these passengers, improved schedules and a range of benefits for loyal leisure travelers. Through efficient utilization of the aircraft fleet, SAS will also launch new routes and frequencies, primarily to Southern Europe, and an increased charter offering. In addition to strengthening the customer offering, this leads to higher productivity and enables a lower unit cost.

Strongest network, globally and regionally

The SAS Group's collaboration in Star Alliance enables SAS to offer its customers flexible access to a global flight network with shorter and faster movement through hubs, a smooth and flexible travel experience and opportunities to use bonus points all over the world. Passengers are also offered other benefits through access to loyalty programs and lounges that belong to other members of Star Alliance. The SAS Group also collaborates with Estonian Air, Aeroflot, airBaltic, Rossiya-Russian Airlines, Cimber Sterling, Icelandair, Nextjet, OLT, and Skyways on bilateral terms.

Extended collaboration with regional partners
In 2011, SAS decided to extend its collaboration with other regional airlines in our home market. The aim is to strengthen our offering to travelers by making flight connections in our traffic hubs more effective, which provides access to SAS's entire international network. Customers will thus receive a more enhanced and efficient travel experience. SAS will also offer access to EuroBonus lounges, direct check-ins and direct baggage transfers. This collaboration model will be introduced progressively throughout 2012.

About 15% of SAS travelers fly with Star Alliance airlines to more than 1,100 destinations



Star Alliance in brief

Member airlines:	28	Daily departures:	21,230
No. of aircrafts:	4,335	No. of airports:	1,185
No. of employees:	402,979	No. of lounges:	more than 990
Passengers per year:	648.5 million	Service in no. of countries:	185
Sales proceeds (USD):	158.8 billion		

Greater focus on supplementary services

A greater focus on supplementary services will lead to a number of new offerings that are scheduled for introduction in 2012. The offerings will be available in several areas. SAS envisages opportunities to sell lounge access and offer upgrades on more occasions than are possible today. A greater focus on supplementary services provides more opportunities to increase revenue in addition to direct ticket sales, and creates more value when our customers travel. In 2011, SAS's supplementary revenue amounted to about SEK 1.2 billion. There is an unutilized potential compared with corresponding network airline companies' share of supplementary revenue.

Comfortable and connected

SAS is improving and developing cabin interiors to provide greater comfort and more leg room. The interior is being continuously installed in more than 30 Boeing 737s through an adaptation program that commenced in October 2011. To further enhance the passenger experience, SAS has also signed an agreement to introduce new lightweight seats in a large number of Scandinavian Airline's aircraft from May 2012. SAS is now introducing one of the best solutions in the market for WiFi and GSM telephony for passengers. All of these features make traveling easier and more pleasant for our customers, who can now choose to use their laptop, smartphone, GSM mobile or tablet on board.

Innovative and time-saving solutions

SAS continues its successful focus on time-saving solutions for passengers. SAS Smart Pass can be used to start SAS self-service check-in, or for passing through security, SAS Fast Track, SAS lounges and boarding the aircraft. Another focus area for making the journey faster and more efficient is the opening of self-service baggage check-ins at several places in partnership with other Scandinavian airports. SAS now offers self-service baggage check-ins at eight airports throughout Scandinavia.

Harmonization of product concepts

SAS simplifies and clarifies its product offering to all customers. The aim is that SAS travelers will receive the same offering regardless of where they commence their journey. In January 2012, SAS also introduced free coffee and tea for all service classes.

Ambitious goals for Commercial Excellence

- First choice for Nordic Business travelers
- Take a significant position in leisure travel
- Highest customer satisfaction rating

Strategy: Sales Excellence

How SAS will increase availability and promote loyalty

Sales Excellence entails increasing SAS's cost efficiency and loyalty among both business customers and leisure travelers. SAS's sales organization and distribution channels will become more cost-efficient, while increased loyalty will be achieved among both corporate and private customers. Sales are based on relations as well as transactions.

Strategic prioritizations

- Sales cost in relation to revenue
- Increased sales efficiency
- Attractive corporate programs
- Attractive loyalty programs
- Improved websites
- Effective collaboration with retailers

SAS is currently reviewing its business model with the purpose of increasing both cost-efficiency and productivity. One component of this is to prioritize the most profitable revenue; another initiative is to focus on more cost-efficient sales channels including SAS online, which is being refined to create added value for customers and promote more sales. SAS will strengthen and improve the loyalty program for both businesses and private customers. SAS continues to distribute its products in all of the channels through which our customers want to shop, and our focus on good relations with our retailers is a key element in our distribution strategy.

Increased sales efficiency

SAS is aiming for a 15% reduction in its selling expenses by 2015. Sales activities must therefore become more efficient. This will be effected by reallocating resources to the sales area that generates the greatest value. This also includes the standardization of solutions and offerings. Productivity will be improved through a refined sales strategy with clear targets and monitoring at individual level.

Attractive corporate programs

In collaboration with partners, the SAS Group offers corporate agreements to both large and small companies. Our SAS Credits program is designed for small-sized companies, which receive a company bonus that can be used for travel and services with our partners. Through our major customers program, major customers are offered a range of company-unique solutions that optimize their time and cost-efficiency when traveling with SAS and partners. Our goal is to build loyalty in companies over time and develop a partnership through dialogue based on mutual value creation.

Improved website

SAS aims to have the best website in the industry and to satisfy its customers no matter where in the world they may be. The starting point is to satisfy customer demands for user-friendliness and simplicity. SAS e-commerce has 32 websites globally, with more than 70 million visitors per year. About 35% of SAS's total passenger volume is sold via SAS's websites, which is considerably higher than other online players. The channel has a largely even distribution between business and leisure travelers and will continue to grow in terms of both volume and revenue shares. This is particularly significant for SAS's increased focus on leisure travel.

Attractive loyalty programs

SAS's goal is to increase the share of revenue from EuroBonus members from 41% to 50% by the end of 2015. This will take place by doubling the number of members and revenue from external partners. SAS will now strengthen the EuroBonus concept, which means that membership will become even more rewarding, regardless of travel habits, and this will promote new recruitment and loyalty.

No. of EuroBonus members, thousands

	2011	2010	Change
No. of members, total	2,826	2,720	3.9%
of which in Sweden	816	763	6.9%
of which in Norway	755	729	3.6%
of which in Denmark	560	534	4.9%
of which in Finland	247	243	1.8%
of which in international	448	451	–0.7%
Total number of gold members	66.1	60.3	9.6%
Total number of silver members	128.0	128.2	–0.2%

Ambitious goals for Sales Excellence

- Top of the class – Sales Excellence
- Strong growth in contract volume
- Share of EuroBonus ~50%

Strategy: Operational Excellence

Continued focus on unit cost and efficiency gains

Operational Excellence involves ensuring that SAS delivers the best quality and cost-efficiency based on perceived value for the customer. A key quality goal is to retain the position as the most punctual airline in Europe. To secure continuous improvement and simplified processes, SAS will implement Lean throughout the entire Group. Regeneration and harmonization of the aircraft fleet is a vital prerequisite for achieving increased operational efficiency. By reducing the number of aircraft types, all flight logistics become less complex. The goal is increased cost-efficiency and competitiveness to enable profitable expansion where market conditions exist.

Strategic prioritizations

- Lean introduced throughout the entire organization
- Phase-in of new fleet
- Enhance the entire Group's operational efficiency by adopting best practices
- Airport strategy

Core SAS has generated cost savings of 23% since 2008 and a new platform for profitable growth has been created. The new strategic focus 4Excellence was launched in autumn 2011, entailing that SAS continues to maintain its strong focus on the unit cost. The objective is to reduce the unit cost by 3–5% per year. This will be implemented with the support of cost reductions and increased productivity. The part of the unit-cost reduction that is intended to be based on cost efficiency comprises reduced administration, lower IT costs, more efficient purchasing and centralization of international sales activities.

Customers will see a harmonized product offering, which will also entail savings for SAS. In addition to cost efficiency, higher productivity will help reduce the unit cost. Aircraft utilization will increase, partly due to increased production to private travel destinations. The average aircraft size will gradually increase due to changes in the aircraft fleet. Extensive "Lean" efforts are also taking place in many areas throughout the company, which will help SAS handle planned capacity growth in a cost-efficient manner.

The unit cost (CASK) shall be reduced by 3–5% per year.

Total reduction of the unit cost through 2015: 12–20%.

Accelerated Operational Excellence will generate SEK 3.5 billion

The uncertain market situation, the price trend of jet fuel and increased market capacity are tough challenges for SAS. The measures in 4Excellence are thus being accelerated.

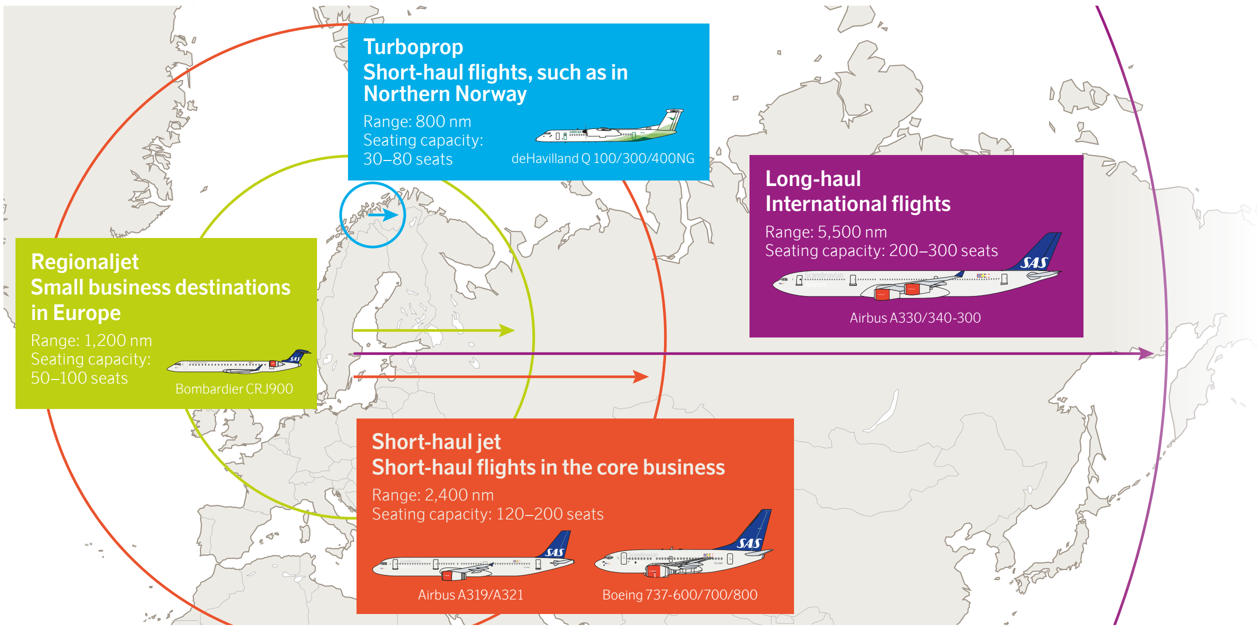
Of the total earnings effect of SEK 5 billion, SEK 3.5 billion pertains to cost savings in 2012–2013.

The cost measures primarily entail employee cutbacks in administration (300 FTEs), savings in union agreements corresponding to SEK 1 billion, and reductions in property expenses and purchasing. The implementation of Lean will generate productivity improvements throughout the entire operations. Structural changes have also been initiated in Blue1 so that the operations can make a positive contribution to the Group's earnings income by the end of 2013.

Market-adapted fleet

The SAS Group serves a wide range of markets and accordingly, has a range of aircraft. Small turboprop aircraft with 39 seats fly Norwegian domestic short-haul routes, while intercontinental aircraft with 260 seats serve SAS's long-haul routes. The Group's airlines serve routes ranging from ten minutes to eleven hours.

In addition to size and performance, the aircraft also vary in terms of age. Some aircraft are entirely new, while others are more than 20 years old. About 17% the SAS Group's aircraft are less than five years old, while about 18% are more than 20 years old. The oldest aircraft have higher costs for fuel and maintenance than the youngest, but substantially lower capital costs. Keeping the oldest aircraft on the ground during slack periods is cost-efficient.



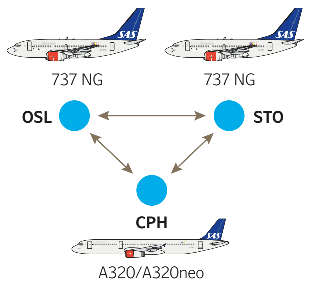
Future fleet – less complexity

The SAS Group has decided to simplify the Scandinavian Airlines aircraft fleet. At the Copenhagen base, only the Airbus A320 family will be used as a medium-haul aircraft, while only 737NGs will be used at the bases in Oslo and Stockholm. The MD-80 will thus be phased-out from bases in Copenhagen and Stockholm, while the 737 Classic will be phased-out from the base in Oslo. SAS has therefore signed operational leasing contracts for 25 aircraft and ordered 30 A320neos. The operational leasing contracts include 21 737NGs and four A320. Further leasing of primarily A320 aircraft will be needed. This transition will commence in 2012 when the 737NG fleet will be expanded by seven units. A one-unit fleet has also been achieved by Blue1 in Helsinki during 2010 and 2011, where the Boeing 717 has replaced AVRO RJ85 and MD-90.

This regeneration also makes a substantial contribution to realizing SAS's environmental objectives. The fuel consumption of the new aircraft is about 10–15% less than the older aircraft in a comparison between aircraft with the equivalent number of seats. In some cases, the replacement aircraft is larger which gives a greater reduction per seat. However, part of SAS's strategy is to fly with aircraft that have a well-adapted number of seats to ensure as low emissions as possible. Although they are more efficient in theory, flying large aircraft generates unnecessarily high emissions.

2014–2016

One type of aircraft at all production bases



Next Generation: 100%

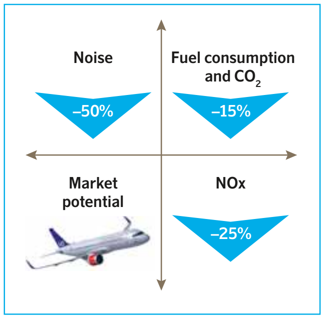
SAS introduces Lean

SAS is introducing Lean to continue improving the unit cost. The purpose of Lean is to harmonize SAS's standard of delivery and quality to customers and achieve cost efficiencies. The aim is that all managers and employees will base their work on these principles. High precision and reliability in SAS's punctuality and regularity is a strong indicator of efficient and reliable processes. Accordingly, SAS uses punctuality as a key measure in the Lean program. Motivated and committed employees and managers are a prerequisite for creating permanent results. Everyone will apply the best-known working practice. To achieve the overall targets, SAS has established a "roadmap" for the next few years with a focus on creating an understanding of, and compliance with, the Lean principles.

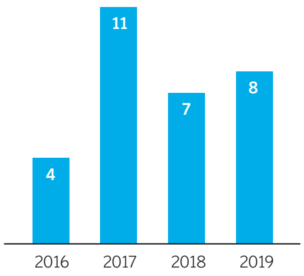
SAS has placed an order for 30 A320neos – first in the Nordic region

SAS has signed a contract and thus a firm order for the purchase of 30 A320neos with the option of a further 11 aircraft. The first A320neos will be delivered in 2016. These aircraft are, in principle, similar to existing aircraft in the A320 family but have new engines and "sharklet" wingtips, which improve aerodynamic efficiency. Compared with the current A320 and 737NG aircraft, fuel consumption is reduced by about 15% and noise by 50%.

The significant enhancements provided by new aircraft with new engines compared with today's aircraft do not mean that today's aircraft cannot be improved. Scandinavian Airlines has an ongoing engine upgrade program for 737NGs within the framework of regular technical maintenance. The latest upgrade, Tech Insert, reduces fuel consumption by almost 3% for all 737NGs built before 2007.



Delivery of the Airbus A320neo



Greater comfort and lower fuel consumption

The modification of existing aircraft can generate fuel savings. Two main areas reduce carbon-dioxide emissions – lighter material and less wind resistance. Examples of weight-reduction measures include new and lighter seats, and lighter brakes made of carbon fiber, etc. Wind resistance can be minimized with, for example, winglets.

New seats for our short-haul flights were ordered during the year, providing better comfort and more leg room for our customers, while the seats weigh less and are thus more eco-friendly. In 2012, eight Boeing 737-800 aircraft will receive the new seats, a total of 1,484 seats. The first B737-800 aircraft will fly with the new seats in May 2012.

SAS's fuel-saving program continues and will cover more areas as of 2012. During the period up until 2015, fuel savings from SAS operational units will focus on the implementation of a new flight planning system for pilots, more energy-efficient flights and SAS procedures. Emphasis will also be placed on how personnel at airports and in the technical operations can contribute to minimizing fuel consumption. Two examples are how long it takes to connect the power when an aircraft arrives at the gate and how an aircraft's own Auxiliary Power Unit is used when the aircraft is standing on the ground. Major energy savings can be generated by more efficient procedures, new equipment and small behavioral changes.

Greater efficiency at airports

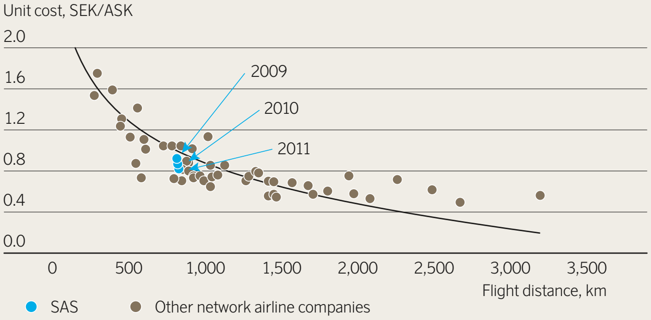
Positioning and product offerings at main airports are strategically significant for SAS. Accordingly, SAS has long-term partnership and collaboration agreements with the operators of main airports at Arlanda, Gardermoen and Kastrup. All parties have a vested interest in increasing customer satisfaction, developing commercial opportunities and reducing costs through more efficient resource and capacity utilization, new customer/product offerings and reducing the environmental impact of aviation. SAS and the airport operators have initiated a project for using terminals and gates more effectively. World Class Transfer, the success from Copenhagen Airport in Kastrup, which minimizes customers' transit times and reduces environmental impact, will be introduced at more airports and destinations.

Lower unit costs – retained revenue premiums

Through Core SAS, the SAS Group has reduced its total costs by SEK 7.6 billion and unit costs by 23% since 2008. Compared with a low-cost airline, Scandinavian Airlines still has a higher unit cost. This is partly due to significantly different business models, where Scandinavian Airlines – similar to other network airline companies – has higher costs due to such factors as its premium products, network format and aircraft size. The product difference motivates a revenue premium, particularly in the business segment, compared with a scaled-back, low-cost product. Depending on the route and market, the revenue premium can amount to 25–40%, which is in line with the corresponding level from an international perspective.

The diagram shows Scandinavian Airline's unit cost compared with reported unit costs for major European network airline companies (AEA companies) at total level, Europe and domestic, and shows that the unit cost for Scandinavian Airlines unit cost is slightly lower than average. It also shows how the unit cost has fallen clearly since 2009.

SAS's unit cost is in line with other network airline companies in Europe



Ambitious goals for Operational Excellence

- Deliver our prioritizations and promises
- CASK –3–5% per year
- Reduce our total emissions by 20%

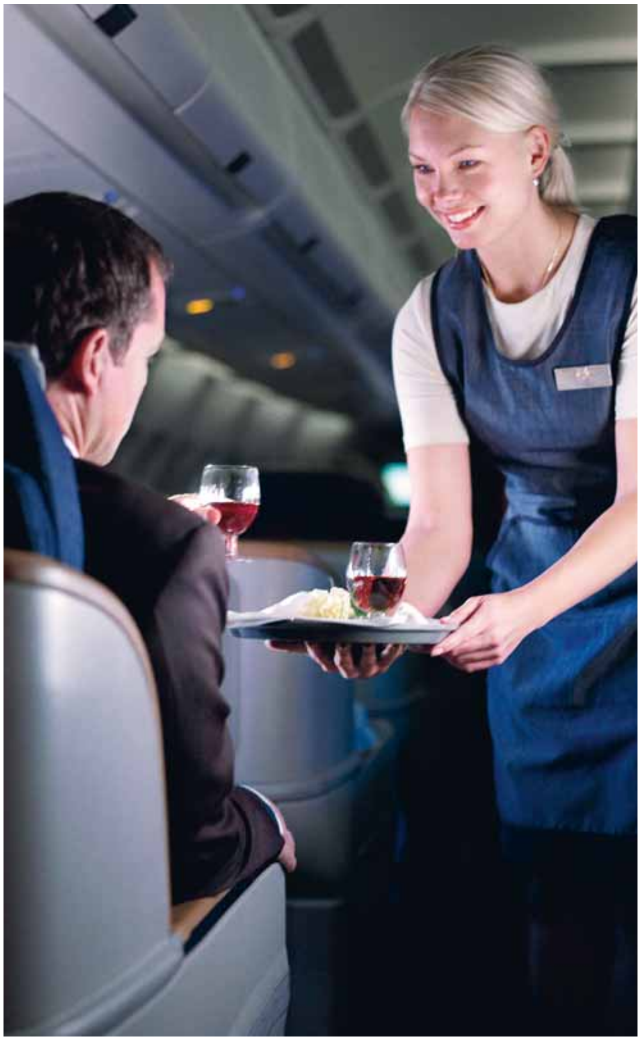
Strategy: People Excellence

How SAS will secure the commitment of 14,000 employees to excellence

People Excellence will release employees' potential through effective leadership and collaboration around shared targets. People Excellence is a vital prerequisite for the creation of Commercial, Operational and Sales Excellence.

Strategic prioritizations

- Focus on leadership
- Performance Management
- Effective collaboration model
- Talent Management



Focus on leadership

SAS will continue to develop its current leadership program and increase the focus on employees who have direct contact with our customers. As previously, SAS proceeds from a role model for managers, aimed at achieving a leadership culture that focuses on self-leadership, leading others and leading and developing the SAS business. Several initiatives have and will be implemented to continue strengthening leadership. For example, a nine-day leadership development program – SAS Leadership Program – was introduced in 2010, which all managers (about 1,100) will have completed by 2013. SAS has also established collaboration with the Norwegian Business School (BI) in Oslo, where leadership and good business practice are further advanced and qualify for academic credits. SAS's greatest challenge is to create even better conditions for all managers in the front line with large employee groups, varied working hours and availability. Training initiatives, Performance Management and Lean will provide the framework that can later be adapted to the situation, depending on the work environment in which managers and employees operate.

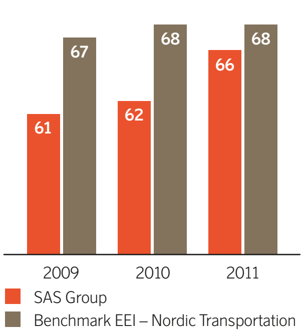
Performance Management

The introduction of Performance Management provides a leadership tool for systematic objectives, monitoring and coaching. All employees will understand how they contribute to SAS's overall targets. The process is based on five components that stimulate high-quality performances and job satisfaction. Leaders will use continuous coaching. The focus will lie on competence development – to perform well on a daily basis in the short term, and for future challenges. In addition, the common denominator when breaking down targets, which is both a top-down and a bottom-up process, is of vital significance. Successes will be highlighted through recognition in a broad sense of the word, through monetary or non-monetary incentives.

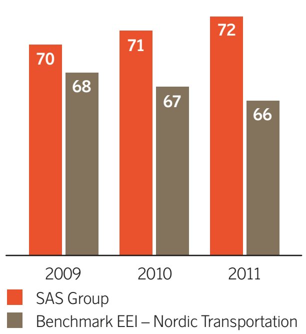
Effective collaboration model

A focus on communication throughout the entire organization, complemented by an effective collaboration model between the management, employees and trade unions, will ensure a shared understanding of future challenges and target scenarios for SAS. The communication organization will be strengthened and increase its focus on supporting leaders in their communication challenges. External communication will be more proactive and support the business in a clearer manner. Work with the collaboration model between the management, unions and employees will continue and the focus will increase on creating a shared target scenario through expanded dialogue and communication.

Job satisfaction



Leadership index



Talent Management

Talent Management will secure future competence requirements through such features as organizational evaluations and competence development. Also here, SAS proceeds from simplicity in the actual work process, such as identifying, managing, developing and monitoring talent. The concept of talent in SAS has a slightly broader meaning than in traditional models, since the company's professional roles and challenges are vastly varied, from super specialists to managers with large employee groups in an operational environment. SAS's business value chain and challenges are thus the specifying factors. This also means that initiatives in the Talent Management area cover a broad field and are both shared and target-group-oriented. For example, training courses, networks and project work vary in terms of both level and talents, while evaluations are situation-oriented.

Ambitious goal for People Excellence

- Our job satisfaction rating will be among the top 5 throughout the entire Nordic transport industry

The Nordic region as home market

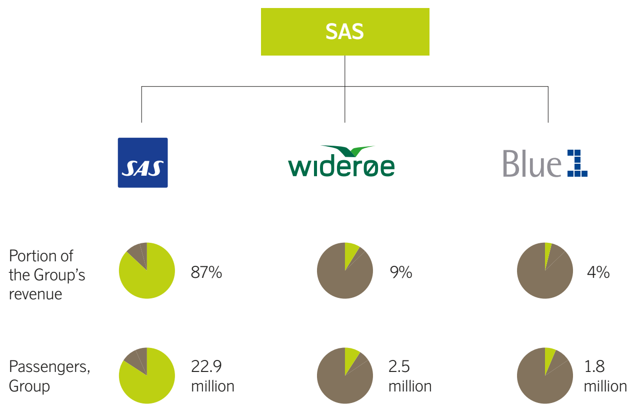
SAS's customers travel to, from and within the Nordic region with the SAS Group's airlines – Scandinavian Airlines, Widerøe and Blue1.

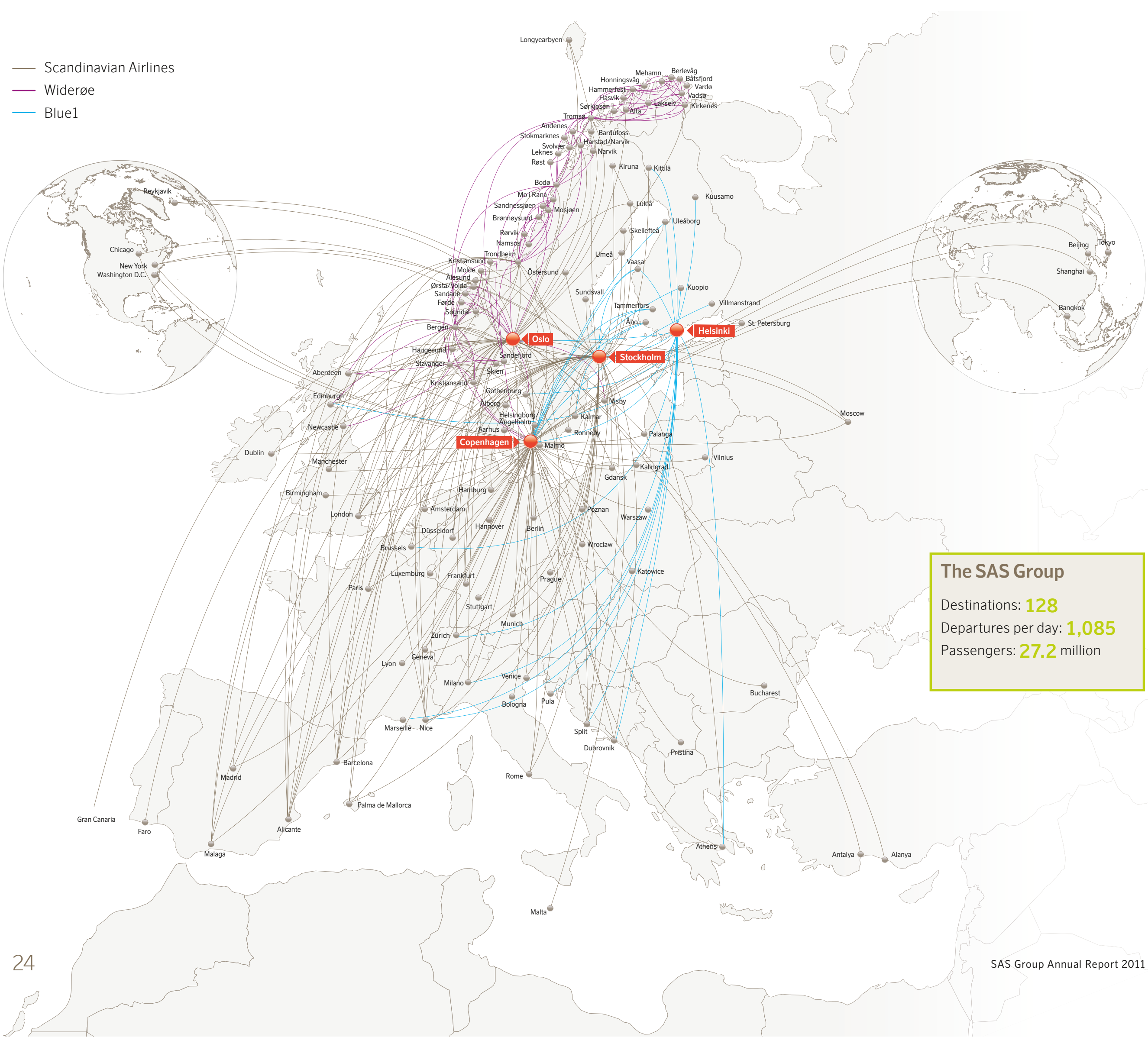
The operations have varying assignments and markets, but the same ambition – to make it easy for customers to reach their desired destination at the right time for the right price – whether they are travelling for leisure or business.

In 2011, SAS ensured that more than 27 million passengers (2 million more than in 2010) reached the right destination at the right time for the right price. The airline operations generated about SEK 41 billion amid tough competition from low-cost carriers and other means of travel.

SAS offers more departures, a wider network and greater punctuality than its competitors. This, in combination with simplicity both on the ground and in the air, creates added value for customers and competitive advantages for the Group.

SAS's operational structure





The SAS Group

Destinations: 128

Departures per day: 1,085

Passengers: 27.2 million

SAS's market

The Nordic region is SAS's home market and in 2011, the Group's three airlines flew to 128 destinations in Europe, the US and Asia. Scandinavian Airlines operates routes in Scandinavia and Europe, and between continents with hubs in Copenhagen, Oslo and Stockholm. Widerøe's main market is Norway and the airline conducts regional traffic with a substantial proportion of contract traffic, mainly in Northern Norway. Blue1's main market is domestic Finland and traffic between Finland and Scandinavia.

Market and capacity growth

The year opened with growing capacity in the market. This capacity soon proved to exceed demand, entailing tougher competition and lower load factors for many European airlines. From March, the earthquake in Japan had a substantially negative impact on Asian traffic and led to a sudden downward trend in demand. The subsequent recovery in demand was slow but at the end of 2011, demand was still lower than in the preceding year.

In 2011, flight capacity increased on a global basis by about 8.2%, according to the IATA. In Europe, the increase was about 10.2%. In SAS's home market, capacity increased about 7%, mainly in the Norwegian and Danish markets. Routes to and from North America and short-haul routes in Europe showed the greatest capacity increase, mainly driven by low-cost airlines.

In 2012, market capacity is expected to continue increasing. Official sources indicate that capacity in Scandinavia and the Nordic region could increase about 6%. The expected market growth in the medium-term is about 4–6%, according to external analysts.

The SAS Group's capacity

In 2011, the SAS Group increased its capacity by about 6.8%. Further capacity increases are planned for the 2012–2016 period through more effective utilization of the current aircraft fleet and by acquiring the A320neo. Competitors in SAS's immediate vicinity have placed aircraft orders with deliveries scheduled from 2018 and onwards. For more information about the SAS Group's fleet, see www.sasgroup.net.

Competitors

SAS is exposed to competition from both other airlines and other modes of transport. The Group's main competition in its home market in the Nordic region is from low-cost carriers and global network companies that see the Nordic region as a key feeder-market. The main competitors are Norwegian and the major European network airlines.

Market consolidation

In Europe, British Airways and Iberia merged in early 2011 and are now controlled by the parent company, International Aviation Group (IAG). Lufthansa and British Airways are also negotiating about the sale of British Midland to British Airways. If the merger is implemented, the European airline industry will consist of three main airline groups: Lufthansa Group, AirFrance/KLM and IAG.

The Star Alliance offering strengthened in the North American market during the year following the merger between United Airlines and Continental. At the end of 2011, American Airlines filed for bankruptcy protection in the US, which could entail further changes to the airline industry.

	Sweden	Norway	Denmark	Finland	Baltic States
Inhabitants, million[1]	9.5	5.0	5.6	5.4	6.9
SAS's market share	31%	51%	38%	9%	n/a
Proportion of Group sales	38%	23%	12%	4%	1%
GDP growth 2011[2]	4.1%	1.5%	1.1%	3.0%	4.4–6.5%
Number of aircraft in operation					
- Scandinavian Airlines	39	50	49	-	-
- Norwegian	12	36	8	3	-
- Widerøe	-	35	-	-	-
- Finnair	-	-	-	65	-
- Blue1	-	-	-	9	-
- Skyways	12	-	-	-	-
- Malmö Aviation	12	-	-	-	-
- Cimber Sterling	-	-	26	-	-
- Estonian Air	-	-	-	-	7
- airBaltic	-	-	-	-	34

1 Source: National statistics databases

2 Source: OECD Economic Outlook 90 database and SEB Eastern European Outlook, October 2011

n/a = information not available

The airlines' operations – Scandinavian Airlines

To, from and within Scandinavia

Scandinavian Airlines is the largest airline in the Nordic region in terms of revenue, passengers and flights.

The airline generated revenue of SEK 36.7 billion in 2011, and transported 22.9 million scheduled passengers to 90 destinations with 638 daily flights. The network is mainly dimensioned according to business travelers' needs, but leisure travel is a growing segment and represents a growing share of revenue. Scandinavian Airlines includes the SAS Cargo Group, SAS Ground Handling and Spirit.

Important events in 2011

- On January 25, 2011, Scandinavian Airlines was named the most punctual airline in Europe by independent flight data company, FlightStats.
- On June 20, 2011, Scandinavian Airlines ordered 30 Airbus A320neo aircraft, with the option of another 11 aircraft and delivery from the second half of 2016.
- In March 2011, Scandinavian Airlines launched the Oslo–New York route and another 22 routes during 2011.

Targets

The profitability requirement is an EBIT margin before nonrecurring items of at least 9%. The objective of reducing the unit cost by 3–5% per year in coming years was established within the framework of the new 4Excellence strategy. The environmental target for 2011 was 93, and the outcome was 94.

Earnings and traffic growth

During the first half of 2011, the economy recovered from the financial crisis but flattened again after the summer due to new financial woes, mainly in southern Europe. However, demand was favorable throughout the entire year and the load factor remained at a satisfactory level, although intense price pressure was noted during the third quarter which increased pressure on revenue. In addition, the fuel price showed an adverse trend with an average increase of just over 40%. The increased fuel price was partially offset by hedging the jet fuel. The unit revenue, RASK, declined at the end of the year due to lower revenue from passenger and freight activities. The weakened unit revenue was mitigated to some extent by continued effects from the Core SAS cost program. In 2012, the 4Excellence strategy – in addition to strengthening the customer offering – will also contribute to an annual 3–5% reduction of the unit cost.

Capacity increased 6.6% in 2011. The increase was noted in several route areas, with the largest increase in intercontinental and inter-Nordic routes and a greater investment in private travel destinations. Capacity will also increase in 2012, partly due to the phase-in of an eleventh intercontinental aircraft, which enables the opening of the Copenhagen-Shanghai route and 20 new routes primarily adapted for leisure travel. Capacity will also increase on Norwegian domestic routes.

In 2011, revenue increased 0.6% to MSEK 36,735. Despite the slow economy, profitability in Scandinavian Airlines improved due to cost enhancements, but the EBIT margin before nonrecurring costs of 2.6% did not meet the target of 9%.

Developed program for corporate customers

In 2011, SAS deepened relations with its corporate customers. This led to a substantial increase in the SAS Credits program of about 7,600 new corporate members, bringing the total number of members to 25,000. The program is specially designed for the needs of small and medium-sized companies. Relations with large Nordic groups were also developed through more flexible agreements. SAS is the main provider of flights for a number of Nordic and global businesses and, during the year, secured most contracts with Scandinavian governments. In total, contract customers represent about 40% of Scandinavian Airline's revenue.

EuroBonus news

The EuroBonus program has been developed. Points can now be used to buy food, drinks and products on board all scheduled flights and for gift vouchers from a range of restaurants, business chains and entertainment parks in Scandinavia and Finland. Service benefits were also developed: SAS introduced Smart Pass for all Gold Card members in Scandinavia. Smart Pass is an innovative solution that creates a smoother and faster flow at airports.

Punctuality and regularity

Scandinavian Airlines was the most punctual airline in Europe in 2011. Punctuality in 2011 was 88.9% and regularity amounted to 98.5%. The airline works proactively to maintain and continue improving punctuality and regularity.

Environmental efforts

In 2011, environmental targets – which are now a 20% reduction of our total emissions by 2015, compared with 2005 – were accelerated within the 4Excellence framework. Scandinavian Airlines is determined to attain this ambitious target and has introduced a number of activities within the framework of our environmental management system to secure their fulfillment.

Aircraft fleet

Scandinavian Airlines has a network of destinations with varied passenger volumes and distances, which requires an aircraft fleet with aircraft of varying size and range to make the offering attractive to business and leisure travelers. Scandinavian Airlines had 138 aircraft in operation at year-end and the fleet comprised 10 long-haul aircraft, 116 short-haul aircraft, and 12 regional jets. There are also four CRJ-200s on wet lease.

The average age of the aircraft fleet was 12.7 years. Scandinavian Airlines increased the operational fleet by two aircraft in 2011. The fleet was also renewed by the delivery of two new aircraft.

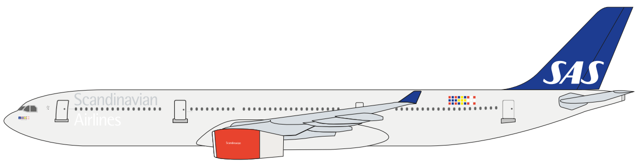
Flight operations

Scandinavian Airlines flight personnel totaled 2,528 cabin crew and 1,304 pilots. During the year, productivity increased 3% for cabin crew and pilots, due to renegotiated collective agreements and improved planning processes.

Operations in Scandinavian Airlines

SAS Ground Handling

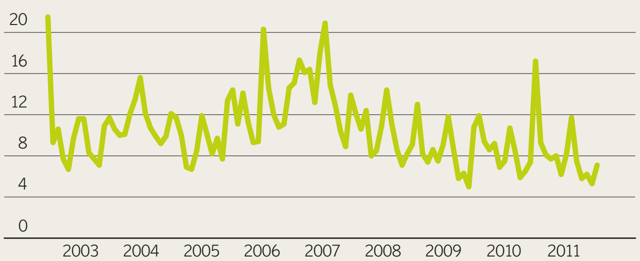
Ground handling is carried out internally in Scandinavia by SAS Ground Handling. Outside Scandinavia, these services are contracted. SAS Ground Handling is a leading developer of services that



enable fast and flexible check-in and boarding. Outsourced ground operations are carried out under the management or supervision of Scandinavian Airlines personnel. A relatively large portion of ground handling consists of services that are sold to other airlines that operate in Scandinavia, such as other airlines in Star Alliance. At the end of 2011, the remaining companies in Ground Handling will disincorporate and the entire operations will thus become part of Scandinavian Airlines.

Spirit
From the third quarter of 2011, air cargo operator Spirit was no longer recognized as a discontinued operation in Scandinavian Airlines since a discontinued operation is no longer relevant. Spirit is closely aligned with SAS Cargo in operational terms, but revenue is mainly attributable to external customers.

Delayed baggage, number per 1,000 passengers



In 2011, the amount of delayed baggage averaged 7.6 bags per 1,000 passengers. This was achieved despite the fact that SAS decreased the minimum time for baggage transfers at Copenhagen Airport to 25 minutes. This is the best result in the 2000s and demonstrates how SAS is raising its level of quality.

SAS Cargo Group
Cargo space in the Group's aircraft is marketed and sold through SAS Cargo, which is a market leader in airmail and air-freight to, from and within Scandinavia. The market for airmail and air-freight is highly sensitive to economic fluctuations, entailing that SAS Cargo has been impacted by the weakened economy since mid-2011. Due to lower volumes on the intercontinental and European routes, the number of transported tonne kilometers decreased 6%. Measured in tonne kilometers, airmail and air-freight traffic decreased 6.2% on intercontinental routes, despite increased capacity. However, freight on the Scandinavian domestic routes performed favorably and SAS Cargo strengthened its market position.

The total yield rose compared with 2010 due to increased freight on short-haul routes. However, Scandinavian Airlines' freight revenue decreased 5.4% compared with 2010 due to lower volumes on the intercontinental routes.

Financial key figures, MSEK

	2011	2010	2009[1]
Revenue	36,735	36,524	39,696
of which passenger revenue	26,179	25,833	28,613
EBITDAR	4,771	2,016	1,121
EBIT, operating profit	1,040	–1,698	–21,860
EBIT before nonrecurring items	952	595	–1,094
EBIT margin before nonrecurring items, %	2.6	1.6	–2.8
EBT before nonrecurring items	543	–33	–1 522

1 Excluding Spirit, which was recognized as a discontinuing operation.

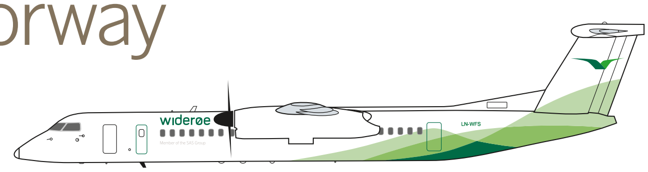
Operational key figures

	2011	2010	2009
Share of home market, %	36	37	39
Number of passengers, (000)	22,912	21,532	21,383
Passenger kilometers (RPK), mill.	24,839	23,494	23,241
Available seat km (ASK), mill.	33,306	31,254	32,440
Passenger load factor, %	74.6	75.2	71.6
Yield, currency adjusted, change, %	–2.0	–7.4	–5.2
Total unit cost, change, %	2.0	–7.8	–8.1
RASK, change, %	–1.3	–0.2	–7.3
Number of destinations	90	93	102
Average flight distance, scheduled, km	847	823	816
Number of aircraft (incl. leased)	147	159	172
Number of daily departures (average)	683	667	707
Aircraft, block hours/day	8.1	7.5	8.0
Pilots, block hours	650	630	550
Cabin crew, block hours	660	640	616
Regularity, %	98.5	96.6	99.3
Punctuality (% within 15 min.)	88.9	86.9	90.1

Other key figures

	2011	2010	2009
Environmental index	94	93	97
Carbon dioxide (CO_2), 000 tonnes	3,460	3,280	3,454
Nitrogen oxides (NOx), 000 tonnes	14.3	13.5	14.2
Average number of employees	13,479	13,723	14,438
of whom women, %	38	38	44
Total sick leave, %	7.0	7.1	7.1
Total no. of occupational injuries > 1 day sick leave	251	308	252

To, from and within Norway



widerøe

Widerøe is a wholly owned Norwegian subsidiary in the SAS Group that conducts regional, domestic and international traffic, and is based in Norway.

Significant events in 2011

- On January 12, 2012, the Norwegian travel and tourist industry voted Widerøe best airline in the Grand Travel Awards for the second consecutive year.
- On January 18, 2012, Widerøe was named best service company in 2011 by TNS Gallup.
- On September 29, 2011, Widerøe won second place in "Airline of the year" in European Regional Airline (ERA).
- Widerøe consolidated the acquired routes in Vestlandet, which were previously served by Fokker 50s, from Scandinavian Airlines.
- Widerøe opened routes between Bergen–Skien on March 1, 2011, Oslo–Sandnessjøen on June 27, 2011, and Copenhagen–Kristiansand/Haugesund on October 30, 2011.
- In connection with a new tendering of airlines in the Norwegian short-haul network, Widerøe secured two new routes to Florø, but lost four routes to Lofoten and Narvik, from April 1, 2012.

Targets

The long-term financial target is to achieve an EBIT margin of at least 7%. The environmental index target for 2011 was 81, and the outcome was 82.

Earnings and market performance

Due to the transfer of Vestlandstrafiken from Scandinavian Airlines, as well as new routes and greater frequencies, Widerøe's capacity increased 17.1% during the year. Capacity was increased by the phase-in of new aircraft and enhanced resource utilization. Demand on the new routes was favorable and the number of transported passengers increased 19.1%. At the same time, the market for passengers to, from and within Norway increased 9.5%. However, a certain slackening in demand was noticed in the last quarter. The load factor improved 0.2 percentage points to 59.8% and was the second-highest ever noted.

In 2011, procurements were conducted for 19 destinations in Norway, on routes that are not possible to operate commercially. A total of eight airlines took part. In contrast to earlier years, Widerøe secured the right to operate two new routes to Florø for the first time since 2000, but also lost four routes to Lofoten and Narvik, which Widerøe had operated for 40 years. The routes are scheduled to start on April 1, 2012.

During the year, Widerøe continued its efforts to improve efficiency and adapt the operations to increased competition, entailing a 9% lower unit cost. The hourly costs in most of Widerøe's operational areas decreased or remained unchanged, while aircraft utilization increased. Cost-efficiency measures will continue in 2012.

In 2011, revenue increased 8.7% to MSEK 3,775 due to more passengers. The yield fell 2%. At the same time, operating expenses increased 2.7% to MSEK 3,071 as a result of increased capacity. EBT before nonrecurring items improved MSEK 238 to MSEK 430, which is the highest figure in the company's history. The EBIT margin before nonrecurring costs amounted to 11.5%, which is 4.5 percentage points above the target and 5.5 percentage points higher compared with 2010.

Financial key figures, MSEK

	2011	2010	2009
Revenue	3,775	3,473	3,329
of which passenger revenue	2,796	2,499	2,403
EBITDAR	704	482	323
EBIT, operating income	435	210	34
EBIT before nonrecurring items	435	210	34
EBIT margin before nonrecurring items, %	11.5	6.0	1.0
EBT before nonrecurring items	430	192	57

Operational key figures

	2011	2010	2009
Share of home market, %	17	13	13
Number of passengers, (000)	2,536	2,130	2,053
Passenger kilometers (RPK), mill.	811	691	666
Available seat km (ASK), mill.	1,355	1,157	1,102
Passenger load factor, %	59.8	59.7	60.5
Yield change, %	–2.0	1.9	4.0
Total unit cost, change, %	–9.0	–7.7	–3.0
RASK, change, %	–1.8	–0.9	3.5
Number of destinations	47	47	43
Average flight distance, scheduled, km	253	226	221
Number of aircraft	38	33	30
Number of daily departures (average)	317	273	269
Aircraft, block hours/day	6.7	6.0	6.2
Pilots, block hours	455	420	414
Cabin crew, block hours	474	441	413
Regularity, %	96.1	95.7	97.1
Punctuality (% within 15 min.)	86.5	89.2	89.6

Other key figures

	2011	2010	2009
Environmental index	82	90	82
Carbon dioxide (CO_2), 000 tonnes	161	143	129
Nitrogen oxides (NOx), 000 tonnes	0.6	0.5	0.4
Average number of employees	1,216	1,186	1,203
of whom women, %	33	31	33
Total sick leave, %	5.8	5.3	5.1
Total no. of occupational injuries > 1 day sick leave	8	6	15

Aircraft fleet

In December 2011, Widerøe's aircraft fleet comprised 35 Q100/Q300/Q400/Q400NGs. The aircraft fleet was expanded by three Q400NG during the year. The average age of the aircraft fleet was 14.1 years. The smaller Q100 and Q300 aircraft fly mainly on the contracted short-haul routes, while the larger Q400/Q400NG aircraft serve the large airports.

Link between Finland and Scandinavia

Blue1 is a wholly owned Finnish subsidiary in the SAS Group that flew 86 daily flights to 28 destinations in 2011.

Significant events in 2011

- In September, Blue1 adapted capacity to the new market landscape and several European routes were closed down, while Blue1 increased capacity in the Nordic region.
- On October 31, Blue1 began flying the Tammerfors–Copenhagen route.
- In December, 2011, Blue1 announced that the company will launch new direct routes to Copenhagen from Kittilä, Kuopio, Uleåborg, Vaasa, Villmanstrand and Åbo, as well as to Stockholm from Björneborg, Kokkola and Uleåborg.
- From September, due to reduced capacity, the number of employees was adapted to the new production platform, with staff cuts in all personnel groups.
- In August, the phase-in of the Boeing 717 aircraft was concluded as a step in the simplification of the aircraft fleet.

Targets

The long-term financial target is to achieve an EBIT margin of at least 7%. The environmental index target for 2011 was 80, which corresponds to the outcome.

Earnings and market performance

The competitive situation in the Finnish domestic market intensified considerably in 2011, which led to substantial over-capacity on the Helsinki to Uleåborg, Rovaniemi, and Kittilä routes, and the Helsinki to Ivalo routes. Competition also increased between Helsinki and several destinations in Scandinavia and Europe. The sharply growing capacity was stimulated by increased travel to, from and within Finland and the market grew almost 15% until the third quarter of 2011. However, market growth subsequently declined due to the European financial crisis.

During the first half-year, Blue1's capacity rose 22.7% but the implementation of substantial capacity adjustments during the second half-year entailed that total capacity only increased 4.1% for the full-year. Passenger traffic remained at the same level as the preceding year, leading to a decline in the load factor of 2.8 percentage points. The number of passengers amounted to 1.8 million, an increase of 12.2% compared with the preceding year. Unit revenue decreased 2.4% due to overcapacity in the market and substantially increased competition. The unit cost rose 14%, which was largely attributable to a relatively higher proportion of domestic and Scandinavian traffic with shorter average flight lengths compared with European traffic.

In 2011, revenue declined 7.5% to MSEK 1,658, a result of capacity adjustments during the second half-year and continued yield pressure. Operating costs, excluding restructuring costs, rose 8.0% to MSEK 2,030. Several result-improvement measures were introduced during the second half-year, for both revenue and costs. EBIT before nonrecurring items amounted to MSEK –482 (–197), a deterioration of MSEK 285. The performance decline is mainly attributable to the lower yield and increased fuel costs. Earnings were impacted by nonrecurring costs pertaining to training for pilots and cabin and conversion costs for the technical organization in Blue1. These unit costs totaled MSEK 80.

Financial key figures, MSEK

	2011	2010	2009
Revenue	1,658	1,792	1,819
of which passenger revenue	1,522	1,606	1,658
EBITDAR	–441	–109	–85
EBIT operating income	–562	–219	–205
EBIT margin before nonrecurring items	–482	–197	–198
EBT before nonrecurring items, %	–29.1	–11.0	10.9

Operational key figures

	2011	2010	2009
Share of domestic market, %	18	17	17
Number of passengers, (000)	1,758	1,566	1,463
Passenger kilometers (RPK), mill.	1,525	1,527	1,321
Available seat km (ASK), mill.	2,343	2,250	2,029
Passenger load factor, %	65.1	67.9	65.1
Yield, change, %	0.7	–6.7	–12.0
Total unit cost, change, %	14.0	–1.1	–2.7
RASK, change, %	–2.4	–1.7	–12.7
Number of destinations	28	29	24
Average flight distance, scheduled, km	748	792	719
Number of aircraft	14	15	13
Number of daily departures (average)	86	68	66
Aircraft, block hours/day	7.9	7.4	7.8
Pilots, block hours	634	612	617
Cabin crew, block hours	734	729	732
Regularity, %	98.1	98.1	97.8
Punctuality (% within 15 min.)	84.7	79.5	87.9

Other key figures

	2011	2010	2009
Environmental index	80	79	86
Carbon dioxide (CO_2), 000 tonnes	242	231	210
Nitrogen oxides (NOx), 000 tonnes	0.8	0.8	0.7
Average number of employees	402	416	430
of whom women, %	47	49	52
Total sick leave, %	4.7	6.4[1]	6.7
Total no. of occupational injuries > 1 day sick leave	13	13	5

1 Method adjustment

Aircraft fleet

The Avro aircraft were taken out of operation in September. At the end of 2011, Blue1's aircraft fleet comprised nine Boeing 717s. The average age of the fleet is 11.3 years. Blue1 has also wet-leased two ATR 72s and four SAAB 2000s for production on short regional routes in Finland and Sweden.

Quality and safety

Always top priority

Flight safety activities require constant focus. An effective safety culture is vital for achieving success in safety activities.

SAS works systematically to improve the safety culture at all levels of the organization.

A cornerstone of these efforts is to continually learn from good and bad experiences, so that both individuals and the organization can develop and contribute to the constant reduction of SAS's risk exposure. Regularly conducted surveys show that the safety culture in SAS is high.

SAS strives for a prominent position in the airline industry, with a well-developed safety culture. This will be perceived as a natural ambition for both SAS customers and employees.

Development of safety activities in 2011

In line with new requirements from aviation authorities as of next year, SAS will continue to develop a systematic safety management system for flight safety. The management system includes all operational components, such as organizational structure, responsibility, focus and procedures. The improvement process in the system is based on planning, implementing, monitoring and rectifying.

In 2011, SAS underwent a major organizational change with the purpose of achieving a simpler and more transparent organization with common safety management system activities and, accordingly, greater efficiency at all levels. SAS's safety management system has developed from being reactive to proactive, and become predictive. Data systems for gathering information and conducting analyses have been further developed. The information compiled ranges from flight operations, training crews, station activities, technical maintenance and aviation security. This information is compiled in a hierarchical system of objective "safety performance indicators," which show how well the daily operations are progressing in relation to the safety targets that SAS has identified.

The diagram of risk exposure shown by the objective indicators is regularly complemented with subjective valuations based on the knowledge and experience that exists within the organization.

To further support the development of a predictive safety management system, all airline companies in the SAS Group have introduced a new risk method, Airline Risk Management Solutions, which has been jointly developed by a number of airline companies and aircraft manufacturers. By developing the system in real time, SAS is the only airline company in the world that can follow the safety level in the system. In the long term, this will be advantageous with the purpose of conducting comparisons with other aviation associations. Through STEADES, SAS participates in an international collaboration comprising measurements of what can be considered acceptable risk exposure.

SAS has integrated a "fatigue risk management system" in its management system to monitor fatigue in flight crews. Crews send information that is registered and analyzed. As a result of this work, proactive measures have been implemented in the scheduling of pilots and cabin crews. An analysis via Boeing Alertness Model shows that SAS's scheduling contributes to the prevention of these problems.

The SAS Group

The airlines in the SAS Group have a high flight-safety level with committed employees at all levels. All airline companies in the Group are IATA Operational Safety Audit (IOSA) certified, which can be compared with ISO 9000. Maintaining the certification requires approval by the IATA every second year after the original audit.

Companies in the SAS Group only initiate code-share collaboration with airline companies that are IOSA certified or the equivalent.

IT security

SAS's operations place increasingly higher demands on greater service and flexibility. At the same time, the world is changing and computer hacking and IT sabotage are becoming organized and driven by financial motives. This places greater demands on the IT operations to deliver in a flexible and secure manner.

SAS is running a program for handling PCI-DSS (Payment Card Industry – Data Security Standard) to reduce SAS's risk exposure. This is progressing well and according to plan, and will largely be completed in 2012.

Effective IT security enables Confidentiality, Accuracy, Availability, Traceability and Authenticity in our IT environment.

Vision Monitor

In 2011, the SAS Group introduced Vision Monitor, a new and advanced system to measure safety levels. SAS is thus the first airline company in the world to see this information in real time. Due to this new system, a new scale/index has been introduced, entailing that the risk index of Vision Monitor is not comparable with risk indexes from preceding years.

Safety planning and the introduction of safety systems are vital for mitigating and minimizing risks in flight operations. SAS uses this new safety system to gather and aggregate information into a real-time overview of the Group's safety level. This helps SAS foresee potential risks.

Reported deviations Scandinavian Airlines	(green)	(yellow)	(red)
Flight Operations, %	0.72	0.01	0.008
Ground Operations, %	0.52	0.003	-
Technical Operations, %	0.30	0.003	0.004
Aviation Security, %	0.13	0.0004	-
Total in 2011 as a % of the total number of flights (248,681)	**1.67**	**0.016**	**0.0012**

(green) Events that occurred where the remaining safety margin was extremely effective. Normal monitoring is the only action required.

(yellow) Events that occurred where the remaining safety margin was limited. Risk evaluation plus appropriate actions were adopted for continued operations.

(red) Events that occurred where the safety margins were minimal or ineffective. This group includes slightly more serious events (such as engine failure during takeoff). Such incidents must be managed immediately to ensure that this is an isolated incident and does not affect continued airline operations.

Three events with red-rated risk during 2011:

- B737. Reduced take-off thrust in one engine. Managed as a "Company Investigation".
- A330, New York. Aircraft approaching start position after go ahead-signal from air-traffic control tower while another aircraft is taking off. The aircraft had time to stop before entering the tarmac. Under investigation by US authorities.
- An air hostess was injured when the aircraft experienced serious turbulence. Hospital care.

Regulations in change

Political and administrative decisions at national or EU level can have major strategic and financial significance for the Group. SAS works individually and through IATA and AEA to influence developments.

Economic significance of aviation

Aviation is strictly regulated and subject to many charges. There is a general lack of understanding for the significance of aviation in society, in terms of its contribution to employment, economic prosperity, quality of life and mobility. Accordingly, IATA, in collaboration with Oxford Economics, has published a series of reports that describe the significance of aviation for various countries. The reports for Sweden, Norway and Denmark will comprise a key component in our continued efforts to influence perception.

Developments in the EU

Single European Sky II (SES II) is legislation aimed at handling the growing traffic volumes in European air space more efficiently and at lower costs. During the year, all member states submitted their national plans for how the targets will be achieved locally. However, the accumulated local targets do not comply with the EU's overall targets. The lack of ambition shown by several of SAS' key member states, including Denmark and Sweden, contribute to increased costs for SAS.

Single European Sky ATM Research (SESAR) is the technical and operational dimension of SES II. The investment for the program is expected to be EUR 30 billion by 2020. In contrast to infrastructure development on the ground, there are no initiatives to date from governments of the member states concerning the financing of SESAR. Since the European airlines cannot carry the costs for the project single-handedly, there is currently a major question mark surrounding how they can be realized. Considering that SESAR is the largest infrastructure project for aviation in modern times, with respect to the positive environmental effects, public financing is vital.

The "Airport" Package is a European Commission action plan that aims to rectify expected lack of capacity at European airports. The plan contains new and revised regulations for slots, groundhandling and noise. The proposals, which are partly problematic and driving costs, will be subject to intensive debate during the coming year.

The European Aviation Safety Agency (EASA) is responsible for flight safety in the EU. Work during the year included regulations concerning working hours for crews, licensing provisions and code sharing. Unfortunately, the agenda has become increasingly politically-motivated, beyond the flight-safety-related exercise of an official authority. The EASA often initiates cost-driving projects with no bearing on flight safety.

Trading of emission rights

All air traffic to/from and within the EU will be included in the EU's Emission Trading Scheme (ETS) from January 1, 2012. Accounting for 2012 will then take place not later than March 31, 2013. The system has received massive criticism from non-EU countries, as well as non-European airlines. It is considered to breach the Chicago Convention on a country's complete and exclusive sovereignty over airspace above its territory. Several legal and political processes are currently ongoing and there is a risk that the conflict will develop into a trade war. SAS considers the ETS to be an effective system for managing the environmental impact of aviation but that it must be global to be effective and to avoid political conflicts.

EuroBonus for domestic flights in Norway

In December 2010, the Norwegian Competition Authority (Konkurransetilsynet) initiated an analysis of whether the current ban on loyalty programs on domestic flights in Norway should be upheld. In early February 2012, the authority presented its recommendation that the ban would remain on all domestic routes except for Oslo–Trondheim, Oslo–Stavanger and Oslo–Bergen. SAS considers the authority's recommendation completely unacceptable and that the ban must be lifted. A formal decision will be presented by the Ministry of Government Administration, Reform and Church Affairs in 2012.

Infrastructure costs

The airlines pay government user fees for the infrastructure provided for conducting a flight, such as access to airports and air traffic control. In 2011, these expenses amounted to MSEK 7,384 of which MSEK 5,718 comprised fees to airports.

The increasing portion of the total ticket price comprised by government user fees is a growing problem for the industry. In 2008, government user fees comprised an average 17.5% of the price that passengers paid to fly with Scandinavian Airlines. In 2011, the portion was about 20.5%.

The general lack of pressure on infrastructure owners does not encourage them to deliver their services more cost-efficiently. However, in 2011, the EU has issued a new directive for government user fees that aims to prevent the abuse of a dominant position. For air traffic control services in European airspace, the EU has introduced a comprehensive performance plan with real demands on the suppliers to each of the member states. This will become effective in 2012.

SAS Group infrastructure costs 2011, MSEK

	Government user fees	Overflight fees	Total
Scandinavian Airlines			
Denmark	1,069	161	1,230
Norway	1,623	263	1,885
Sweden	700	344	1,044
International	1,509	691	2,200
Scandinavian Airlines, total	**4,901**	**1,459**	**6,359**
Widerøe & Blue1	817	208	1,024
SAS Group total	**5,718**	**1,667**	**7,384**

The table below shows SAS's infrastructure costs, or the total costs for infrastructure use and passenger charges. Note 4 pertains to government user fees, which comprise charges that are not infrastructure-related and exclude passenger charges.

Continuous risk management

The SAS Group works continuously to reduce the operations' exposure to known and unknown risks. Risk management also comprises positioning SAS for opportunities in connection with changes in currencies, for example, or jet fuel prices.

Overall risks are monitored and identified centrally and followed-up with policies that aim to control the risks. Flight safety is the SAS Group's highest priority and is described in more detail on page 30.

Developments in 2011

By working for a larger portion of variable costs, the SAS Group strives to handle unforeseen events with as little negative impact as possible. During the year, SAS introduced a staff pool that is used for SAS's capacity increase with a reduced risk exposure. A number of external events also impacted the SAS Group in 2011. The two largest single events were the effects of the earthquake disaster in Japan in March 2011 and the financial crisis in Southern Europe. SAS has stable financial preparedness and effective decision-making processes, which provide sufficient resources for unexpected events.

Risks and management

Market and other risks mainly impact demand and are mitigated by greater flexibility in the cost base to enable rapid adaptation of the production volume. The SAS Group's exposure to various markets and customer segments helps to reduce the risk level but increases exposure to extraordinary events in the business environment.

Operating risks are related to factors that can constitute a hinder to production. These can rapidly lead to major loss of revenue for an airline company. The relationship between executive management and unions has been strengthened by working purposefully with the corporate culture and codes of conduct. The Group is exposed to risks that are connected to the organization and its employees. Regulation of the airline industry entails that airline companies are also exposed to political decisions that can impact operating expenses. There is a strong environmental opinion that benefits companies with efficient sustainability efforts, while new financial averages of control can involve initial costs. SAS's decision to invest in the Airbus A320neo positions and minimizes SAS's future risks.

Market risks	Impact	Risk management	Outcome 2011	Read more
Macroeconomic development Demand in the airline industry is strongly correlated to economic growth.	Threat: High Positive effect: Average	Focus on flexibility in the fixed costs through an effective mix in the aircraft fleet and collective agreements.	The financial crisis had an adverse effect on earnings in the second half-year. SAS ordered 30 Airbus A320neos, which will contribute toward a harmonized aircraft fleet and lower costs by 2016.	Pages 10–11, 18–21
Market impact The Group is active in several markets and impacted by various business cycles, which reduces exposure. The Group is particularly sensitive to global trends.	Threat: Average Positive effect: Average	The Group is adapting its production to ensure the right capacity in each market to reduce the business risk.	In 2011, traffic growth was favorable in Scandinavia but the yield fell, particularly during the second half-year, due to a decline in business travel.	Pages 10–11, 13–21
Competition and price performance The airline industry is subject to intense competition from new companies that enter the market. Changed customer behavior and increasing numbers of low-cost carriers in the SAS Group's home market intensify competition.	Threat: High	To address this, SAS must lower its costs to a competitive level, and offer added value compared with low-cost carriers.	The unit cost excluding jet fuel fell 3.7% in 2011. The objective is to lower the unit cost 3–5% per year in the future.	Pages 13–21
Capacity changes Due to long delivery times, aircraft orders are based on long-term forecasts. This can lead to over or under-capacity and affect prices.	Threat: Average Positive effect: Low	Being a market leader in Scandinavia creates opportunities for controlling capacity changes. Utilization of short-term leases to adapt capacity and demand.	Capacity increase in the market was higher than demand.	Page 25

Other risks	Impact	Risk management	Outcome 2011	Read more
Natural disasters, terror attacks, conflicts and epidemics Airline companies are generally heavily impacted by extraordinary events around the world.	Threat: Low		The earthquake disaster in Japan in March 2011 had an adverse impact on demand in the Japanese market.	

Legal risks
In November 2010, the European Commission decided to impose fines amounting to MEUR 70.2 for SAS Cargo. Fines of MSEK 660 were charged to the Group's earnings for the third quarter of 2010 and the Group's liquidity in the first quarter of 2011. Due to the European Commission's decision, SAS and the other airline companies that were fined are now involved in various civil lawsuits in Europe (the UK, Netherlands and Norway). SAS has appealed the European Commission's decision, contesting responsibility in all legal processes. Further lawsuits by cargo customers cannot be ruled out and no reserves have been made.

In April 2010, 33 SAS pilots submitted a joint application for a summons against SAS. The summons application requested that certain terms of employment be declared void and rectified and that SAS be ordered to pay damages. The complainants are former employees of Linjeflyg, who became SAS employees when Linjeflyg was acquired by SAS in 1993. They claim that the terms of employment are discriminatory and breach the law on free movement within the EU for employees. SAS contests these claims in their entirety, assesses the risk for a negative outcome as limited and no reservations have been made.

Sensitivity analysis

Airline operations, annual effects	Group total	Scandinavian Airlines	Widerøe	Blue1
Passenger traffic – 1% change of RPK, MSEK	230	200	20	10
Load factor – 1 percentage point change, MSEK	320	260	40	15–20
1% change in passenger revenue per passenger kilometers (yield), MSEK	310	260	30	15–20
1% change in the airline operations' unit cost, MSEK	350	300	25	20–25
1% change in the price of jet fuel, MSEK	78	70	4	4
1% change in consumption of jet fuel, equivalent to 1,000 tonnes of CO_2	39	35	2	2

Operating risks	Impact	Risk management	Outcome 2011	Read more
Employee turnover SAS remains one of the most attractive workplaces in the Nordics.	Threat: Low Positive effect: Low	PULS analysis.	PULS results showed improvements in employees' attitude toward SAS as an employer.	Pages 22–23
Strikes Historically, the airline industry has been severely affected by labor market disputes.	Threat: Low	Improved relations with employees and unions under Core SAS.	No strikes directed toward Scandinavian Airlines as an employer.	Pages 22–23
Incidents and crashes The airline industry is exposed to aircraft accidents.	Threat: Low	Safety is top priority. Constantly working for improvement. Extensive reporting culture.	Three incidents with red-level risk during the year.	Page 30
Crime and fraud The companies may be exposed to crimes that can have both an economic and material impact.	Threat: Low	Code of Conduct, internal control, audits, safety activities.	No material crime or fraud directed toward SAS during 2011. An ongoing legal case involving specific individuals was initiated in 2011 in relation to earlier events.	
IT security SAS is dependent on IT for its financial transactions and operating activities.	Threat: Average	Effective IT security secures confidentiality, accuracy, availability, traceability and authenticity.	The operations were not affected by any computer hacking.	Page 30

Environmental risks	Impact	Risk management	Outcome 2011	Read more
Environmental directives and requirements Laws and regulations, as does public opinion, place demands on reduced environmental impact.	Threat: Low Positive effect: Low	SAS is committed to sustainability and works actively to reduce its environmental impact.	SAS increased its carbon dioxide emissions per passenger kilometer from 121 to 122 grams in 2011.	Pages 40–43 and website

Legal and political risks	Impact	Risk management	Outcome 2011	Read more
Taxes and fees directed at the airline industry The airline industry is subject to fees for starting, landing and overflights.	Threat: Average	Active dialogue and negotiations with authorities and organizations.	The unit cost of government user fees for Scandinavian Airlines rose 0.6% in 2011.	Page 31
Compliance risks Infringement of laws or internal regulations.	Threat: Average	Internal policies and regulations, internal guidelines and the Code of Conduct.	No legal case of any significance impacted SAS in 2011.	Page 89

Risks and risk management

Financial risks such as changes in exchange rates, interest rates and fuel prices are managed via hedging, which mitigates short-term fluctuations and provides scope for handling level changes. The price of jet fuel increased during 2011 and comprised 20.2% (16.2%) of the Group's operating expenses, including leasing. The SAS Group's policy to hedge jet fuel entails that hedging can take place up to 18 months in advance. Between 40–80% of the Group's forecast jet fuel needs for the next 12 months are hedged.

Net currency effect and interest-rate sensitivity revenues and expenses, MSEK

	Group total
1% weakening of SEK against USD	–80
1% weakening of SEK against NOK	+55
1% weakening of SEK against DKK	–5
1% weakening of SEK against EUR	+5
1% weakening of SEK against JPY	+6
1% weakening of SEK against GBP	+8
1 percentage point drop of average interest rate	+22

Hedging of jet fuel 2012

	Q1	Q2	Q3	Q4
Hedging of jet fuel	60%	51%	51%	47%

Estimated jet fuel cost 2012, SEK billion

Market price	5.0 SEK/ USD	6.0 SEK/ USD	7.0 SEK/ USD	8.0 SEK/ USD
600 USD/tonne	4.5	5.4	6.3	7.2
800 USD/tonne	5.5	6.6	7.7	8.8
1,000 USD/tonne	6.6	8.0	9.3	10.6
1,200 USD/tonne	7.4	8.9	10.4	11.9
1,400 USD/tonne	8.2	9.9	11.5	13.0

The SAS Group's hedging of jet fuel and reported fuel costs at December 31, 2011, were taken into account.

Currency risks

Due to international exposure, SAS's operations are impacted by exchange-rate fluctuations in several ways.

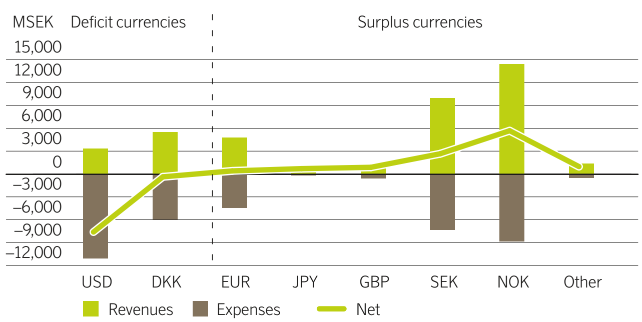
Effects on currency flows, transaction risk

Deficit currencies are currencies where the Group has higher expenses than revenues. A weakening of SEK against USD, for example, which is a deficit currency, has a negative impact on earnings, when exchange-rate-driven cost increases are not offset by rises in revenue. In December 2011, SAS had hedged 62% of the expected USD deficit for the next 12 months. The reverse applies for NOK, which is a surplus currency. By securing 40–80% of foreign currencies at a pre-determined price, also known as "hedging", the effect of exchange-rate fluctuations is mitigated in the short term.

Effects of remeasuring, translation risk

When assets and liabilities that are booked in currencies other than SEK are remeasured using a new exchange rate, earnings are usually impacted. However, currency hedging and loans for financing aircraft can be recognized as other comprehensive income, under certain conditions. Earnings are not impacted until the asset is divested, but is normally mitigated by the asset's changed market capitalization. See Note 28 on page 77.

Currency breakdown in the SAS Group



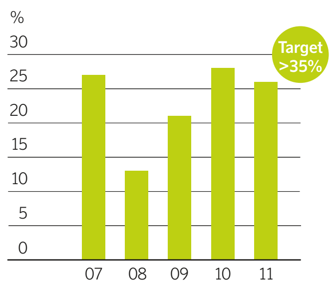
Financial risks	Impact	Risk management	Outcome 2011	Read more
Counterparty losses SAS is exposed through credits, lease agreements and guarantees to external parties.	Threat: High	Exposure is regulated by a financial policy.	SAS's impairments corresponded to SEK 1.7 billion due to the bankruptcy of Spanair.	Note 28
Liquidity risk The airline industry is seasonal, which affects cash flow during the year.	Threat: Low	According to SAS's financial policy, the target is financial preparedness of at least 20% of revenues, with at least half in cash and cash equivalents.	SAS's financial preparedness was above the target for the full-year, and 21% in December 2011.	Note 28
Fuel prices Jet fuel comprises about 20% of the Group's operating expenses including leasing, which exposes the company to changes in price.	Threat: High Positive effect: High	Hedging of 40–80% of consumption for the next 12 months.	The average price of jet fuel increased 40% during the year. Including hedging, SAS's jet fuel prices rose 25%.	Note 28
Interest rates The airline industry is capital-intensive and the company is a net borrower. This exposes the company to interest-rate changes.	Threat: Low Positive effect: Low	A financial policy that regulates the proportion between variable and fixed interest rates. The objective is that the liability will have a fixed term of 3.5 years.	Net interest fell MSEK 45 due to lower average interest-bearing liabilities.	Note 28
Exchange rates A considerable part of revenues, expenses and assets/liabilities is in currencies other than SEK, generating exchange-rate effects.	Threat: Average Positive effect: Average	Hedging of foreign currencies. 40-80% of USD deficit are hedged on a rolling 12-month basis.	Exchange-rate effects of MSEK 1,945 impacted the Group positively compared with 2010.	Note 28

Financial preparedness of SEK 8.9 billion

A favorable financial position is important in an industry with exposure to as many risks as the airline industry. Accordingly, a number of targets have been established, ranging from liquidity and income measures to debt/equity ratios. SAS prioritizes a strong financial position and high level of preparedness and, over the past three years, has implemented major cost savings, completed rights issues and issued bonds in order to achieve its targets. SAS is now accelerating the 4Excellence strategy with earnings-improvement measures corresponding to SEK 5 billion in 2012–2013.

Targets and descriptions

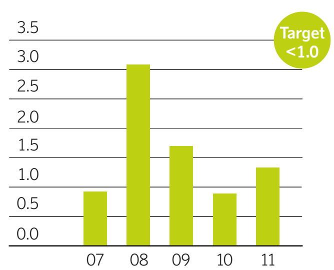
Adjusted equity/assets ratio
The SAS Group's adjusted equity/assets ratio will exceed 35% and is calculated by dividing equity with the total capital employed plus seven times the annual operational leasing cost. For companies with a high proportion of leasing, this measurement shows the real financial resistance better than the standard equity/assets ratio.



Target attainment

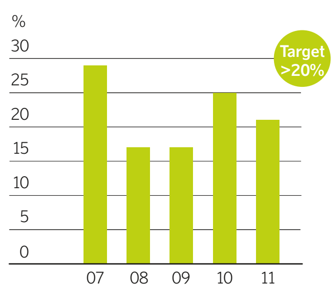
At December 31, 2011, the adjusted equity/assets ratio was 26%. SAS implements profitability-enhancement measures in 4Excellence that aim to strengthen the adjusted equity/assets ratio.

Adjusted debt/equity ratio
SAS's adjusted debt/equity ratio will be lower than 1.0. The adjusted financial net debt is calculated as the financial net debt plus capitalized leasing costs (x 7) in relation to equity and non-controlling interests.



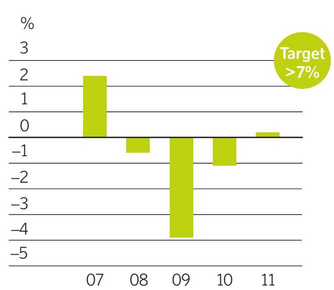
The target set for the adjusted debt/equity ratio was achieved for the majority of 2011 but amounted to 1.33 at year-end.

Financial preparedness
SAS's financial preparedness, which comprises cash and cash equivalents as well as contracted loan commitments, will exceed 20% of revenue.



At December 31, 2011, financial preparedness amounted to SEK 8.9 billion, of which cash and cash equivalents were SEK 3.8 billion and total unutilized credit facilities were SEK 5.1 billion. This provided a financial preparedness level of 21%.

EBT margin before nonrecurring items
The EBT margin shows income before tax as a percentage of the year's revenue. The SAS Group's target is an EBT margin of at least 7% measured over a business cycle. The measurement reflects a CFROI of about 25%.



In 2011, the EBT margin amounted to 0.2%. SAS is accelerating efforts within the framework of the 4Excellence strategy with earnings-improvement measures corresponding to SEK 5 billion in 2012–2013.

Financial targets and financing

Financing
To maintain the Group's financial strength, five loans were taken and one private placement was made in 2011. In February, an EMTN of MEUR 40 maturing in 2017 was issued at a floating rate, currently 4.90%. In March, two bond loans were issued totaling about SEK 2 billion, comprising a loan of MSEK 1,300 at a coupon rate of interest of 10.5% and one loan of MEUR 75 at a coupon rate of interest of 9.65%, both loans mature in 2014. During the final quarter of the year, aircraft were financed in a total amount of about MUSD 91 primarily through replacement finance.

The SAS Group uses commercial paper, bank loans, bond loans, convertible bond loans, subordinated loans and leasing as sources of finance. At the end of 2011, the Group had contracted credit facilities of MSEK 7,004, of which MSEK 5,093 was unutilized. At year-end, the Group's interest-bearing liabilities amounted to MSEK 13,338 (11,897). Amortization in 2011 amounted to SEK 2.6 billion. The year's borrowing amounted to SEK 3.4 billion. At the end of 2011, the Group's capitalized net leasing cost was (x 7) MSEK 9,401 (9,989) and the present value of leasing contracts was MSEK 6,302 (6,328).

Fixed-rate period
On December 31, 2011, the SAS Group's financial net debt amounted to MSEK 7,017 (2,862). The average fixed-rate period for the financial net debt is governed by SAS's financial policy and should amount to about 3.5 years. The average fixed-rate period during the year was 3.7 years.

Creditworthiness
SAS is rated by three credit-rating agencies – Standard and Poor's, Moody's and the Japanese agency, Rating and Investment Information Inc, whose ratings and outlooks remained unchanged in 2011. Certain changes pertaining to the rating outlook took place during the year. In February 2012, Standard & Poor's outlook changed from "stable" to "negative".

The SAS Group's cash and cash equivalents are held in instruments with good liquidity or short maturity with credit ratings not lower than A3/P–1 according to Moody's, or A-/A-1 according to Standard & Poor's.

Investments and sales
Investments for the year amounted to MSEK 2,041 (2,493), of which MSEK 1,359 pertained to aircraft, other flight equipment and prepayments. In 2011, the SAS Group purchased seven aircraft. One Bombardier Q100, three Bombardier Q200s and one Bombardier Q400 NG were acquired for Widerøe. Two Boeing 737s were repurchased from operating lease, of which one was sold in 2011.

In 2011, a total of seven aircraft were sold.

Working capital
Since operating liabilities exceed assets, the SAS Group has a positive net working capital that amounted to about SEK 8.1 billion (9.9) in December 2011. Changes in balance-sheet items in working capital are continuously reported and analyzed internally. SAS optimizes, manages and monitors its working capital by running projects that aim to release capital.

In 2011, cash flow from operating activities amounted to MSEK –482, of which MSEK 734 is cash flow from operations and MSEK –1,216 derives from changes in working capital.

Other undertakings and assets with regard to SAS's financial plan
Defined-benefit pension plans

Most of the Group's pension plans are defined-benefit plans managed by insurance companies. Defined-benefit pension plans in Sweden are managed by Alecta for white-collar employees and cabin crews and by Euroben for pilots. In Norway, all employees have defined-benefit pension plans, which are managed by Vital. There are also unfunded pension plans for mainly early retirement pensions in Sweden and Norway. In Denmark, only pilots have defined-benefit pension plans, which are managed by Danica.

In June 2011, the IASB (International Accounting Standards Board) published amendments to IAS 19 Employee Benefits. The amendments to IAS 19 have not yet been adopted by the EU, but a decision is expected in 2012. The amendments related to the recognition of defined-benefit pension plans shall be applied from 1 January 2013. Among other features, the revised IAS 19 no longer permits the deferral of the recognition of certain actuarial gains and losses (the "corridor approach" has been removed). Instead, all actuarial gains and losses are to be recognized immediately in other comprehensive income. As a result of the amendments, the accumulative unrecognized actuarial gains and losses (unrecognized actuarial gains and losses and plan changes) will be recognized in shareholders' equity, which will have a significant negative effect on the Group's shareholders' equity. The parent company SAS AB's recognized shareholders' equity will not be affected by this amendment. Due to a weak stock exchange trend and lowered discount rates in Sweden and Norway, actuarial gains and losses increased by approximately SEK 1.8 billion compared with the preceding year. See also Note 15 on page 71.

Overview

Status at December 31	2011	2010
Fair value plan assets	32,089	31,651
Present value of pension commitments	–32,786	–31,370
Total	**–697**	**281**
Unrecognized deviations from estimates and plan amendments [1]	12,052	10,231
Book assets	**11,355**	**10,512**

1 Of which actuarial gains and losses MSEK 11,762 (9,901).

Accounting of operating leasing

IASB has also proposed that operational leasing liabilities be recognized as liabilities in the balance sheet. The SAS Group has 108 aircraft on operating leases where the present value of leasing liabilities is MSEK 6,302. Several of the Group's key ratios already account for these liabilities. Credit-rating agencies, banks and investors also make adjustments for these liabilities. See Note 35 on page 82 for further information. This change cannot be introduced until 2016.

Taxes

At December 31, 2011, the SAS Group had about SEK 11.5 billion in unutilized tax loss carryforwards. This could have a positive impact on cash flow in future periods since the SAS Group will not have tax payable until these deficits have been utilized. Deferred tax assets are valued at about 90% of their full value.

Contracted credit facilities

Committed credit facilities, December 31, 2011, MSEK	Total	Utilized	Unutilized	Maturity
Revolving credit facility, MEUR 366	3,274	0	3,274	2013
Revolving credit facility, MUSD 104	721	721	0	2013
Revolving credit facility, MNOK 74	512	256	256	2017
Revolving credit facility, MUSD 125	866	574	292	2016
3 bilateral bank facilities	1,250	-	1,250	2013
Other facilities	381	360	21	2012
Total	**7,004**	**1,911**	**5,093**	

Capitalized leasing costs

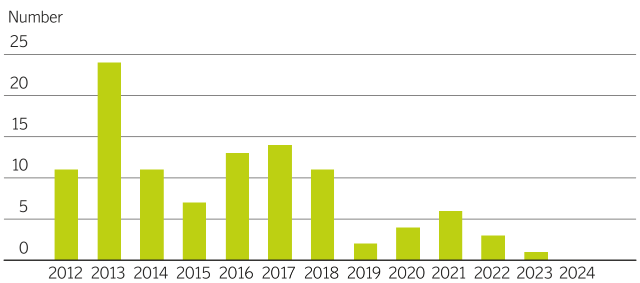
	MSEK
Capitalized leasing costs (x 7)	9,401
Leasing costs (NPV)	6,302

A320neo deliveries

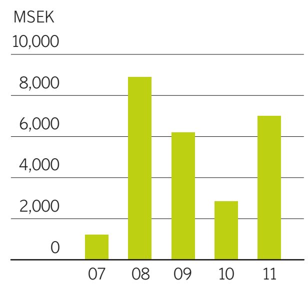
	Total	2016	2017	2018	2019
No. of aircraft*	30	4	11	7	8

* The list price before discounts for an A320neo is about MUSD 90.

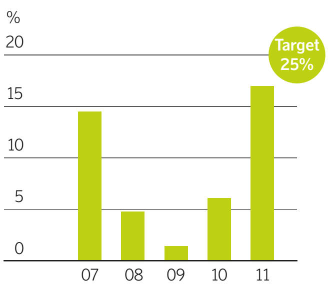
Maturity profile, operating leases



Financial net debt



CFROI



Challenging year for shareholders

Clear targets for profitability and financial position have been developed with the overall objective that the SAS Group will create values for shareholders over a business cycle.

A key component in service to shareholders is the continuous reporting of results such as the Annual Report, interim reports, monthly traffic reports and pressreleases. SAS provides supplementary information and facts for shareholders and investors at www.sasgroup.net

Shareholder service

Under Investor Relations on the SAS Group's website, www.sasgroup.net, SAS provides a shareholder service for all registered shareholders. The service provides opportunities to register for interim reports and receive notices of Annual General Meetings by e-mail. Annual Reports are sent to shareholders by mail upon request. Shareholders who own at least 400 shares (the number of shares may change – see under Investor Relations on the website for the current level) can also make return bookings with Scandinavian Airlines for special prices.

Webcasts are normally arranged in conjunction with interim reports, and can be viewed directly on the website where they are usually available for a period of two months. For the institutional market, the SAS Group arranges regular meetings with investors and analysts. Presentations for private shareholders are also arranged at various locations throughout Scandinavia.

Share performance

The SAS share is traded on the stock exchanges in Stockholm, Mid Cap list (primary listing), Copenhagen and Oslo. The SAS market value declined 64% in 2011 due to a weak yield trend resulting from concerns over a weak global economy and the financial crisis in southern Europe. Compared with a weighted average of competitors' market capitalization, the performance of the SAS share was 27 percentage points weaker.

In 2011, the value of the number of shares traded on all three exchanges where SAS is listed fell to an amount of SEK 4.9 (9.5) billion, which is a 49% decrease. The number of shares traded in relation to shares outstanding was 94% (165%), adjusted for the three Nordic governments' 50% share of the SAS Group.

The distribution of trade between the exchanges in number of shares traded during the year was: Stockholm 80%, Copenhagen 15% and Oslo 5%.

Diffusion of ownership and change

On December 31, 2011, SAS had 66,917 shareholders. Holdings in Scandinavia are about 93%, with Sweden accounting for 51%, Denmark 25% and Norway 16%. Holdings outside the EES area are less than 2%, of which 1% is in the US. In 2011, ownership changes between the various countries were small.

Convertible bond loan

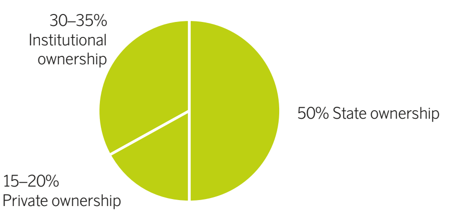
In April 2010, SAS AB issued a convertible bond loan equivalent to SEK 1.6 billion at an interest rate of 7.5%. The bond holders are entitled to convert a bond to a share at a conversion price of SEK 46.50. A conversion of the bond loan would dilute the holdings of existing shareholders by about 10% since the number of shares could increase by up to approximately 34.4 million.

Dividend and dividend policy

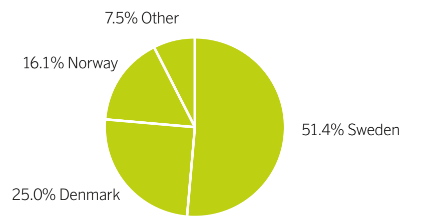
The SAS Group's annual dividend is determined by accounting for the Group's earnings, financial position, capital requirements and relevant economic conditions. Over a business cycle, the dividend will lie within 30–40% of the Group's earnings after standard tax. As a general rule, no dividend is paid in the event of a loss, to protect the Group's financial position.

The Board of Directors will propose that no dividend is paid to SAS AB's shareholders for the 2011 fiscal year. This is motivated by the preceding year's negative earnings and cash flow. A strong financial position and scope are vital for building long-term profitability and securing implementation of the 4Excellence strategy.

Breakdown of SAS Group share capital by owner category

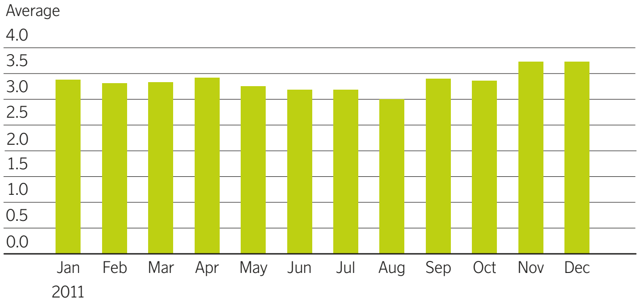


Breakdown of SAS Group share capital by country



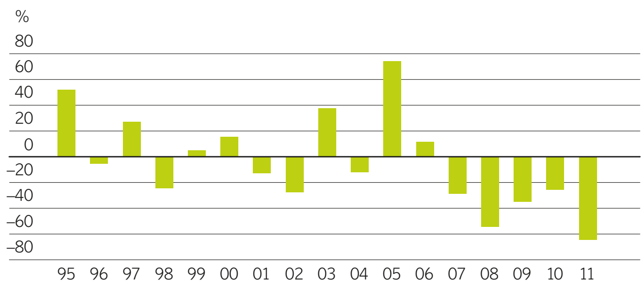
The analysts' recommendations

Source: ThomsonOne

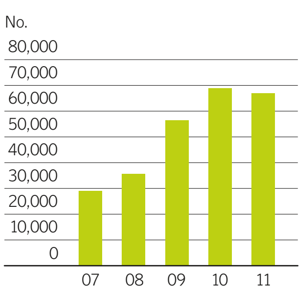


1 = Highly recommended 2 = Buy 3 = Retain 4 = Underperformer 5 = Sell

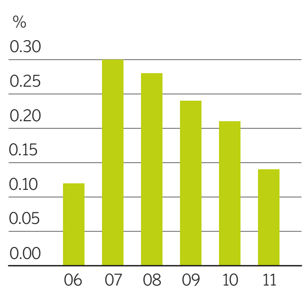
The SAS share's long-term annual total yield



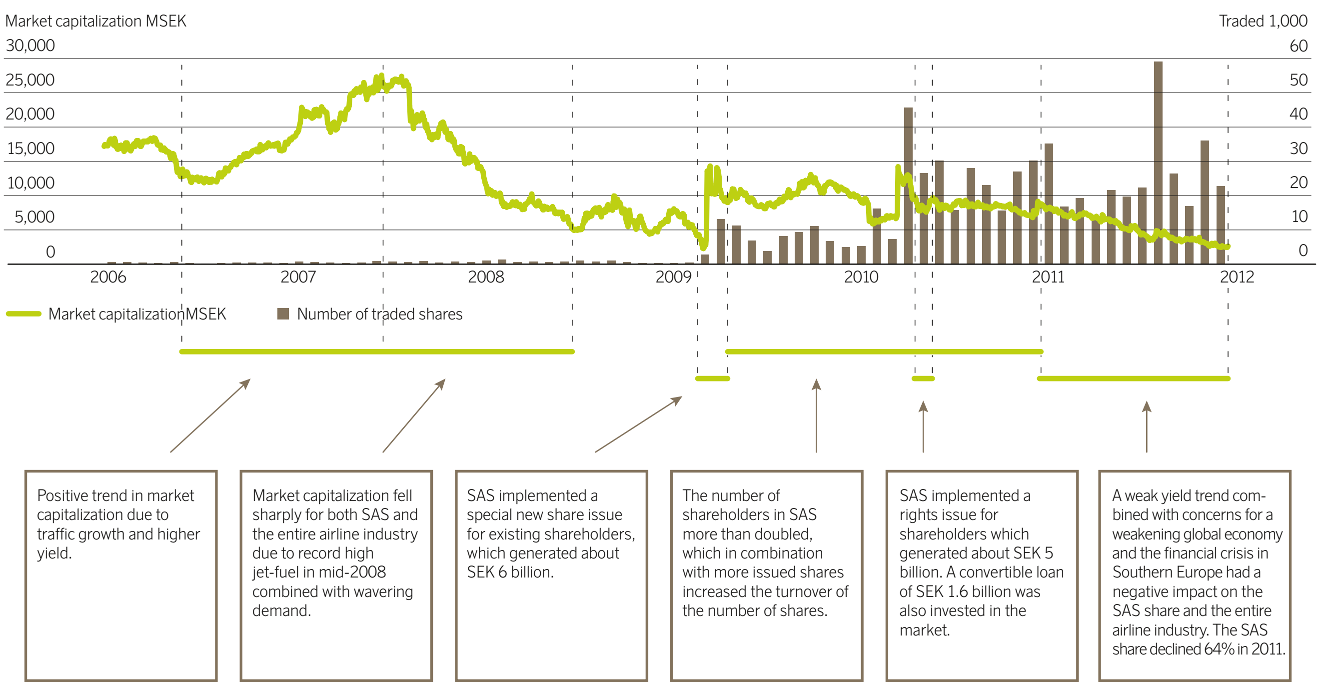
No. of shareholders in SAS AB



SAS's share trading volume (in SEK of total turnover on the Stockholm Stock Exchange, %)



The share



Sustainable development creates value

SAS is confident that an economically sustainable operation implies social and environmental responsibility. Work with sustainability issues can contribute in various ways to increased value and competitiveness.

In this Annual Report, SAS has chosen to describe the company's combined sustainability practices in a separate sustainability report, which is available on our website at www.sasgroup.net under sustainability.

The separate sustainability report applies for the entire Group. It is the SAS Group's 16th sustainability report. These reports have been audited since 1997 and have also comprised EMAS requirements since 2009. The United Nations Global Compact (UNGC), the EU Eco-Management and Audit Scheme (EMAS), ISO 14001 and the Carbon Disclosure Project as well as guidelines issued by the Global Reporting Initiative (GRI) have all been taken into consideration.

SAS sustainability practices are described briefly on the following four pages: SAS's environmental targets in the 4Excellence strategy, SAS's environmental targets until 2015, and examples of how SAS works with alternative sustainable jet fuels, green flights and the SAS vision for its fleet. For a full presentation of SAS's sustainability practices, please refer to the Group's sustainability report.

Sustainability practices in brief

Highlights from 2011

- All of the SAS Group's airlines retained their certifications according to both ISO 14001 and EMAS, and are thus the only airlines in the world to hold both certifications.
- The SAS Group's relative CO_2 emissions increased during the year to 122 grams (121) per passenger kilometer.
- Energy consumption in SAS facilities fell 8.3% during the year taking into consideration changes in the property portfolio.
- SAS accelerated its environmental targets in the 4Excellence strategy, which was launched during the year. SAS's total emissions will decrease 20% by 2015 compared with 2005. This target was previously planned for 2020.
- SAS met its commitment to comply with national legislation regarding the inclusion of aviation in emissions trading on January 1, 2012.
- Job satisfaction at SAS continued to rise. The index increased 4 units to 66.
- Sick leave declined to 7.0% (7.1) in Scandinavian Airlines, 4.7% (6.4) in Blue1 and rose to 5.8% (5.3) in Widerøe.

Sustainability-related key figures[1]

	2011	2010	2009[3]
Revenue, MSEK	41,412	41,070	44,918
EBT before nonrecurring items, MSEK	94	–444	–1,754
EBT margin before nonrecurring items, %	0.2	–1.1	–3.9
Number of passengers, total (000)	28,990	27,096	26,967
Average number of employees	15,142	15,559	18,786
of whom women, %	38	38	45
Sick leave, %	7.0[2]	7.1[2]	6.9
Total number of occupational injuries	272	327	291
Climate index	91	90	94
CO_2 emissions, 1,000 tonnes	3,863	3,654	3,793
NO_x emissions, 1,000 tonnes	15.6	14.8	15.4
CO_2 gms/passenger kilometer	122	121	127
Fuel consumption airline operations, 1,000 tonnes	1,226	1,160	1,204
Fuel consumption ground operations, 1,000 liters	3,540	3,668	3,869
Water consumption, 1,000 m^3	154	159	169
Energy consumption, ground, GWh	193	216	205
Unsorted waste, 1,000 tonnes	0.8	0.9	1.1
Hazardous waste, 1,000 tonnes	0.2	0.3	0.4
External environment-related costs, MSEK	407	356	364

1 Changed method for environmental key figures, see Accounting Policies at www.sasgroup.net /miljo
2 Changed method. Pertains solely to Scandinavian Airlines.
3 Excluding Spirit, which was recognized as a discontinuing operation.

Sustainable development creates value

SAS's starting point is that by constantly improving our processes, reducing our resource consumption and enhancing the energy efficiency of our products, we can create value in a sustainable manner, not only in terms of growth for our shareholders but also for such stakeholders as passengers, employees and contractors. To communicate these efforts and their results, SAS endeavors to maintain the outstanding level of its sustainability reporting, work that is also driven by external requirements and stakeholder expectations.

SAS's long-term goals remain firmly in place and sustainability reporting will maintain a high standard, for which SAS has received praise from sustainability analysts and other external appraisers.

SAS' stakeholders generally emphasize environmental responsibilities, especially how SAS manages requirements to reduce climate-impacting emissions. Environmental responsibilities therefore comprise the largest section of SAS reported sustainability practices. Social responsibility – in the widest sense of the term – is equally important for SAS, but does not receive the same significance in the description of our sustainability practices.

Despite market turmoil in the airline industry during recent years, commitment to sustainability-related issues has not waned. By adapting our capacity and introducing emissions-reducing practices, emissions per passenger kilometer in the long term continued to fall. Although the results for 2011 showed a marginal decline, SAS is convinced that structured measures will lead to long-term results.

SAS's environmental efforts in brief

The overall objective for SAS's sustainability practices is to create long-term value growth for our owners and help the Group achieve its targets. In 2011, the intensity of SAS's sustainability practices continued, in line with the action plans established in 2008. The

In 2011, the intensity of SAS's sustainability practices did not wane and we accelerated our environmental targets, which are now a

20%

reduction of our total emissions by 2015 compared with 2005.

impaired external factors in the market did not affect the targets or the timeline. A description of the outcome and achievement of SAS's environmental targets between 2008–2011 is included in the separate sustainability report at www.sasgroup.net/miljo. There is also a description of SAS's environmental targets up to and including 2015, which are presented in point form below.

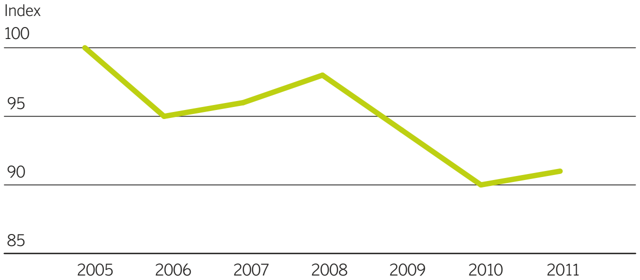
Environmental vision
SAS intends to be a part of the future long term sustainable society and support IATA's vision to make it possible to fly without greenhouse emissions by around 2050.

Environmental target
SAS aims to create responsible and sustainable traffic growth, while reducing environmental impact.
- 50% lower emissions per unit produced by 2020 as compared with 2005.

Environmental targets by 2015
SAS will:

- reduce total flight emissions by 20 % in 2015 compared with 2005.
- reduce total ground related energy consumption by 15 % in 2015 compared with 2010.
- reduce ground vehicles consumption of fossil fuels by 10 % at SAS major airports in Scandinavia 2015 compared with 2010.
- improve 1 index point annually in Customer Satisfaction Index question; "being an environmental-aware company" (2011: 64).
- secure a regular large scale supply of a commercially available sustainable jet fuel by 2015.

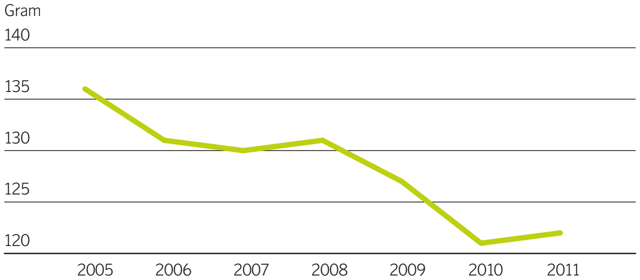
Climate index



The climate index measures climate impact in relation to traffic measured in passenger kilometers and comprises 2/3 carbon dioxide and 1/3 nitrogen oxides (as indicators of other greenhouse gases).
See Accounting Policies at www.sasgroup.net/miljo

* Adjusted from 2005 to reflect the current Group's climate impact.

CO_2, gram/passenger km



The Group's relative emissions have decreased 33% since 1995, from 183 to 122 gram per passenger kilometer.

SAS will reduce total flight emissions by 20 % in 2015 compared with 2005.

This is one of SAS's four main goals within the framework of the 4Excellence strategy. In addition, to maintaining favorable punctuality – which boosts fuel-efficiency – this goal wil be realized in the four priority areas.

1. Modern and more efficient aircraft
During the period through 2015, SAS plans to replace its old generation aircraft fleet (MD80 and Boeing 737 Classic) for new and more efficient aircraft (Boeing 737NG and the Airbus A320-family). This alone will provide fuel savings of 10–15% per seat compared with a similarly sized aircraft.

2. Fuel-savings program
SAS's fuel-savings program is continuing and is being extended to include more aspects of SAS operations that can contribute to lower fuel consumption throughout SAS's flight operations. This means that other employee groups – other than pilots – will be involved in the fuel-saving program.

The program includes a large number of activities that focus primarily on the conditions established in operations in the form of procedures and how we implement these, as well as how the available systems support is sufficiently optimized for fuel-efficiency. Of course, all changes remain at a level that ensures the high flight safety requirements.

Activities include:
- Speed policy: Securing optimal speed in all flight phases to ensure optimal fuel efficiency.
- Weight reduction: Such as reducing weight through taking varying amounts of water in the toilet water tanks, depending on the length of the flight.
- Lower air resistance: Such as landing with reduced flap setting, permitting flaps to be pulled in earlier at start in order to reduce fuel consumption.
- Clean aircraft and engines: Regular engines cleaning provide lower fuel consumption.
- Single engine taxiing: Starting or shutting down an engine before or after landing to reduce fuel consumption.
- Weight and balance: Ensuring that the aircraft is optimally loaded.
- On-ground processes: Ensure that the aircraft engines are used as little as possible around the gate.
- New flight planning system: During 2012, a new flight planning system will be implemented to permit more efficient flight plans.

In early 2012, a new system support will be implemented to follow up on resolved activities and to identify new ones. All activities are followed up through audits, inspections, evaluations and line checks, within the framework of the environmental management system. The 2012 goal for the isolated fuel-savings program is to increase the fuel efficiency with 0.4%.

3. Modification of existing aircraft
SAS continuously modifies its aircraft. This involves such procedures as the ongoing engine upgrade program within the framework of the ordinary technical maintenance of most of the Boeing 737NG fleet. In practice, this entailed upgrading the engines to the latest version known as Tech Insert until the summer of 2011 and subsequently to the Evolution. To date, more than half of the fleet's engines on the Boeing 737NGs that were delivered prior to 2006 have been upgraded and are thus about 3% more fuel efficient than the engines with which the aircraft were delivered. Aircraft delivered after 2007 are already equipped with Tech Insert and aircraft delivered after the summer of 2011 have "Evolution". Another example is the replacement of the brakes on Boeing 737-800s with a lighter composite-material version, or the light-weight seats that are to be installed in a number of B737NGs as of 2012.

4. Lighter products onboard
There is an ongoing effort to reduce the weight of all products included in the SAS service offerings. One example is wine bottles of plastic instead of glass.

External partnerships are key
The four aforementioned principal areas are activities that are conducted in proprietary operations. In addition to these, extensive collaborations are conducted with airport and air traffic control suppliers in Scandinavia to advance the ways in which aircraft are propelled through airspace and at airports. Two examples of this fall under the designation Green flights and the European development project SESAR. A positive aspect of SAS's involvement is that this trend will also benefit other airlines when the changes have been implemented.

Alternative and sustainable jet fuels
SAS has been working for many years with various activities designed to accelerate the development of alternative and sustainable jet fuels.

In 2011, SAS also conducted concrete discussions with a range of prospective stakeholders in connection with the production of alternative and sustainable jet fuels in Scandinavia. The aim is that one or more of these activities will lead to concrete agreements in 2012.

SAS has indicated clearly to existing and prospective producers of jet fuels that we are prepared to purchase alternative jet fuels if the price is competitive and sustainability criteria are in place.

It is vital for SAS that the production of alternative sustainable jet fuels does not compete with food production or access to drinking water and that the least possible land area is utilized.

Read more about SAS's sustainability efforts in the separate Sustainability Report on www.sasgroup.net/miljo

Green flights

In the early 2000s, SAS initiated a partnership with the parties responsible for air traffic control in Sweden, Norway and Denmark in an effort to identify more efficient methods for controlling air traffic in the airspace of these countries.

This work has mainly taken place in Sweden and resulted in the Continuous Descent Approach from Top of Descent becoming standard during low and medium-peak traffic at Arlanda, and SAS is the only airline in Europe permitted to use curved approaches on Stockholm-Arlanda's third runway.

The Continuous Descent Approach from Top of Descent entails that air traffic control allows the aircraft to approach in a continuous gliding descent without using unnecessary engine power. This is common at small airports where there is no other air traffic close by, but still unusual at large airports where other air traffic must be handled in parallel.

In practice, the Curved Landing Approach entails using satellite-based Required Navigation Performance (RNP AR) rather than the traditional ground-based ILS. At Arlanda's third runway, approaches follow an S curve. This reduces noise close to the airport and minimizes exposure in sensitive areas. Curved approaches can also reduce the flying distance, which lowers emissions. Curved Approaches were introduced in 2004 in a collaboration between SAS and the Air Navigation Services of Sweden (LFV).

SAS is the only airline to participate in the "Green Connection" project, which aims to demonstrate potential environmental improvements within the framework of existing systems and methods on flights between Gothenburg-Landvetter and Stockholm-Arlanda. This project develops Curved Landing Approaches, including a shorter flight distance from the west to Stockholm Arlanda's Runway 26.

Large versus small and new versus old aircraft. What is SAS's view?

SAS currently flies with aircraft of varying sizes and age. The purpose is to create conditions, at every available opportunity, for flying as profitably and energy-efficiently as possible.

An aircraft that flies for 15 minutes between two islands along the Norwegian coast with an average demand of 20+ passengers is obviously not subject to the same conditions as an aircraft that flies more than ten hours with a demand of 240+ passengers. These two aircraft are a component in the SAS business model and have different energy efficiencies. Different aircraft generations provide different energy efficiency and environmental performance. The latest-generation aircraft (Boeing 737NG and the Airbus A320 family) are about 10–15% more energy-efficient than the previous generation (MD80 and Boeing 737 Classic), in a comparison of two same-sized aircraft. As a result, SAS endeavors to use the older aircraft relatively less and these aircraft remain on the ground in off-peak periods. A certain product evolution has also taken place between the generations. For example, SAS has actively chosen to modify and upgrade its Boeing 737NG to create the desired effect. This includes an ongoing engine upgrade program, installing winglets devices, and replacing seats and other fixtures lighter versions in lightweight material.

Another key aspect is how aircraft are used during their lifetime. SAS has the B737NG with 120+, 140+ and 180+ seats, for example, entailing greater flexibility depending on demand, which guarantees the lowest possible total emissions at any given time. Flying aircraft that are too big generates unnecessary extra emissions even if it generates a better result per seat kilometer.

In 2011, Scandinavian Airlines decided to phase out all previous-generation aircraft over the next few years and replace these with aircraft with the best technologies currently available. This means that Scandinavian Airlines will only fly with aircraft of today's generation by 2015.

In 2011, Blue1 replaced all of its older Avro RJ85 and MD-90 aircraft with the new and energy-efficient Boeing 717.

Next-generation aircraft

The development of next-generation long-haul aircraft has been ongoing since 2004. The Boeing 787 was introduced into commercial traffic in 2011 and the Airbus A350 will commence operation within a few years. These aircraft are largely constructed with lighter composite material, and have improved aerodynamics and more efficient engines, which results in a 15–20% reduction of emissions compared with an aircraft with the same number of seats of today's generation. Aircraft noise is also significantly reduced which minimizes noise around airports.

SAS is currently working to identify potential replacements for today's long-haul fleet. In similarity with the short-haul fleet, these efforts account for sustainability-related aspects throughout the entire lifespan of an aircraft, from construction to use and phasing out.

In regard to next-generation short-haul aircraft, Airbus and Boeing offer updated versions of their existing aircraft families, the A320 (delivery in 2015) and B737 (delivery in 2017). Bombardier will offer the C Series from 2013. All three types of aircraft have completely new and more fuel-efficient engines, which are also significantly quieter.

Bombardier will launch an entirely new type of construction, while Airbus and Boeing have integrated aerodynamic improvements into existing constructions. Emission reductions are expected to be 10–15% per seat kilometer and the expected noise reduction is 50% compared with an aircraft with the same number of seats of today's generation.

Following a selection process in 2011, SAS decided to order 30 A320neos for operation in Scandinavian Airlines. Deliveries will commence in 2016.

Read more about SAS's sustainability efforts in the separate Sustainability Report on www.sasgroup.net/miljo

Contents

Annual Report 2011

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 2011. The company is domiciled in Stockholm, Sweden and its Corporate Registration Number is 556606-8499.

Highlights 2011

- Revenue for the year amounted to MSEK 41,412 (41,070), up 0.8%.
- The number of passengers totaled 27.2 million (up 7.8%).
- Capacity (ASK) increased 6.8% compared with 2010.
- Income before tax and nonrecurring items was MSEK 94 (–444).
- Income before tax amounted to MSEK –1,629 (–3,069).
- Net income for the year totaled MSEK –1,687 (–2,218).
- Core SAS was concluded as planned. Cost savings in an amount of about SEK 7.6 billion were implemented as planned and unit cost was reduced through Core SAS by approximately 23%.
- SAS launched its new 4Excellence strategy with the aim of achieving excellence in the following core areas, by 2015 – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence.
- New Group Management with wider competence and clearly defined responsibility for the four areas of excellence.
- SAS passenger traffic continued to grow and SAS recorded its highest customer satisfaction ratings in 11 years.
- SAS continued to harmonize the aircraft fleet and placed an order for 30 Airbus A320neo aircraft, with delivery starting in the second half of 2016.
- In 2011, SAS was named Europe's most punctual airline according to the independent research company FlightStats.
- The 4Excellence strategy is being accelerated as a result of the weaker economic trend and includes implementation of measures totaling SEK 5 billion in 2012–2013.
- The Board of Spanair filed for bankruptcy in January 2012 – SAS recognized an impairment totaling SEK 1.7 billion.

MARKET PERFORMANCE

The year began and ended with increasing capacity that exceeded demand in many markets, which led to overcapacity and lower load factors for many airlines in Europe. In the Nordic region, capacity (ASK) increased by over 20% on certain routes in the fourth quarter. The strong increase in market capacity combined with a weaker economy caused pressure on yields which increased towards the end of the year. Despite the significant increase in market capacity, SAS succeeded in maintaining its market shares in key markets.

The largest increase in capacity during the year occurred on the intercontinental routes to/from Asia and on short haul routes in Europe, primarily driven by low-cost carriers. From March onward, traffic in Asia suffered a strong negative effect from the earthquake in Japan, which sparked a sudden decline in demand. Demand subsequently recovered slowly, but remains below the increase in capacity.

In total, the SAS Group carried 27.2 million passengers in 2011 corresponding to an increase of 7.8% year-on-year.

INCOME 2011

The Group's income before tax and nonrecurring items amounted to MSEK 94 (–444) and net income for the period amounted to MSEK –1,687 (–2,218).

The SAS Group's revenue amounted to MSEK 41,412 (41,070). After taking nonrecurring items and currency effects into consideration, revenue increased by MSEK 1,443 or 3.6%, primarily due to an increase in capacity (ASK) of 6.8%.

4Excellence

The Core SAS cost strategy was concluded in 2011 and, since 2008, realized cost savings of 23%, which has created an entirely new platform for profitable growth. In September 2011, SAS launched the new strategic focus 4Excellence, with the aim of achieving excellence in the following core areas by 2015 – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence. SAS will remain the preferred choice for business travelers at the same time as the offering for the leisure segment will be strengthened. SAS will streamline its sales model and have the market's most attractive loyalty program. Furthermore, SAS will continue to be Europe's most punctual airline and deliver the quality and service that gives most value in terms of time and money for all customers.

The strategy continues to maintain strict focus on unit cost, with a goal of lowering unit cost by 3–5% per year. This is to be implemented through increased productivity and continued streamlining. In parallel, we are setting many ambitious goals that mean we must make a 20% reduction in our total emissions by 2015, we will be the Nordic region's most appreciated airline and that job satisfaction is in the top 5 for the Nordic region. All in all, this will mean that we reach a level of sustainable profitability that enables us to provide our owners with an adequate return.

CHANGES IN THE GROUP STRUCTURE

The Group structure continued to be simplified during the year, primarily in connection with the new 4Excellence strategy launched in September 2011. As a consequence of the new strategy and of the transition of SAS from a holding structure with multiple subsidiaries to an airline organized by function, changes were implemented in Group Management to create clearly defined responsibility for the strategy's four areas of excellence.

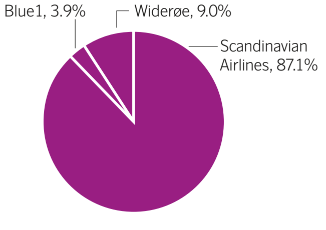
No acquisitions or sales of any business operations were made during the year. SAS no longer intends to divest the wholly-owned subsidiary in freight operations Spirit Air Cargo. However, SAS does intend to divest non-core operations including Air Greenland in which SAS has a holding of 37.5%.

Remaining liabilities, receivables and accounting changes

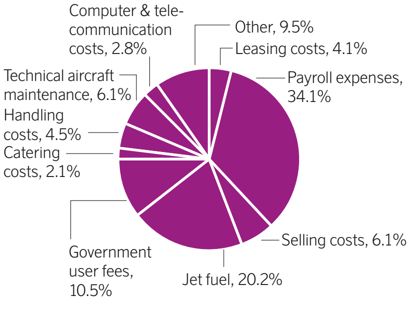
SAS has receivables due from Estonian Air and these amounted to MEUR 7.7, corresponding to MSEK 69, at December 31, 2011.

Due to the Board of Spanair filing for bankruptcy, SAS has decided to impair its outstanding loans and receivables with Spanair totaling MSEK 1,482,

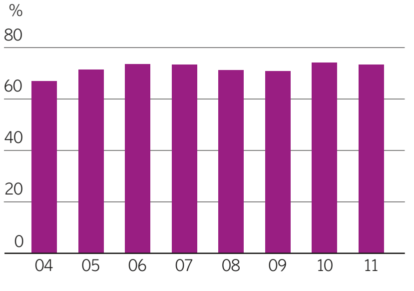
SAS Group, revenue breakdown by airline 2011



SAS Group, cost breakdown 2011



SAS Group, passenger load factor



and reserve MSEK 249 in operating income for guarantee commitments and costs associated with the bankruptcy petition. The impairment was charged to the SAS Group's earnings for 2011 as a nonrecurring item and had a total negative impact on shareholders' equity of SEK 1.7 billion. As previously announced, the effect on the SAS Group's cash and cash equivalents is expected to be limited to MSEK 200–300. SAS currently has a 10.9% ownership in Spanair, but the value of this holding has previously been written down to SEK 0.

In June 2011, the IASB (International Accounting Standards Board) published amendments to IAS 19 Employee Benefits. The amendments to IAS 19 have not yet been adopted by the EU, but a decision is expected in 2012. The amendments related to the recognition of defined-benefit pension plans will be applied from 1 January 2013. Among other features, the revised IAS 19 no longer permits the deferral of the recognition of certain deviations in estimates (the "corridor approach" has been removed). Instead, all deviations in estimates are to be recognized immediately in other comprehensive income. As a result of the amendments, the accumulative unrecognized deviations (Unrecognized actuarial gains and losses and plan amendments) will be recognized in shareholders' equity, which will have a significant negative effect on the Group's shareholders' equity. The parent company SAS AB's recognized shareholders' equity will not be affected by this amendment. Due to a weak stock market and lower discount rates in 2011, the deviations in estimates increased by about SEK 1.8 billion year-on-year to SEK 11.8 billion. Unrecognized actuarial gains and losses and plan amendments amounted to approximately SEK 12.1 billion at December 31, 2011.

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 financial risk management to limit its currency, interest-rate and fuel-price exposure. See Note 28.

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. The macroeconomic recovery meant that passenger growth at the start of 2011 was positive in the countries where the SAS Group is primarily exposed, even if the strength of the growth varies. The Group adjusts its production to ensure the right capacity in each market to reduce market risk. The airline industry is highly competitive since new airlines continually enter the market. Changes in customer behavior and an increasing number of low-cost carriers in the SAS Group's home market may result in further stiffening in competition. To meet this, SAS is working actively to lower its costs to a competitive level.

Financial risks: The SAS Group hedges 40–80% 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. SAS also hedges 40–80% of its expected USD deficit against surplus currencies SEK, NOK, GBP and EUR.

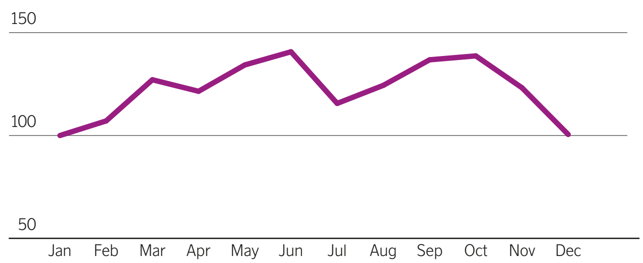
Environmental risks: Environmental laws and regulations, including restrictions on noise levels and greenhouse gas emissions, may have an adverse impact on the SAS Group. The Group works continuously on sustainability issues to comply with national and international requirements.

Compliance risks: The SAS Group manages and secures 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 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.

SEASONAL EFFECTS

Demand in SAS's markets is seasonally low in the winter period from December-February, relatively high in September-November and peaks in April-June. This is due to variations in the business market's demand. Demand can deviate from the normal seasonal pattern and take different paths in the Group's markets. SAS has gradually developed sophisticated methods to dynamically adjust capacity to demand on a monthly and weekly basis, for example in connection with major holidays.

Seasonal variations in the number of passengers transported, SAS Group 2004–2011



January = index 100.

THE SAS SHARE

Two share classes

SAS AB has two classes of shares, common shares and subordinated shares. Currently, there are 329 million common shares issued, which constitute a total registered share capital of MSEK 6,612. Common shares provide shareholders all of the rights laid down in the Swedish Companies Act and the Articles of Association.

Overall risk management in the SAS Group

Risk management is implemented through the diversification of risk, operating policies, the Code of Conduct and hedging arrangements.
For further information, see pages 32–34.

Market risks
- Macro-economic growth
- Market impact
- Competition – low-cost carriers in the home market
- Capacity change
- Price performance

Operating risks
- Personnel turnover
- Strikes
- Incidents and accidents
- Crime and fraud
- IT security

Environmental risks
- Environmental directives and requirements
- Laws and regulations
- Requirements to reduce environmental impact

Legal and political risks
- Government user fees and airline industry taxes
- Compliance risks – laws and internal rules

Financial risks
- Counterparty losses
- Liquidity risk
- Fuel price
- Interest rates
- Exchange rates

Other risks
- Natural disasters
- Terror attacks
- Conflicts
- Epidemics

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 SAS AB's shareholders' meetings. However, 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 distributed, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest-rate factor. For more information on subordinated shares see page 73.

Share price performance

In 2011, SAS AB's market capitalization declined 64%. The decline was attributable to a weak yield trend in combination with concerns about the slowdown in the world economy and the financial crisis in Southern Europe. Compared with a weighted average of competitors' share price performance, the performance of the SAS share was 27 percentage points weaker. In early 2012, the SAS share had a positive trend.

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. Primarily, such mandatory redemption of shares is performed on shares owned or controlled by a person or company outside the EU/EEA. Prior to redemption, the shareholders are 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 inadequate, the Board may propose a shareholders' meeting to decide whether 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. In total, there are 75,000 warrants issued which, after the rights issue conducted and the reverse split of shares in 2010, provide entitlement to subscription for a total of 150,000,000 subordinated shares, which would increase the company's share capital by a maximum of SEK 100,500,000. As soon as the threat no longer exists, the Board shall ensure that the subordinated shares thus issued 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 are 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 contained in the 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 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. At the beginning of the year, Scandinavian shareholders held approximately 93% and non-Scandinavian shareholders held about 7% of the total share capital in SAS AB.

No restrictions exist concerning the voting rights of shareholders at shareholders' meetings and under pursuant to the Swedish Companies Act, shareholders may vote for the entire number of shares they own or represent by proxy. 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.

SAS AB 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 has, as of March 2012 no authorization to decide that the company will issue new shares or buyback its own shares.

Effects of a public takeover bid

The SAS Group 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.

CAPITAL MANAGEMENT

Profitability targets

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

Target attainment

The EBT margin before nonrecurring items was 0.2%, which is 6.8 percentage points below the target for 2011.

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

Target attainment

At December 31, 2011, the adjusted equity/assets ratio was 26%. SAS's long term target is an adjusted equity/assets ratio of 35%. The adjusted debt/equity ratio declined somewhat in 2011, primarily attributable to the impairment of Spanair. The adjusted debt/equity ratio amounted to 1.33 which was 0.3 above target. The target is to be reached through implementation of the measures contained in 4Excellence and stabilization of the cash flow.

The target for financial preparedness, which is over 20% of operating revenue, was met in 2011 and at year-end, the Group had a financial preparedness of SEK 8.9 billion.

WORK OF THE BOARD OF DIRECTORS

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

The Board's work is primarily governed by the Swedish Companies Act, the Articles of Association, the Swedish Code of Corporate Governance and the formal work plan adopted by the Board each year, which regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. This process is evaluated each year. The Board appoints from among its own members the members of the Board's two committees, the Remuneration Committee and the Audit Committee.

The Board's work follows a yearly agenda with regular business items as well as special topics. At the Annual General Shareholders' Meeting on April 11, 2011, all Board members were reelected. Fritz H. Schur was reelected as 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.

The Board held ten meetings, of which nine were ordinary and one 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 as well as budget.

Special topics discussed by the Board during the year included the 4Excellence strategy, the aircraft fleet strategy including decision to phase-out the Boeing 737 "Classic" and MD80 as well as investment in Airbus A320neo aircraft, refinancing activities including a new bond loan of SEK 2 billion, SAS regional partner strategy, the future role of Blue1, the adoption of SAS Tax Policy and a revised Code of Conduct in addition to environmental and sustainability issues.

On three occasions during the year, the company's auditor met with the Board, presenting the program for auditing work, reporting observations from the examination of the interim accounts as of September 30, the audit of the annual report, and an evaluation of internal control. On one occasion the Board met with the company's auditor without the President or anyone else from company management present.

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 three members. In 2011, 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 three recorded meetings plus a number of informal meetings in connection with the adoption of guidelines and policies for remuneration and other employment terms for senior executives. The Committee also discussed the employment terms for the new members of the Group Management. Prior to the 2012 Annual General Shareholders' Meeting, the Remuneration Committee will prepare the recommendation for remuneration policies and other terms of employment for company management that, pursuant to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board shall present to the Meeting for resolution. The fees paid to Board members and remuneration for serving on Board committees are reported on page 64.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

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

Guidelines adopted at the 2011 Annual General Shareholders' Meeting are outlined 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 19, 2012 are unchanged in relation to the remuneration policies adopted at the 2011 Annual General Shareholders' Meeting with the exception of the proposal that maximum amounts for pension premiums be lowered from 35% to 30%.

SAFETY IN THE SAS GROUP

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's safety work has top priority. The efforts are managed with an aim to continuous improvements and a common understanding of the importance of safety to the customers and to SAS. The Group's safety policy is documented and applied throughout operations.

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

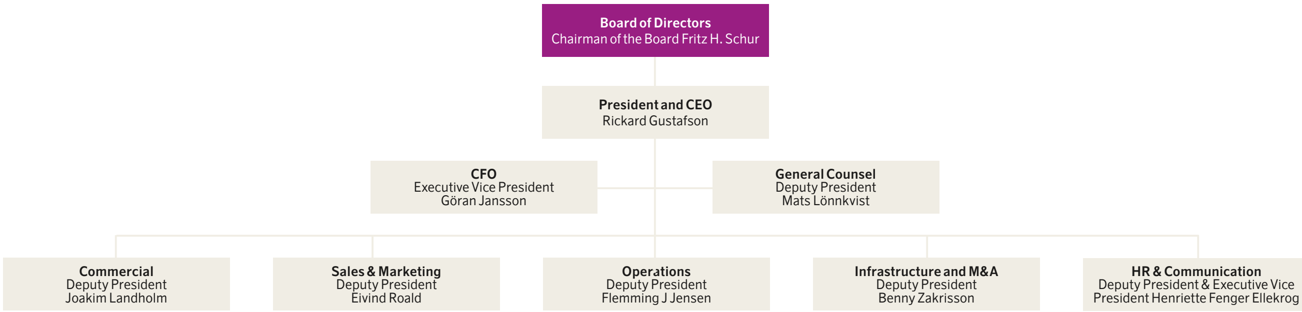
In 2011, SAS underwent a major organizational change aimed at realizing a simpler and more transparent organization with a common safety management system and thus enhanced efficiency at all levels. In compliance with next year's new requirements from the civil aviation authorities, SAS continued to develop a systematic safety management system for flight safety. The management system covers all operative components including organizational structure, responsibility, alignment and procedures. The integral improvement process in the system is based on planning, implementing, follow up and correction.

The airlines in the SAS Group have a high level of flight safety with committed personnel at all levels. All airlines in the Group hold an IATA Operational Safety Audit (IOSA) certification which can be compared to ISO 9000 certification. To remain certified, the airlines must be audited and approved every second year by IATA. The companies in the SAS Group only initiate codeshare collaboration with other airlines that have IOSA certification or which have submitted to a comparable audit.

Flight safety work can be divided into four main areas:
Documented quality system: Basic documentation and work instructions based on extensive 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: 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 to increase safety and safety initiatives.

Business model and areas of responsibility



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.

During 2011, the flight safety level in the SAS Group was high and in line with the current industry standard.

LEGAL ISSUES

In November 2010, the European Commission decided to order SAS to pay fines of MEUR 70.2 for SAS Cargo. The fines were charged to Group earnings for the third quarter of 2010 in the amount of MSEK 660 and impacted the Group's liquidity in the first quarter of 2011. As a consequence of the European Commission's decision in the cargo investigation, SAS and other airlines fined by the Commission are involved in various civil lawsuits in Europe (the UK, the Netherlands and Norway). SAS, which appealed the European Commission's decision, contests its responsibility in all of these legal processes. Further lawsuits by cargo customers cannot be ruled out and no provisions have been made.

In April 2010, 33 SAS pilots jointly submitted an application for a summons against SAS at the Stockholm City Court. In the application, the claimants seek to have certain terms of employment rendered invalid and adjusted, and also seek a declaratory claim for damages. The claimants are former employees of Swedish airline Linjeflyg, who were employed by SAS in conjunction with its acquisition of Linjeflyg in 1993. The claimants allege that the terms of employment are discriminatory and are in breach of EU law on free movement of labor. SAS, which disputes the claim in its entirety, considers the risk of a negative outcome to be limited and no provisions have been made.

Since it is impossible to quantify the potential liability or outcome of the ongoing lawsuits above, no provisions have been made in SAS's financial statements with respect to the lawsuits. An unfavorable outcome in any of these disputes could have a significantly negative effect on SAS's operations, financial position and earnings.

SAS GROUP'S CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

The SAS Group has an overarching sustainability policy which supports the ambition, based on the Group's requirement regarding long-term financial performance, of reducing environmental impact and furthering social progress. Together with the Code of Conduct, the sustainability policy is a part of the SAS Corporate Manual that governs the Group's operations.

The 4Excellence strategy, which was launched in 2011, has four main targets, of which one is sustainability-related, namely the reduction of carbon emissions from the SAS Group's airline operations by 20% in 2015 from 2005 levels.

Environmental responsibility

The overwhelming majority of the SAS Group's environmental impact comprises airline operations and its use of fossil fuels. Other environmental impact consists primarily of cabin and ground operations, the majority of which comprises energy and water consumption as well as waste generation.

The main environmental impact of airline operations consists of emissions of carbon dioxide and nitrogen oxides related to the consumption of non-renewable fuels and noise.

Local and regional environmental impact consists mainly of noise during takeoffs and landings, as well as acidification and eutrophication of soil and water. To lessen environmental impact, two long-term actions have the greatest potential according to SAS: continuous renewal of the aircraft fleet to a newer generation, which means the SAS Group always seeks the best economically viable technology, and incorporation of biofuel blends to reduce total carbon emissions.

SAS airline operations uses internationally type-approved aircraft 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 stricter emissions and noise standards may affect the Group's traffic to certain airports. This could potentially prevent the Group from utilizing parts of its aircraft fleet in the most flexible way possible and/or lead to higher emission-based landing fees.

The special directive which includes airlines in EU ETS emission rights trading, endorsed by the EU in 2008, took effect on January 1, 2012. All the SAS Group's airlines, Scandinavian Airlines, Blue1 and Widerøe, have approved and verified MRV (Monitoring–Reporting–Verification) plans and are verifying reports to meet statutory requirements in EU ETS. In December 2011, Scandinavian Airlines was allocated 2,415,214 free emission rights, Widerøe was allocated 63,376 free emission rights and Blue1 was allocated 121,209 free emission rights.

Otherwise, SAS is not aware of any changes in the policy framework 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 tracks trends in airline operations relative to environmental impact. In addition, a Group-wide climate index covering the airlines' greenhouse emissions has been developed.

The environmental index for the majority of the SAS Group's airlines declined marginally during the year. The climate index for 2011 declined to 91 (90). In absolute terms, SAS Group airlines increased carbon emissions per passenger kilometer to 122 grams (121) in 2011.

The goal of Scandinavian Airlines is to improve relative fuel efficiency by 6–7% by 2011, compared with 2005/2006. At the end of 2011, fuel efficiency had increased by 4.5%.

Of the SAS Group's operations, parts of ground operations at Stockholm, Oslo and Copenhagen airports are covered by permits pursuant to national environmental laws. The permit for 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 the SAS Group, such as, other airlines or businesses that rent hangars. The SAS Group submits an annual environmental report to Sigtuna Municipality. The permit at Oslo Airport covers water from a treatment plant connected to hangars and maintenance bases. The SAS Group submits an annual report to Ullensaker municipality. Copenhagen Airport has environmental permits for treatment plants and chemical stocks as well as 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.

The operational management of Scandinavian Airlines premises in Scandinavia is performed 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 the SAS Group.

In general, the SAS Group's airline operations are dependent on the licensed activities SGH 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. The Group has obtained the necessary licenses and permits for its operations in Scandinavia.

One of environmental regulations that Stockholm-Arlanda Airport is subject to stipulates ceilings for the airport's carbon and nitrogen oxide emissions. Since 2008, Swedavia has worked on an application for an entirely new environmental permit which was submitted in May 2011. The SAS Group has extensive operations at Stockholm-Arlanda and is highly dependent on the airport's environmental permit.

SAS airline operations have a dispensation for halon use and submit annual reports to the authorities on consumption including leakages and storage. In 2011, the SAS Group estimates that just over 5 kilograms of halon were discharged.

During the year, the authorities did not issue the Group any orders with a material impact on the SAS Group activities.

In 2011, aircraft operated by SAS Group airlines, in exceptional cases, deviated from local approach and takeoff rules. In 2011, a fine were levied on SAS for deviating from the approach and takeoff regulations in London. It is the considered opinion of SAS that none of the incidents had any major environmental consequences.

During the year, the Group was reported to the police by the Norwegian Climate and Pollution Agency (Klif) for possessing fire-fighting equipment containing Perfluorooctane sulfonate (PFOS) in certain areas of its operations and for the emission of PFOS that occurred in conjunction with the filling of a rented out hangar at Oslo-Gardemoen with foam in 2010. The Group is currently awaiting the findings of the ongoing investigation in 2012. The management of the operations has implemented measures to remove all occurrences of PFOS in the fire-fighting equipment concerned and implemented measures to sanitize the hangar involved in the incident.

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

Corporate social responsibility

SAS'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 continue to 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.

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 2011, sick leave in Scandinavian Airlines was 7.0%.

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. At year-end, the SAS Group Management consisted of one woman and six men. As of the first half of 2012 SAS Group management will consist of one woman and seven men. 24% of the Top100 management forum are 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 such as those 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.

The PULS employee satisfaction survey shows that general job satisfaction in the SAS Group is on an upward trend. The response rate was still high.

The Sustainability section of this report and the separate sustainability report for the SAS Group in 2011 contain more complete descriptions of the SAS Group's efforts to contribute to sustainable development.

PUNCTUALITY AND REGULARITY

In 2011, SAS was named Europe's most punctual major airline for the third consecutive year according to research company FlightStats. Scandinavian Airlines achieved a punctuality rating of 88.9% for departures and a regularity of 98.5%. Widerøe's punctuality was high at 86.5% with a regularity of 96.1%. Blue1's punctuality was 84.7% with a regularity of 98.1%.

PARENT COMPANY

SAS AB is a Swedish public limited company registered in Stockholm, Sweden and the address of its head office is Kabinvägen 5, Arlanda, Stockholm, Sweden. SAS AB is the Parent Company of the SAS Group. The company conducts air traffic operations in a comprehensive Nordic and international network.

DIVIDEND 2011

The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividends be paid to SAS AB's shareholders for the 2011 fiscal year. This is motivated by the SAS Group's results and cash flow. A good financial position and financial flexibility will be important in completing all measures in the 4Excellence strategy and future investments.

DISPOSITION OF EARNINGS

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

	MSEK
Retained earnings	6,171
Net income for the year	–2,505
Total unrestricted equity	**3,666**

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

	MSEK
Amount retained by Parent Company	3,666
Total	**3,666**

The position of the Group and Parent Company at year-end 2011 and the earnings of operations for fiscal year 2011 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

Eivind Roald was appointed the new Head of Sales & Marketing and Joakim Landholm was appointed Head of Commercial in the new Group Management team for SAS.

The Board of Spanair filed for bankruptcy in January 2012 and SAS recognized an impairment totaling SEK 1.7 billion. A provision of MSEK –1,731 was made in December, of which MSEK –249 was recognized in other operating expenses and MSEK –1,482 recognized in income from other securities holdings.

The Norwegian Competition Authority recommends removal of the ban on loyalty programs, including EuroBonus on domestic services in Norway, but only on travel between Oslo and Stavanger, Bergen and Trondheim.

FULL-YEAR 2012

Assessment of the situation we are faced with in 2012 is not straightforward due to a weaker GDP trend and continued intense competition as well as uncertainty regarding fuel prices and exchange rates. SAS forecast and are planning for continued pressure on yield and RASK in 2012. To meet these challenges, the 4Excellence strategy is being accelerated and cost and revenue measures corresponding to SEK 5 billion are being implemented in 2012–2013. The challenging nature of the prevailing economic climate in combination with the earnings effect of 4Excellence being realized in the latter part of 2012 mean that the seasonally weak first quarter will also remain weak in 2012. Bookings continue to be relatively stable though with an increased degree of uncertainty arising from the continued economic trend. On the basis of the above, no earnings forecast will be provided for full-year 2012.

The SAS Group's consolidated statement of income including a statement of other comprehensive income

MSEK	Note	2011	2010
Revenue	2	41,412	41,070
Payroll expenses	3	–13,092	–13,894
Other operating expenses	4	–23,741	–25,115
Leasing costs for aircraft		–1,560	–1,815
Depreciation, amortization and impairment	5	–2,413	–1,885
Share of income in affiliated companies	6	28	12
Income from the sale of shares in subsidiaries and affiliated companies		0	–73
Income from the sale of aircraft and buildings	7	12	–239
Operating income		**646**	**–1,939**
Income from other holdings of securities	8	–1,469	–263
Financial income	9	224	174
Financial expenses	9	–1,030	–1,041
Income before tax		**–1,629**	**–3,069**
Tax	10	–58	851
Net income for the year		**–1,687**	**–2,218**
Other comprehensive income:			
Exchange-rate differences on translation of foreign operations, net after tax of 0 (0)		127	–121
Cash-flow hedges – hedging reserve, net after tax 159 (–167)		–445	469
Total other comprehensive income for the year, net after tax		–318	348
Total comprehensive income		**–2,005**	**–1,870**
Net income for the year attributable to:			
Parent Company shareholders		–1,687	–2,218
Comprehensive income attributable to:			
Parent Company shareholders		–2,005	–1,870
Earnings per share (SEK) [1]		–5.13	–7.79

1 Earnings per share is calculated on the basis of 329,000,000 (284,557,583) shares outstanding. The number of shares outstanding until April 15, 2009 and May 1, 2010 was adjusted for a bonus element in the rights issue to existing shareholders of 6,123 and 2,379 respectively, as well as a reverse split of 1:30.

The SAS Group has no option or share programs. The convertible bond loan of MSEK 1,600 covering 34,408,602 shares has no dilution effect, as the interest rate per common share that can be obtained on conversion exceeds earnings per share before dilution.

EBITDAR before nonrecurring items, MSEK	2011	2010
Revenue	41,412	41,070
Payroll expenses	–13,092	–13,894
Other operating expenses	–23,741	–25,115
EBITDAR	**4,579**	**2,061**
Restructuring costs	339	806
Other nonrecurring items	–829	991
EBITDAR before nonrecurring items	**4,089**	**3,858**

Income before tax and nonrecurring items, MSEK	2011	2010
Income before tax	–1,629	–3,069
Impairment	2,207	229
Restructuring costs	357	1,053
Capital gains	–12	352
Other nonrecurring items	–829	991
Income before tax and nonrecurring items	**94**	**–444**

Comments on the consolidated statement of income

The SAS Group's income before tax and nonrecurring items amounted to MSEK 94 (–444) and net income for the period amounted to MSEK –1,687 (–2,218).

The SAS Group's revenue amounted to MSEK 41,412 (41,070). After taking nonrecurring items and currency effects into consideration, revenue increased by MSEK 1,443 or 3.6%, primarily due to an increase in capacity (ASK) of 6.8%. As regards Scandinavian Airlines, the currency-adjusted unit revenue (RASK) decreased by 1.3% and the currency-adjusted yield by 2.0% compared with the year-earlier period. RASK and yield were adjusted for revaluation regarding the EuroBonus points liability, which had a positive earnings impact of MSEK 380. The preceding year's revenue was negatively affected by the volcanic eruption in Iceland (about MSEK 700). The passenger load factor for the SAS Group developed somewhat negatively and amounted to 73.4%, down 0.7% p.p. year-on-year.

Payroll expenses including other operating expenses amounted to MSEK –36,833 (–39,009). Taking into account nonrecurring items and currency effects, operating expenses increased by MSEK 2,218, of which fuel costs represented MSEK 1,878, which means fuel costs increased by 31.9%. Other cost increases were mainly attributable to increased production volume. Adjusted for fuel costs, the unit cost for Scandinavian Airlines was 3.7% lower than in the year-earlier period, primarily attributable to a reduction in payroll expenses as well as catering expenses and selling expenses.

Operating income before nonrecurring items amounted to MSEK 887 (417).

Leasing costs totaled MSEK –1,560 (–1,815) which corresponded to a currency-adjusted decrease of 3.8% year-on-year.

Depreciation and impairment amounted to MSEK –2,413 (–1,885). The period's expenses include impairment relating to MD80 aircraft of MSEK –330, MD90 aircraft of MSEK –100 and A340 aircraft of MSEK –295, which was performed due to the declining market value of aircraft. In fourth quarter 2010 an impairment of MD90 aircraft in an amount of MSEK 200 was made and classified as a restructuring cost.

Of the capital gain totaling MSEK 12 (–312), MSEK 11 (–270) pertains to aircraft transactions, MSEK 1 (31) to property transactions and MSEK 0 (–73) to the sale of shares in subsidiaries and affiliated companies.

Income from other holdings of securities amounted to MSEK –1,469 (–263) and included impairment of loans to and leasing receivables from Spanair of MSEK –1,482 attributable to Spanair filing for bankruptcy at the start of 2012. The preceding year an impairment loss of MSEK –229 was recognized in respect of shares in Spanair. Other items were MSEK 13 (–34) and pertained to dividends and the capital loss from the divestment of Skyways in 2010.

The Group's net financial items amounted to MSEK –806 (–867), of which net interest expense accounted for MSEK –721 (–758) and exchange-rate differences for MSEK 0 (–16) and other financial items MSEK –85 (–93).

Tax was negative in an amount of MSEK –58 (851).

Items classified as nonrecurring items comprised impairment of MSEK –2,207 (–229) attributable to the impairment of aircraft MSEK –725 (0), the impairment of loans to and leasing receivables from Spanair and impairment of shares in Spanair of MSEK –1,482 (–229). Restructuring costs related to the implementation of Core SAS amounted to MSEK –357 (–1,053), of which MSEK –158 (–476) pertained to payroll expenses, MSEK –181 (–330) other operating expenses, MSEK –18 (–47) leasing costs and MSEK 0 (–200) pertained to impairment of MD90 aircraft.

Capital gain/loss was MSEK 12 (–352) and pertained to the capital gains mentioned above and a capital loss from the divestment of Skyways in 2010.

Other nonrecurring items amounted to MSEK 829 (–991). Subsequent to the Board of Spanair filing for bankruptcy, a provision of MSEK –249 was made. Other nonrecurring items pertained to revaluation of the EuroBonus points liability MSEK 380, which was recognized as revenue[1], settlement of a legal dispute in SAS Cargo of MSEK –31 and the reversal of USD hedges for aircraft totaling MSEK 729 recognized in other operating expenses[2].

The sale of Spirit was discontinued in 2011 and its activities are no longer reported as income from discontinued operations. The preceding year's comparative figures have been recalculated.

CURRENCY EFFECTS ON SAS GROUP EARNINGS

Revenue as well as operating expenses and financial items are affected significantly by exchange-rate fluctuations. Only approximately 24% of revenue and 19% of operating expenses are in Swedish kronor. The aggregate effect of currency fluctuations on the SAS Group's operating income for 2011 compared with 2010 was MSEK 1,929 (–1,059). The currency effect is primarily attributable to the strengthening of the Swedish krona from January to September 2011. Additionally, a reversal of USD hedges was recognized in an amount of MSEK 970 during 2011. The difference between the years in the effect of exchange-rate differences on the financial net debt was MSEK 16 (–219). Comparing 2011 with 2010, the total currency effect on income before tax was therefore MSEK 1,945 (–1,278).

Currency effect

MSEK	2011/10	2010/09
Revenue	–1,481	–1,664
Payroll expenses	484	713
Other operating expenses	1,721	1,521
Translation of working capital	76	152
Income from hedging of commercial flows	1,129	–1,781
Operating income	**1,929**	**–1,059**
Net financial items	16	–219
Income before tax	**1,945**	**–1,278**

Currency effects on net income for the year

MSEK	2011	2010
Translation of working capital	15	–61
Income from hedging of commercial flows	703	–426
Operating income	**718**	**–487**
Currency effect on the Group's financial net debt	0	–16
Income before tax	**718**	**–503**

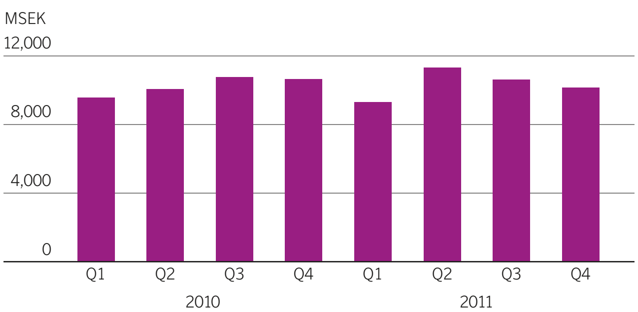
1 Revaluation of the EuroBonus points liability is due to the previous estimates made regarding the fair value per point category being adjusted downward, driven by continued price reductions, changes to the EuroBonus rules and redemption patterns. The effect of the changed assessment of the point value has been recognized prospectively from June 2011.

2 SAS updated its aircraft fleet strategy in 2011, which thus does not involve any planned aircraft sales, except for minor phase-outs, which means that the requirement for USD hedging has ceased. Accordingly, the hedges linked to these future sales were discontinued during the year. The dissolution of these hedges is recognized prospectively, meaning the point in time when the planned sales are no longer expected to occur. The reclassification of MSEK 729 reduced exchange-rate differences in operating income for the period and reduced hedging reserves in shareholders' equity in the same amount. The revalued amount corresponds to the accumulated profit for the hedging instruments recognized in other comprehensive income from the period when the hedge was in effect.

Statement of income excluding other comprehensive income – quarterly breakdown

MSEK	2010					2011				
	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	9,576	10,065	10,776	10,653	41,070	9,313	11,319	10,616	10,164	41,412
Payroll expenses	–3,652	–3,576	–3,292	–3,374	–13,894	–3,312	–3,349	–3,213	–3,218	–13,092
Other operating expenses	–5,765	–5,922	–7,131	–6,297	–25,115	–5,590	–5,552	–6,135	–6,464	–23,741
Leasing costs for aircraft	–462	–487	–435	–431	–1,815	–391	–373	–388	–408	–1,560
Depreciation, amortization and impairment	–413	–431	–429	–612	–1,885	–414	–1,153	–434	–412	–2,413
Share of income in affiliated companies	–30	4	37	1	12	–9	2	30	5	28
Income from the sale of shares in subsidiaries and affiliated companies	–1	–25	–14	–33	–73	0	0	0	0	0
Income from the sale of aircraft and buildings	–19	26	0	–246	–239	–5	17	24	–24	12
Operating income	**–766**	**–346**	**–488**	**–339**	**–1,939**	**–408**	**911**	**500**	**–357**	**646**
Income from other holdings of securities	0	0	–269	6	–263	3	5	0	–1,477	–1,469
Financial revenue	38	38	36	62	174	57	56	49	62	224
Financial expenses	–251	–292	–306	–192	–1,041	–210	–242	–273	–305	–1,030
Income before tax	**–979**	**–600**	**–1,027**	**–463**	**–3,069**	**–558**	**730**	**276**	**–2,077**	**–1,629**
Tax	267	98	–24	510	851	185	–179	–62	–2	–58
Net income for the period	**–712**	**–502**	**–1,051**	**47**	**–2,218**	**–373**	**551**	**214**	**–2,079**	**–1,687**
Attributable to:										
Parent Company shareholders	–712	–502	–1,051	47	–2,218	–373	551	214	–2,079	–1,687

Revenue, 2010–2011



EBIT margin, 2010–2011

SAS Group consolidated balance sheet

ASSETS, MSEK	Note	Dec 31, 2011	Dec 31, 2010
Fixed assets			
Intangible assets	11	**1,693**	**1,414**
Tangible fixed assets	12		
Land and buildings		491	375
Aircraft		11,866	12,652
Spare engines and spare parts		1,367	1,393
Workshop and aircraft servicing equipment		76	90
Other equipment and vehicles		123	130
Investment in progress		66	118
Prepayments relating to tangible fixed assets	13	155	24
		14,144	**14,782**
Financial fixed assets	14		
Equity in affiliated companies	6	317	294
Other holdings of securities		23	23
Pension funds, net	15	11,355	10,512
Deferred tax asset	10	1,340	1,187
Other long-term receivables		1,011	2,379
		14,046	**14,395**
Total fixed assets		**29,883**	**30,591**
Current assets			
Expendable spare parts and inventories	16	**705**	**678**
Current receivables	17		
Accounts receivable		1,275	1,277
Receivables from affiliated companies	18	6	3
Other receivables		2,574	2,901
Prepaid expenses and accrued income	19	934	839
		4,789	**5,020**
Short-term investments	20	2,842	3,281
Cash and bank balances		966	1,762
Assets held for sale	21	-	493
Total current assets		**9,302**	**11,234**
TOTAL ASSETS		**39,185**	**41,825**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	Dec 31, 2011	Dec 31, 2010
Shareholders' equity			
Share capital	22	6,612	6,612
Other contributed capital		337	337
Reserves	23	309	627
Retained earnings		5,175	6,862
Total shareholders' equity attributable to Parent Company owners		**12,433**	**14,438**
Non-controlling interests		0	0
Total shareholders' equity		**12,433**	**14,438**
Long-term liabilities	24		
Subordinated loans	25	1,019	974
Bond loans	26	2,809	1,503
Other loans	27	6,179	6,866
Deferred tax liability	10	2,154	2,303
Other provisions	29	1,673	2,143
Other liabilities		55	143
		13,889	**13,932**
Current liabilities			
Current portion of long-term loans		2,309	1,383
Short-term loans	30	997	1,073
Prepayments from customers		24	16
Accounts payable		1,540	1,749
Tax payable		18	22
Unearned transportation revenue	31	3,453	3,598
Current portion of other provisions	29	428	657
Other liabilities		1,160	2,070
Accrued expenses and prepaid income	32	2,934	2,755
Liabilities attributable to assets held for sale	21	-	132
		12,863	**13,455**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**39,185**	**41,825**
Book equity per share (SEK) [1]		37.79	43.88

Information about the Group's pledged assets, contingent liabilities and leasing commitments is given in Notes 33, 34 and 35.

1 Calculated on 329,000,000 (329,000,000) outstanding shares. No dilution occurred during the year.

Comments on the consolidated balance sheet

In 2010, Spirit was classified as a discontinuing operation and the company's assets and liabilities were thus recognized as assets held for sale in the consolidated balance sheet (See also, Note 21). The sale of Spirit was discontinued in 2011, whereupon the assets and liabilities of the company were no longer reported separately in the balance sheet.

Assets

The SAS Group's total assets decreased from MSEK 41,825 to MSEK 39,185 in 2011.

Investment for the year amounted to MSEK 2,041 (2,493), of which aircraft, other flight equipment and prepayments accounted for MSEK 1,359. In 2011, the SAS Group purchased seven aircraft – one Bombardier Q100, three Bombardier Q200s and a Bombardier Q400NG for Widerøe. Additionally, two Boeing 737s were purchased that were previously under operating leases, one of which was sold later in 2011. In 2011, a total of seven aircraft were sold. Investments in systems development amounted to MSEK 325.

Equity in affiliated companies increased by MSEK 23. Share of net income for the year amounted to MSEK 28. Dividend and negative currency effects reduced the equity shares by MSEK 5.

At December 31, 2011, book net pension funds totaled MSEK 11,355 (10,512) (see also Note 15).

On the closing date, Group receivables from Spanair totaled MSEK 1,482. In consequence of the company filing for bankruptcy, provisions were made for the entire Group. Of receivables, MSEK 1,395 is classified as long-term.

Cash and cash equivalents amounted at year-end to MSEK 3,808 (5,043), which was a decrease of MSEK 1,235. Cash and cash equivalents totaled 10% (12%) of total assets.

Shareholders' equity

Shareholders' equity decreased by MSEK 2,005 to MSEK 12,433 (14,438). Net income for the year was MSEK –1,687 and changes in the value of cash-flow hedges amounted to MSEK –604 before tax adjustment. Other changes in shareholders' equity were related to exchange-rate differences in translation of foreign operations, etc. At year-end, the equity/assets ratio was 32% (35%), book equity per share was SEK 37.79 (43.88) and return on book equity was –12% (–17%).

Liabilities

MSEK 13,338 (11,897) of total liabilities was interest-bearing. The value of contracted credit facilities was MSEK 7,004 (6,688) of which MSEK 5,093 (5,146) was unutilized. Amortization in 2011 amounted to MSEK 2,570 (6,100). The year's borrowing amounted to MSEK 3,440 (4,100) including borrowing linked to aircraft acquisitions.

During the year, a convertible bond loan was issued for nominal MSEK 1,300 as well as other bonds/EMTM corresponding to MEUR 115 (approximately MSEK 1,017). During the final quarter of the year, aircraft were financed in a total amount of about MUSD 91 (approximately MSEK 631) primarily through replacement finance.

Financial net debt excluding net pension funds amounted to MSEK 7,017 (2,862). The increase was mainly attributable to impairment of receivables from Spanair in an amount of MSEK 1,482, cash flow from continuing operations of MSEK –482 and investments and sales of fixed assets of net MSEK –1,524. The debt/equity ratio calculated on the financial net debt was 0.56 (0.20) at year-end. The adjusted debt/equity ratio amounted to 1.33 (0.89).

The provision for SAS's liability to members of the EuroBonus loyalty program amounted to MSEK 1,347 (1,816).

Total capital employed amounted to MSEK 25,771 (26,335) at year-end. Average capital employed during the year was MSEK 27,065 (26,625). Return on capital employed was –2% (–8%).

The SAS Group's change in shareholders' equity

	Shareholders' equity attributable to Parent Company shareholders						
MSEK	Share capital [1]	Other contributed capital	Hedging reserves	Translation reserve	Retained earnings [3]	Total equity attributed to Parent Company owners	Total equity
Opening balance January 1, 2010	**6,168**	**170 [2]**	**227**	**52**	**4,772**	**11,389**	**11,389**
Net income for the year					–2,218	–2,218	–2,218
Exchange-rate differences on translation of foreign operations				–121		–121	–121
Cash-flow hedges			636			636	636
Tax attributable to components pertaining to comprehensive income			–167			–167	–167
Total comprehensive income for the year	**-**	**-**	**469**	**–121**	**–2,218**	**–1,870**	**–1,870**
Reduction of share capital	–4,516				4,516	-	-
Rights issue	4,960					4,960	4,960
Cost of rights issue, net					–208	–208	–208
Other contributed capital, net		167 [4]				167	167
Closing balance, December 31, 2010	**6,612**	**337**	**696**	**–69**	**6,862**	**14,438**	**14,438**
Net income for the year					–1,687	–1,687	–1,687
Exchange-rate differences on translation of foreign operations				127		127	127
Cash-flow hedges			–604			–604	–604
Tax attributable to components pertaining to comprehensive income			159			159	159
Total comprehensive income for the year	**-**	**-**	**–445**	**127**	**–1,687**	**–2,005**	**–2,005**
Closing balance, December 31, 2011	**6,612**	**337**	**251**	**58**	**5,175**	**12,433**	**12,433**

1 The share capital in SAS AB is distributed among 329,000,000 shares, with a quotient value of 20.1. See Note 22.
2 The entire amount consists of share premium reserves.
3 No dividends were paid in 2009 and 2010.
4 Shareholders' equity share (MSEK 226 reduced by a tax effect of MSEK 59) of the convertible bond loan of MSEK 1,600.

SAS Group consolidated cash-flow statement

MSEK	Note	2011	2010
OPERATING ACTIVITIES			
Income before tax		–1,629	–3,069
Depreciation and impairment		2,413	1,885
Income from the sale of aircraft, buildings and shares		–12	352
Adjustment for other items not included in the cash flow etc.	36	–39	1,065
Tax paid		1	–1
Cash flow from operating activities before changes in working capital		**734**	**232**
Change in:			
Expendable spare parts and inventories		–27	31
Operating receivables		314	382
Operating liabilities		–1,503	–800
Cash flow from changes in working capital		**–1,216**	**–387**
Cash flow from operating activities		**–482**	**–155**
INVESTING ACTIVITIES			
Aircraft		–995	–1,652
Spare parts		–225	–252
Buildings, equipment and investment in progress		–357	–288
Shares and participations, intangible assets, etc.		–325	–281
Prepayments for flight equipment		–139	–20
Total investments		**–2,041**	**–2,493**
Sale of subsidiaries and affiliated companies	37	-	68
Sale of aircraft and buildings		351	350
Income from sale and leaseback of aircraft		136	264
Sale of other non-current assets, etc.		30	15
Cash flow from investing activities		**–1,524**	**–1,796**
FINANCING ACTIVITIES			
Proceeds from borrowings		3,440	4,100
Repayment of borrowings		–2,570	–6,100
Change in interest-bearing receivables and liabilities		–107	141
Rights issue including issue costs		-	4,678
Cash flow from financing activities		**763**	**2,819**
Cash flow for the year		**–1,243**	**868**
Translation difference in cash and cash equivalents		0	–16
Cash and cash equivalents transferred from assets held for sale		8	2
Cash and cash equivalents at beginning of the year		5,043	4,189
Cash and cash equivalents at year-end	38	**3,808**	**5,043**

Comments on the consolidated cash flow statement

Income before tax was better for 2011 compared with 2010. Adjustment for other items not included in the cash flow etc. amounted to MSEK –39 (1,065). This principally comprised payment of the fine imposed on SAS Cargo by the EU of MSEK –660, the reversal of USD hedges of MSEK –970 and impairment and provisions attributable to Spanair's bankruptcy of MSEK 1,731.

Change in working capital amounted to MSEK –1,216 (–387) and was negatively impacted in an amount of MSEK 380 from revaluation of the EuroBonus points liability. Provisions for restructuring costs decreased by MSEK 266. Otherwise, it was mainly other operating liabilities that were lower than the preceding year.

Cash flow from operating activities amounted to MSEK –482 (–155).

Total investments including prepayments to aircraft manufacturers amounted to MSEK 2,041 (2,493). In 2011, investments in aircraft included payments for one Bombardier Q100, three Bombardier Q200s and one Bombardier Q400 NG. Additionally, two Boeing 737s, which were previously on operating lease, were acquired.

The sale of aircraft and buildings generated MSEK 487 (614), of which MSEK 484 (581) was attributable to the sale of aircraft. In 2011, one Bombardier Q300, two Bombardier Q400s, one Boeing 737 and two McDonnell Douglas MD87s were sold. In addition, one Boeing 737 was divested through sale and leaseback.

The external financing increased during the year by a net amount of MSEK 763 (2,819).

In all, the SAS Group's cash and cash equivalents decreased by MSEK 1,243 compared with an increase of MSEK 852 the preceding year. After MSEK 8 (2) was reclassified from assets held for sale, cash and cash equivalents amounted to MSEK 3,808 (5,043).

Notes to the financial reports

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

SAS AB is a Swedish public limited company domiciled in Stockholm and the address of its head office is Kabinvägen 5, Arlanda, Stockholm. SAS AB is the Parent Company of the SAS Group.

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) that apply for the fiscal year starting on January 1, 2011. These standards have been consistently applied to all periods presented in the Group's financial statements. The financial statements have been prepared on a cost basis, except for the remeasurement 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 perform estimates and assumptions that influence the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. Actual outcome may differ from these estimates and assumptions.

The estimates and assumptions are regularly reviewed. Changes in estimates are recognized 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. For more information, see "Critical accounting judgments and key sources of estimation uncertainty" below.

New and amended standards and interpretations 2011

The following new and amended standards and interpretations, including improvements are effective and have been adopted as of the fiscal year 2011:

IFRS 1 First-time Adoption of International Financial Reporting Standards, IAS 24 Related Party Disclosures (Amended), IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amended) and IFRIC 19 Extinguishing Financial Liabilities with Equity (new) and Improvements to IFRSs 2010 (applies to improvements in IFRS 3 Business Combinations), IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements, IAS 27 Consolidated and Separate Financial Statements, IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programs). The implementation of these amendments to standards and new interpretations has not had any material effect on the consolidated financial statements.

Standards, amendments and interpretations of existing standards where the amendments are not yet effective and have not been adopted early by the Group

The following new standards, amendments and interpretations of existing standards have been issued and are mandatory for the accounting of the group for fiscal years beginning on or after January 1, 2012, but have not been adopted early:

IAS 19 Employee Benefits (Amended) Means that it is no longer permitted to defer recognition of certain deviations in regard to estimates (the "corridor" approach has now been eliminated) and all estimates are to be immediately recognized in other comprehensive income. Pursuant to the amended standard, accumulated unrecognized deviations (Unrecognized deviations from estimates and plan amendments) will be recognized in their entirety in shareholders' equity, which will probably have a material negative impact on the Group's shareholders' equity. The Group intends to apply the amended standard for the fiscal year starting January 1, 2013. The standard has yet to be adopted by the EU. As a result of changes in the revised IAS 19, the Swedish Financial Reporting Board has withdrawn UFR 4 Accounting for special employer's contribution and tax on returns. At present, SAS is investigating the effects this could have on accounting for defined-benefit pension plans in Sweden.

IFRS 9 Financial Instruments Replaces the parts of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 provides that financial instruments be classified in two categories; those measured at amortized cost and those measured at fair value. Classification is established at the time the financial instruments are initially recognized based on the company's business model and the characteristics of the contractual terms applying to cash flows arising from these assets. No material changes are implied for financial liabilities compared with IAS 39. The most significant change applies to liabilities identified at fair value. This provides that the portion of change in fair value attributable to changes in the credit risk of the liability be recognized in other comprehensive income instead of profit or loss if so doing does not give rise to measurement or recognition inconsistency in the financial statements (accounting mismatch). The Group intends to apply the amended standard, at the latest, for the fiscal year starting January 1, 2015 and has as yet not evaluated its effects. The standard has yet to be adopted by the EU.

In addition to the above, the IASB has issued the following new standards, amendments and interpretations of existing standards: IFRS 1 First-time Adoption of International Financial Reporting Standards (amended), IFRS 7 Financial Instruments: Disclosures (amended), IFRS 10 Consolidated Financial Statements (new), IFRS 11 Joint Arrangements (new), IFRS 12 Disclosure of Interests in Other Entities (new), IFRS 13 Fair Value Measurement (new), IAS 1 Presentation of Financial Statements (amended), IAS 12 Income Taxes (amended), IAS 27 Separate Financial Statements (amended), IAS 28 Investments in Associates and Joint Ventures (amended), IAS 32 Financial Instruments: Classification (amended), IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (new). SAS deems that the application of these new and amended standards and interpretations will not have any material impact on the Group's consolidated financial statements in the period when they are applied for the first time.

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 when 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.

The earnings of subsidiaries acquired during the year are included in the Group's earnings 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. The earnings of subsidiaries disposed of during the fiscal year are included in the Group's earnings up to the effective date of disposal.

Non-controlling interest in the net assets of consolidated subsidiaries is recognized in the consolidated balance sheet as a separate component of equity. The Group's earnings and components in other comprehensive income are attributable to the Parent Company's owners and to the non-controlling interests' owners, even if this generates a negative value for the non-controlling interest. All intra-Group transactions, balance-sheet items, 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 acquisition when controlling influence is achieved) of the assets transferred, liabilities incurred or assumed, and equity shares issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized when they are incurred. The cost also includes fair value at the date of acquisition for the assets or liabilities that arise from any agreement governing a contingent consideration. Changes to fair value for a contingent consideration that arises due to additional information received after the date of acquisition regarding facts or conditions present at the date of acquisition, qualify as adjustments during the measurement period and are adjusted retroactively, with a corresponding adjustment of goodwill. All other changes to fair value for contingent considerations that are classified as assets or liabilities are recognized in accordance with the applicable standard. Contingent considerations classified as equity are not remeasured and any subsequent adjustment is reported in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that qualify for recognition under IFRS 3 Business Combinations are recognized at fair value on the date of acquisition, with the following exceptions:

- Deferred tax assets or liabilities and assets or liabilities attributable to the acquiree's agreement governing employee remuneration are recognized and measured pursuant to IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.
- Liabilities or equity instruments attributable to the acquiree's share-based allocations or to the exchange of the acquiree's share-based allocations against the acquirer's share-based allocations are measured at the acquisition date in accordance with IFRS 2 Share-based Payment.
- 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 are measured pursuant to that standard.

For each business combination, the non-controlling interest in the acquiree is measured either at fair value or at the value of the proportional share of the acquiree's identifiable net assets. In the case of step acquisitions, previously held equity shares in the acquiree are remeasured at fair value at the date of acquisition (i.e. when controlling influence is achieved). Any gain or loss is recognized in profit or loss. Any changes in the value of the previously held equity shares recognized in other comprehensive income prior to the date of acquisition are reclassified and recognized in profit or loss on the same basis as would be required if these shares had been sold. In business combinations where the sum of the cost, any non-controlling interests and fair value at the date of acquisition for previously held equity exceeds fair value at the date of acquisition on identifiable acquired net assets, the difference is recognized as goodwill in the balance sheet. If the difference is negative, this is recognized as a gain from a bargain purchase directly in profit or loss, following a review of the difference.

Transactions with non-controlling interests

Changes in the Parent Company's share in a subsidiary that do not lead to a loss of controlling influence are recognized as equity transactions (in other words, as transactions with the Group's owner). Any difference between the sum by which the non-controlling interest has been adjusted and the fair value of the consideration made or received is recognized directly in equity and distributed to the owners of the Parent Company.

Loss of controlling influence

When the Parent Company loses controlling influence of a subsidiary, the profit or loss is calculated at the divestment as the difference between:

- the sum of the fair value for the consideration received and the fair value of any remaining holdings and
- the previously recognized values of the subsidiary's assets (including goodwill) and liabilities as well as any non-controlling interest.

When the divested subsidiary has assets measured according to the revaluation method or at fair value and the attributable accumulated gains or losses have been recognized in other comprehensive income and accumulated in equity, these sums, which were previously recognized in other comprehensive income and accumulated in equity, are recognized as if the Parent Company had divested the assets directly, resulting in a reclassification to income or direct transfer to retained earnings.

The fair value of the remaining holdings in the former subsidiary at the date controlling influence is lost is viewed as the fair value at the first accounting opportunity for a financial asset pursuant to IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost at the first accounting opportunity for an investment in an affiliated company or jointly controlled entity.

Investments in affiliated companies

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

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

The carrying amount of investments in affiliated companies represents the cost of each investment, including goodwill, the share of retained earnings following acquisition and any other changes in equity. The carrying amount of investments in affiliated companies is reviewed on a regular basis and if any decline in value has occurred, it is impaired in the period in which this occurred.

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

Discontinued operations and assets held for sale

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 net profit or loss from discontinued operations is reported in the statement of income, 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 selling costs. Fixed 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.

Segment reporting

Identification of reportable segments is performed based on the external reporting to the Chief Operating Decision Maker (CODM), which for SAS is the President. The Group is governed and reported according to the segments described below. 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 operating segments consist of Scandinavian Airlines, Blue1 and Widerøe. For external reporting purposes, the Group aggregates these along with other SAS Group activities and eliminates the transactions between these segments to produce total results for the SAS Group, which the CODM uses to manage the business. The other SAS Group activities include some common service and management 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 41 in the column under Other.

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 segments 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.

Geographic information about revenue from external customers:

Traffic revenue from domestic services 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.

Foreign currency translation

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

Transactions in currencies other than the entity's functional currency (foreign currencies) are remeasured 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 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 and, which form part of the net investment in a foreign operation. These differences are recognized in other comprehensive income.

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. Revenue 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 the latter case, the exchange rate on the transaction date is applied. Any translation differences are recognized in other comprehensive income.

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

Exchange rates

			Closing rate		Average rate	
			2011	**2010**	**2011**	**2010**
Denmark	DKK	100	120.33	120.75	121.17	129.15
Norway	NOK	100	115.05	115.20	115.85	119.53
U.S.	USD		6.92	6.80	6.46	7.25
U.K.	GBP		10.68	10.55	10.36	11.21
Switzerland	CHF	100	735.56	723.55	732.18	692.23
Japan	JPY	100	8.92	8.34	8.09	8.23
EMU countries	EUR		8.94	9.00	9.03	9.62

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 revenue 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 statement of income and loan receivables and accounts receivable. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loan receivables and accounts receivable

Receivables in affiliated companies are categorized as loan receivables and accounts receivable and are measured at amortized cost.

Accounts receivable are categorized as loan receivables and accounts receivable. Since the term of accounts receivable is 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 recognized in profit or loss 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 cash amounts 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 funds are categorized as loans and accounts receivable, and other investments are categorized as financial assets held for trading.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to their contractual provisions.

An equity instrument is any contract that represents a residual interest in the assets of the Group after deducting its liabilities. The proceeds from equity instruments issued by the Group are recognized less 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 accounts payable are expected to be short, the liabilities are carried at nominal amounts with no discounts, this is deemed to be a good approximation of the fair value of the accounts payable.

Borrowings

Long-term borrowings, i.e., liabilities with a tenor 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 tenor of less than one year.

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

Composite financial instruments

The components in a combined financial instrument (convertible debenture) issued by SAS are classified separately as financial liabilities and equity instruments respectively in line with the contract terms and definitions of a financial liability and equity instrument. The conversion option, which will be regulated by the exchange of a specific cash amount for a defined number of the company's own shares, is an equity instrument.

At the time of issue, the debt component's fair value is determined by discounting at the current market interest rate for an equivalent debt with no conversion option. This amount is recognized as a debt and then measured at amortized cost until the debt is extinguished on conversion or reaching its maturity date.

The conversion option is classified as an equity instrument and its value is determined by deduction of the debt component from the combined financial instrument's fair value. This value is reported as equity and is not subsequently revalued. No profit or loss is reported on conversion or when the conversion option expires.

Transaction costs directly attributable to the issue of the combined financial instrument are allocated proportionately to the debt or equity component based on the initial distribution of funds received. Transaction costs attributable to the equity component are recognized directly in equity. Transaction costs attributable to the debt component are included in the debt's carrying amount and allocated over the term of the liability using the effective interest method.

Derivative financial instruments

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

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 profit or loss 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 other comprehensive income and accrued in the hedging reserve. The ineffective portion of cash-flow hedges is recognized directly in profit or loss. Amounts recognized in equity are reversed in the profit or loss in the periods when the hedged item is recognized in profit or loss. For a derivative not designated as a hedging instrument, the gain or loss is recognized in profit or loss 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 an ongoing basis during the hedge period. A requirement for hedging of forecast cash flows is that it is highly probable that the forecast event will occur.

Tangible fixed assets

Tangible fixed assets are recognized 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 obligatory major overhauls of engines, and improvements to fixed assets are capitalized and depreciated together with the asset to which the work is related over its remaining useful life. Investment in own and leased premises is amortized over their estimated useful lives, but not over a period exceeding the remaining leasing period for leased premises.

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

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

Asset class	Depreciation
Aircraft	20 years[1]
Spare equipment and spare parts	20 years[1]
Engine components (average)	8 years
Workshop and aircraft servicing equipment	5–10 years
Other equipment and vehicles	3–5 years
Buildings	5–50 years

1 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 recognized 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 that a constant rate of interest is recognized on the remaining balance of the liability. The useful life of the asset corresponds to the Group's policy for owned assets.

Gains on the sale and leaseback of property and equipment that gave rise to finance leases are deferred and allocated over the lease term.

Sale and leaseback agreements are classified according to the abovementioned principles for finance and operating leasing.

Operating leases – Fees 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 implemented at fair value, the Group recognizes any profit or loss immediately.

The Group as lessor

Finance leases – Finance lease receivables are stated in the balance sheet at the net investment amount of 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
- 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 value over the fair value of the Group's share of net identifiable assets at the date of acquisition, of the cost of an acquisition, any holdings without controlling influence and fair value at the date of acquisition.

Gains or 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 profit or loss.

Development costs that do not meet the criteria specified above are expensed in the period they arise. Costs for systems development are recognized 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, which amounts to no more than five years. Amortization of capitalized development costs is included in the depreciation/amortization item in the statement of income.

Impairment of tangible and intangible assets with determinable useful lives

The Group continuously evaluates whether any indications exist of a need for impairment of any tangible and intangible assets with determinable useful lives. If any such indication is identified, the recoverable amount of the asset is calculated (or as part of the CGU 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 the value in use (VIU). If the estimated recoverable amount of the asset (or the CGU) is lower than its carrying amount, the carrying amount of the asset (or the CGU) is impaired. The recoverable amount is determined based on the type of asset.

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

Provisions and contingent liabilities

Provisions are reported when the 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 must 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 applies the "corridor approach" when recognizing actuarial gains and losses. Under the corridor approach, actuarial gains and losses outside the lower and upper limits of the corridor, which is calculated as 10% of the greater of the defined 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 a short-term unearned transportation revenue liability 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 liability based on that estimate.

The Group's Management periodically evaluates the estimated short-term unearned transportation revenue liability 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 through a hiring arrangement with particular customers. Charter revenue, similar to passenger revenue, is 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 performed.

Loyalty program

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 from purchases made from commercial partners such as car rental companies 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.

Borrowing expenses

Borrowing expenses that arise in operations are expensed in the period in which they are incurred. Borrowing 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 borrowing expenses ceases. Amortization of capitalized borrowing 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 non-tax-deductible costs and revenues not liable to tax. The current tax is calculated on the basis of tax rates applying on the closing date.

Deferred tax is recognized according to the balance sheet method whereby temporary differences, differences between the recognized and fiscal value of assets or liabilities, result in a deferred tax asset or deferred tax liability. A deferred tax liability is recognized for all temporary differences liable to tax, while a deferred tax asset is recognized 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 carry-forward is lost.

A deferred tax liability is recognized 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 closing date. Deferred tax is recognized in the statement of income, except when it relates to items charged or credited in other comprehensive income or in equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity, respectively.

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. These estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these 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 most substantial impact on the SAS Group's reported earnings and financial position. For information about the carrying amount on the closing date see the balance sheet with accompanying notes.

Estimated useful lives of tangible fixed assets

The Group's Management periodically reviews the appropriateness of the useful 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 life of property and equipment are recognized prospectively in profit or loss.

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 CGU.

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 impairment in future periods.

Due to the decline in the market value of aircraft, an impairment loss of MSEK 725 was recognized, which is described in the section Comments on the consolidated statement of income and in Note 12.

Loyalty program

During the year, a revaluation was performed of the EuroBonus points liability. The EuroBonus revaluation is due to the previous estimates made regarding the fair value per point category being adjusted downward, driven by continued price reductions, changes to the EuroBonus rules and redemption patterns. The effect of the changed assessment of the point value has been recognized prospectively from June 2011. For additional information, see Note 29.

Pensions

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

The discount rate is determined 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 and life expectancy. Any change in these assumptions could potentially result in a significant change to the pension assets, obligations and pension costs in future periods.

During the year, the discount rate used for calculation of the present value of pension commitments in Sweden and Norway was lowered, which resulted in a corresponding increase in the present value of pension commitments and actuarial gains and losses. In addition, the assessment of future salary adjustments was lowered by half a percentage point for pension plans in Sweden, Norway and Denmark, and now corresponds to the assumed rate of inflation in the respective countries, for further information see Note 15.

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 obligation. A one percentage point change in the inflation assumption has approximately a SEK 2 billion impact on the obligation and a one percentage point change in the parameter for payroll adjustment has approximately a SEK 1 billion impact on the obligation. A one percentage point change in the expected long-term return on plan assets has approximately a SEK 0.3 billion impact on the fair value of the plan assets.

Deferred taxes

The Group recognizes 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 recognized in the consolidated balance sheet. In estimating levels of future profitability, historical results of operations in recent years are considered and, if necessary, the implementation of prudent and feasible tax planning strategies to generate future profitability would be considered. 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 profit or loss, except in cases where it is related to items recognized directly in equity. 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 profit or loss, except to the extent that the deferred tax arises from a business combination.

A change in these estimates could also result in the impairment of deferred tax assets in future periods for assets that are currently recognized on the balance sheet.

Litigations

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).

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 Accounting for Legal Entities as well as applicable statements from the Swedish Financial Reporting Board. Under RFR 2, the Parent Company, in preparing the annual financial statements for the legal entity, applies all EU-approved IFRSs and statements insofar as this is possible within the framework of the Annual Accounts Act and the Swedish Pension Obligations Vesting Act 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.

Revised accounting policies: The amendments in RFR 2 that have come into force and apply to the fiscal year 2011 have meant that group contributions are no longer recognized in equity. Group contributions received by the Parent Company are now recognized in line with the same policies as those applying to ordinary dividends from subsidiaries and are reported as financial revenue. Group contributions made by the Parent Company to subsidiaries are reported as an increase in the carrying amount of shares in the respective subsidiary.

In 2011, no group contributions have been made or received between the Parent Company and subsidiaries.

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. Acquisition-related expenses for subsidiaries that are charged in the consolidated income statement, are included as part of the cost for holdings in subsidiaries.

Other shares and participations: Recognized 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

	2011	2010
Traffic revenue:		
Passenger revenue	30,497	29,939
Charter	1,872	1,933
Mail and freight	1,449	1,530
Other traffic revenue	2,131	1,906
Other operating revenue:		
In-flight sales	27	30
Ground handling services	1,339	1,432
Technical maintenance	243	263
Terminal and forwarding services	383	385
Sales commissions and charges	477	434
Other operating revenue	2,994	3,218
	41,412	**41,070**

Note 3 Payroll expenses

Average number of employees

In 2011, the average number of employees in the SAS Group was 15,142 (15,559). A breakdown of the average number of employees by country is provided in the table below.

Average number of employees totaled 4,759 (4,800) in Denmark, 5,333 (5,462) in Norway, and 4,086 (4,087) in Sweden.

	2011		2010	
	Men	Women	Men	Women
Denmark	3,027	1,732	3,239	1,561
Norway	3,364	1,969	3,499	1,963
Sweden	2,526	1,560	2,287	1,800
Finland	215	189	212	204
Estonia	29	70	24	71
U.S.	8	7	12	6
Other countries	238	208	372	309
Total	**9,407**	**5,735**	**9,645**	**5,914**
Total men and women	**15,142**		**15,559**	

Gender breakdown among senior executives in the Group

	2011		2010	
	Total on closing date	of which men	Total on closing date	of which men
Board members	56	79%	62	82%
President and other senior executives	41	76%	45	67%

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses amounted to MSEK 12,500 (13,053), of which social security expenses comprised MSEK 1,742 (1,691) and pensions MSEK 1,465 (1,637).

	2011		2010	
	Salaries & other remuneration	Social security expenses (of which pension cost)[1]	Salaries & other remuneration	Social security expenses (of which pension cost)[1]
SAS AB	72	54 (29)	77	66 (42)
SAS Consortium	6,041	2,455 (1,257)	4,734	2,040 (1,036)
Other subsidiaries	3,180	698 (179)	4,914	1,222 (559)
SAS Group total	**9,293**	**3,207 (1,465)**	**9,725**	**3,328 (1,637)**

1 The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 22 (23).

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

	2011		2010	
	Board, CEO & senior executives (of which variable salary)	Other employees	Board, CEO & senior executives (of which variable salary)	Other employees
SAS AB	37 (-)	35	37 (-)	40
SAS Consortium	- (-)	6,042	- (-)	4,734
SAS Ground Services Norway AS	2 (0)	992	7 (1)	918
SAS Ground Services Sweden AB	2 (0)	494	2 (-)	469
Blue1	14 (-)	216	6 (-)	221
Widerøes Flyveselskap	3 (1)	1,019	2 (-)	937
SAS Cargo	9 (2)	79	7 (1)	111
Other subsidiaries	5 (0)	344	12 (-)	2,222
SAS Group total	**72 (3)**	**9,221**	**73 (2)**	**9,652**

Pension costs	**2011**	**2010**
Defined benefit pension plans	931	977
Defined contribution pension plans	534	660
Total	**1,465**	**1,637**

Remuneration and benefits paid to senior executives

The fees and other remuneration paid to Board members of SAS AB are determined by the Annual General Shareholders' Meeting, which also approves the policies applied for the remuneration of senior management.

Board of Directors

At the Annual General Shareholders' Meeting of SAS AB on April 11, 2011, unchanged fees, compared with 2010, were set for the remuneration of directors and for work on board committees as follows:

Board chairman	TSEK 585
Board first vice chairman	TSEK 390
Board second vice chairman	TSEK 345
Other Board members (7 persons)	TSEK 295 per member
Employee deputies (6 persons)	TSEK 1 study fee/Board meeting
	TSEK 3.5 fee/Board meeting on participation
Chairman of audit committee	TSEK 95
Other members of audit committee (2 persons)	TSEK 45
Chairman of remuneration committee	TSEK 70
Other members of remuneration committee (2 persons)	TSEK 25

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in 2011. 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, as set by the Annual General Shareholders' Meeting, by 25% starting September 1, 2009.

Policies

The following remuneration policies, adopted by the Annual General Shareholders' Meeting have been applied in 2011 in regard to senior executives in the SAS Group. In this connection, senior executives refers to the President and the other five members of the SAS Group Management. The Annual General Shareholders' Meeting in 2010 decided that no variable salary will be included in the terms of employment of senior executives.

The total remuneration to senior executives must be market-based and competitive and must reflect the level of responsibility and authority. Remuneration consists of fixed salary, other benefits and pension. Fixed salary has not been subject to review in 2011.

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 targets
- Salary setting shall motivate professional and personal advancement.

President and CEO Rickard Gustafson, who took office as President and CEO on February 1, 2011, has the following remuneration components in his employment contract:
- An annual fixed base salary of TSEK 10,000, which is subject to salary review in January of each year.
- A defined-contribution pension plan where 30% of the fixed salary is paid as premiums to an agreed pension insurance. Retirement age is 62 years.
- The notice period is six months mutually in the event the President resigns or if the termination of employment is by SAS AB. Severance pay for the President in the event 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 of employment ending, the severance pay awarded is reduced by an amount corresponding to the remuneration received from the new position.

Deputy Presidents

In 2011, the SAS Group had four deputy presidents, John S. Dueholm (Deputy President and CEO), Henriette Fenger Ellekrog (Deputy President and EVP, Human Resources & Communication), Mats Lönnqvist (CFO) from January 1 – February 28, 2011 and Göran Jansson (CFO) from March 1, 2011.

John S. Dueholm has the following remuneration components in his employment contract:
- Deputy CEO John S. Dueholm was President and CEO during the period October 1, 2010 – January 31, 2011. During this period, in addition to the terms of employment listed below as Deputy CEO, he received compensation for the difference in salary up to a fixed monthly salary calculated to SEK 833,333 per month.
- An annual fixed base salary of DKK 5,551,872, estimated to correspond to SEK 6,809,164, which refers to the salary set on January 1, 2010, and is subject to salary review in January of each year. No salary review was performed in 2011.
- A defined contribution pension plan where 35% of salary is paid into a chosen insurance plan.
- On June 30, 2011, SAS paid a lump sum pension premium of MDKK 5, equivalent to MSEK 6.0 pursuant to a separate agreement. On June 30, 2012, John S. Dueholm will receive a lump sum of MDKK 1, corresponding to approximately SEK 1.2 million, which in line with John S. Dueholm's request, will be issued either as salary or as a pension premium to the pension insurance indicated by John S. Dueholm and agreed on with SAS. Retirement age is 61.
- John S. Dueholm relinquished operational responsibility on September 14, 2011 but remains as Deputy CEO until June 30, 2012, when his employment at SAS terminates.

Henriette Fenger Ellekrog has the following remuneration components in her employment contract:
- An annual fixed base salary of DKK 3,910,392, corresponding to about SEK 4,795,870, which refers to the salary set on January 1, 2010, and is subject to salary review in January of each year. No review of salary was performed in 2011.
- A defined contribution pension plan where 25% of salary was paid in pension provisions in the period January 1 – June 30 and 30% for the period July 1 – December 31. Retirement age is 65.
- A previously agreed increase in pension premiums to 35% as of July 2012 has been exchanged for salary. Henriette Fenger Ellekrog has waived her rights to this exchange of remuneration in 2012.

Mats Lönnqvist had the following remuneration components in his employment contract:
- An annual fixed base salary of SEK 4,620,000.
- A defined contribution pension plan where 29.8% of salary was paid into a chosen insurance plan. Retirement age was 62.
- Mats Lönnqvist stepped down from his position as a senior executive on February 28, 2011 and ended his employment at the SAS Group on September 30, 2011.

Göran Jansson has the following remuneration components in his employment contract:
- Göran Jansson took up his position as CFO of SAS Group on March 1, 2011.
- An annual fixed base salary of SEK 4,620,000, (which refers to the salary set on March 1, 2011), and is subject to salary review in January of each year.
- A defined contribution pension plan where 25% in 2011 and 29.8% from 2012 of salary is paid into a chosen insurance plan.
- Retirement age is 60.

The notice period is 6 months in the event that Henriette Fenger Ellekrog and Göran Jansson resign 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 12 months' salary, with reconciliation against income from another appointment or engagement.

Severance pay is also payable on the resignation of a senior executive when the responsibilities or authorities of the senior executive 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

Two of the three other members of Group Management have defined-contribution pension plans with a pension provision equivalent to 30% of fixed base salary with a retirement age of 60 and the other individual has a defined-benefit pension with a retirement age of 60. 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 policies as for the three deputy presidents, with, however, the difference that the severance pay, pursuant to already signed agreements, for two executives totals an amount equivalent to an annual salary for two years and for one executive totals an amount equivalent to an annual salary for one year, with a deduction for income from a new appointment or engagement of no more than 50% of the total severance pay.

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.

REMUNERATION AND BENEFITS 2011, TSEK

Name	Fixed base salary [1] (TSEK)	Other benefits (TSEK)	Pension premium (TSEK)	Insurance (TSEK)	Pension commitments [4]
Rickard Gustafson	9,200	206	2,714	5	
John S. Dueholm [2]	6,809	171	8,398	7	
Göran Jansson	3,934	1	978	5	
Mats Lönnqvist	847	18	233	4	
Henriette Fenger Ellekrog [2]	4,796	145	1,300	14	
Other [2,3]	6,998	334	3,451	12	

1 For the periods, Gustafson Feb 1 – Dec 31, Jansson Mar 1 – Dec 31, Lönnqvist Jan 1 – Feb 28, others two for 12 months and one for 4 months.
2 Converted to TSEK.
3 The category Other does not apply to exactly the same individuals as 2010.
4 All retirement benefits in Denmark and Sweden are insured and vested.

Other

Other typical managers' contracts in the SAS Group are based on the four cornerstones outlined under the "Policies" heading above. These executive contracts also include the possibility for variable salary.

Total remuneration consists of fixed salary, variable salary, other benefits and pension.

The SAS Group applies a remuneration model for this group that means that salary is performance-based. The division of salary into fixed and variable performance-based parts is in proportion to the level of responsibility and authority 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 targets and strategies.

A maximum limit applies to variable salary, which is never permitted to exceed 50% of the fixed salary. Variable salary is based on outcomes in relation to predetermined targets and individual performances and is contracted annually between the employee and the employee's superior. The weighting of the variable salary between a performance bonus and a variable portion is set annually by SAS Group Management. No performance bonus is paid if the Group's/company's earnings are negative.

Payment of the variable salary takes place subsequent to the adoption of the SAS Group's annual report by the Annual General Shareholders' Meeting.

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 for resolution.

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 policies and general conditions applying to the setting of salaries and other remuneration and employment terms (including, where applicable, variable salary, pension and severance pay policy) for senior executives and other management in the SAS Group. The Board presents the proposals regarding remuneration policies and other employment terms for the Group Management to the Annual General Shareholders' Meeting for resolution.

During the year, the Remuneration Committee discussed and presented recommendations to the Board regarding comprehensive guidelines for remuneration policies in the SAS Group, including policies and levels for variable salary based on the Group's earnings. The Board discussed the Remuneration Committee's recommendations and made decisions accordingly. Remuneration of other senior executives than the President was decided by the President after consultation with the Remuneration Committee and in line with the policies approved by the Shareholders' Meeting. The Remuneration Committee held three recorded meetings plus a number of informal discussions.

Note 4 Other operating expenses

	2011	2010
Selling costs	2,348	2,394
Jet fuel	7,769	6,601
Government user fees	4,042	4,212
Catering costs	823	869
Handling costs	1,709	1,744
Technical aircraft maintenance	2,329	2,410
Computer and telecommunications costs	1,088	1,034
Other	3,633	5,851
Total	**23,741**	**25,115**

Note 5 Depreciation, amortization and impairment

	2011	2010
Intangible assets	46	48
Aircraft[1]	1,986	1,509
Spare engines and spare parts	204	123
Workshop and aircraft servicing equipment	47	62
Other equipment and vehicles	66	73
Buildings and fittings	58	67
Land improvements	6	3
Total	**2,413**	**1,885**

1) Including impairment in an amount of MSEK 725 (200).

Note 6 Share of income and equity in affiliated companies

Share of income in affiliated companies:	2011	2010
Skyways Holding AB[1]	-	–13
Air Greenland A/S[2]	24	29
AS Estonian Air[3]	-	–6
Flyrail AB	–1	–1
Malmö Flygfraktterminal AB	5	3
Other	0	0
Total	**28**	**12**
Total revenue of affiliated companies	1,588	2,461
Income after tax in affiliated companies	94	40
SAS Group's share of income	28	12

1 The share of income includes adjustment of last year's income figure by MSEK - (–5).
2 The share of income includes adjustment of last year's income figure by MSEK –8 (2).
3 The share of income includes adjustment of last year's income figure by MSEK - (–2).

				Share of equity	
Equity in affiliated companies:	Corporate registration number	Domicile	Share of equity %	2011	2010
Air Greenland A/S	30672	Nuuk, Greenland	37.5	299	277
Flyrail AB	556773-5252	Norrköping, Sweden	50.0	4	5
Malmö Flygfraktterminal AB	556061-7051	Malmö, Sweden	40.0	11	9
Other				3	3
Total				**317**	**294**
Total assets in affiliated companies				1,521	1,496
Total liabilities in affiliated companies				681	726
Shareholders' equity in affiliated companies				840	770
SAS Group's share of equity in affiliated companies				317	294

Note 7 Income from the sale of aircraft and buildings

	2011	2010
Airbus A321	-	–9
Boeing 737	11	–1
deHavilland Q400	–29	–159
MD-80/87	29	–101
Properties	1	31
Total	**12**	**–239**

Note 8 Income from other security holdings

	2011	2010
Capital gain/loss from the sale of shares and other participation rights	-	–40
Impairment of shares	-	–229
Impairment of receivables	–1,482	-
Dividend	13	6
Total	**–1,469**	**–263**

Note 9 Net financial items

Financial income	2011	2010
Interest income on financial assets not measured at fair value	79	84
Interest income on financial assets measured at fair value	135	89
Other financial income	1	1
Net profit/loss on financial instruments categorized as:		
Held for trading	9	–
Total	**224**	**174**
Financial expenses		
Interest expense on financial liabilities not measured at fair value	–761	–684
Interest expense on financial liabilities measured at fair value	–209	–195
Other financial expenses	–86	–94
Exchange rate differences, net	0	–16
Net profit/loss on financial instruments categorized as:		
Held for trading	68	–30
Other liabilities	–42	–22
Hedge accounting		
Fair value hedge		
- of which change in fair value of hedging instrument	30	17
- of which change in fair value of hedged item	–30	–17
Ineffective portion of cash-flow hedge	-	-
Ineffective portion of net investment hedge in foreign operations	-	-
Total	**–1,030**	**–1,041**

Note 10 Tax

The following components are included in the Group's tax expense.

	2011	2010
Current tax	–228	–89
Deferred tax	170	940
Total tax costs recognized in the income for the year	**–58**	**851**
Tax recognized in other comprehensive income	159	–167
Total tax cost recognized in other comprehensive income	**159**	**–167**

Current tax is calculated based on the tax rate in each country. Deferred tax is calculated at the tax rate expected to apply when the tax is realized.

The tax expense for the fiscal year can be reconciled against income before tax as follows:

	2011	2011 (%)	2010	2010 (%)
Income before tax	–1,629		–3,069	
Tax according to rate in Sweden	428	26.3	807	26.3
Tax effect of income in affiliated companies	–17	–1.0	–13	–0.4
Tax effect of non-deductible costs	–693	–42.5	–348	–11.3
Tax effect of non-taxable income	22	1.4	9	0.3
Tax effect of remeasurement of deferred tax	–8	–0.5	64	2.1
Other	80	4.9	-	-
Tax related to earlier years	130	8	332	10.8
Tax expense and effective tax rate for the fiscal year	**–58**	**–3.5**	**851**	**27.7**

Deferred tax liability/tax asset:	2011	2010
Deferred tax liability	2,154	2,303
Deferred tax asset	–1,340	–1,187
Deferred tax liability, net	**814**	**1,116**

The tables below show the Group's most significant deferred tax liabilities and tax receivables according to category and how these liabilities and receivables changed.

Deferred tax liability in the balance sheet:	2011	2010
Non-current assets	1,892	1,866
Provisions	–48	–336
Cash-flow hedges	–62	191
Pensions	1,521	1,376
Other temporary differences	351	401
Tax-loss carryforwards	–1,500	–1,195
Total	**2,154**	**2,303**

Deferred tax asset in the balance sheet:	2011	2010
Tax loss carryforwards	1,244	1,097
Non-current assets	64	28
Provisions/receivables	32	62
Total	**1,340**	**1,187**

Reconciliation of deferred tax liability, net:	2011	2010
Opening balance	1,116	1,673
Change for the year for cash-flow hedges	–159	167
Change according to statement of income	–170	–888
Deferred tax recognized in equity	1	125
Exchange rate differences etc.	26	39
Deferred tax liability, net, at December 31	**814**	**1,116**

On the closing date the Group had unutilized loss carryforwards totaling MSEK 11,500 (9,675). Based on these loss carryforwards, the Group recognized a deferred tax asset of MSEK 2,744 (2,292). Deferred tax assets are recognized to the extent 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 1,570 (872) no deferred tax asset is recognized due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 0 expires in 2012 and MSEK 1,316 in 2013–2021. 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, or 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 174 (156).

Note 11 Intangible assets

	Goodwill		Other assets[2]		Total intangible assets	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Opening cost	1,011	1,119	1,666	1,412	2,677	2,531
Investments	-	-	325	252	325	252
Sales/disposals	-	-	-	-	-	-
Sales of companies[1]	-	–27	-	-	-	–27
Reclassifications from assets held for sale[1]	17	-	-	-	17	-
Reclassifications	-	-	-	7	-	7
Exchange-rate differences	–1	–81	1	–5	-	–86
Closing accumulated cost	**1,027**	**1,011**	**1,992**	**1,666**	**3,019**	**2,677**
Opening amortization	–113	–124	–1,150	–1,111	–1,263	–1,235
Amortization for the year	-	-	–46	–48	–46	–48
Sales/disposals	-	-	-	-	-	-
Sales of companies[1]	-	-	-	-	-	-
Reclassifications from assets held for sale[1]	–17	-	-	-	–17	-
Reclassifications	-	-	-	4	-	4
Exchange-rate differences	-	11	-	5	-	16
Closing accumulated amortization	**–130**	**–113**	**–1,196**	**–1,150**	**–1,326**	**–1,263**
Carrying amount	**897**	**898**	**796**	**516**	**1,693**	**1,414**

1 The sale of Spirit, which was reported under assets held for sale, was discontinued. Spirit is therefore included in continuing operations. The preceding year, Air Maintenance Estonia and SAS Ground Services UK were sold.
2 Refers to capitalized system development costs.

The SAS Group is not engaged in activities relating to research and development (R&D).

Goodwill:	2011	2010
SAS Scandinavian Airlines Norge	732	733
Widerøe	151	151
Blue1	14	14
Total goodwill	**897**	**898**

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 the respective cash generating unit's value in use and is based on the cash flows in each unit's business plan.

The projected cash flows are based on assumptions regarding volume trends, unit revenue, operating margins and discount rates.

The discount rate has been estimated based on a weighted capital cost after tax of 10.2%, which is the same for all Group companies. The discount rate before tax for each company has subsequently been determined depending on each company's nominal tax rate and amounts to between 13.8% and 14.7%.

To support the impairment tests performed on other goodwill in the Group, a comprehensive analysis was performed 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 growth rate in revenue and operating margins, or an increase in the discount rate that, individually, is reasonably probable, shows that a healthy margin still exists between the recoverable amount and carrying amount. Management therefore determined that there was no additional need for impairment of goodwill at the close of 2011.

Note 12 Tangible fixed assets

	Buildings and land		Aircraft [1,2,3]		Spare engines & spare parts		Workshop & servicing equipment; aircraft	
	2011	2010	2011	2010	2011	2010	2011	2010
Opening cost	1,298	1,347	23,865	22,972	2,385	2,238	1,086	1,307
Investments	12	-	995	1,652	225	252	30	12
Capitalized interest [4]	-	-	-	-	-	-	-	-
Sales/disposals	–90	–22	–629	–944	–41	–62	–66	–106
Sales of companies [5]	-	–3	-	-	-	–7	-	–34
Reclassifications from assets held for sale [5]	326	-	-	-	-	-	39	-
Reclassifications	66	12	564	321	–49	13	–11	–5
Exchange-rate differences	–1	–36	–3	–136	–2	–49	–1	–88
Closing accumulated cost	**1,611**	**1,298**	**24,792**	**23,865**	**2,518**	**2,385**	**1,077**	**1,086**
Opening depreciation	–923	–908	–11,213	–9,885	–992	–939	–996	–1,146
Depreciation and impairment for the year	–64	–70	–1,986	–1,509	–204	–123	–47	–62
Sales/disposals	87	19	289	73	28	39	63	103
Sales of companies [5]	-	3	-	-	-	4	-	24
Reclassification from assets held for sale [5]	–221	11	-	-	-	-	–33	3
Reclassifications	-	-	–16	-	16	6	11	5
Exchange-rate differences	1	22	-	108	1	21	1	77
Closing accumulated depreciation	**–1,120**	**–923**	**–12,926**	**–11,213**	**–1,151**	**–992**	**–1,001**	**–996**
Carrying amount	**491**	**375**	**11,866**	**12,652**	**1,367**	**1,393**	**76**	**90**

	Other equipment & vehicles		Investment in progress		Prepayment fixed assets		Total tangible assets	
	2011	2010	2011	2010	2011	2010	2011	2010
Opening cost	1,225	1,487	118	158	24	238	30,001	29,747
Investments	43	40	272	203	139	20	1,716	2,179
Capitalized interest [4]	-	-	-	-	4	1	4	1
Sales/disposals	–88	–135	-	-	-	-	–914	–1,269
Sales of companies [5]	-	–39	-	-	-	-	-	–83
Reclassification from assets held for sale [5]	47	-	39	-	-	-	451	-
Reclassifications	–15	–50	–363	–243	–10	–231	182	–183
Exchange-rate differences	–1	–78	-	-	–2	–4	–10	–391
Closing accumulated cost	**1,211**	**1,225**	**66**	**118**	**155**	**24**	**31,430**	**30,001**
Opening depreciation	–1,095	–1,295	-	-	-	-	–15,219	–14,173
Depreciation and impairment for the year	–66	–73	-	-	-	-	–2,367	–1,837
Sales/disposals	88	129	-	-	-	-	555	363
Sales of companies [5]	-	25	-	-	-	-	-	56
Reclassification from assets held for sale [5]	–24	4	-	-	-	-	–278	18
Reclassifications	8	40	-	-	-	-	19	51
Exchange-rate differences	1	75	-	-	-	-	4	303
Closing accumulated depreciation	**–1,088**	**–1,095**	**-**	**-**	**-**	**-**	**–17,286**	**–15,219**
Carrying amount	**123**	**130**	**66**	**118**	**155**	**24**	**14,144**	**14,782**

1 The insured value of aircraft at December 31, 2011 amounted to MSEK 32,194. This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 20,497.
2 Modifications of aircraft under operating leases are included in planned residual value in the amount of MSEK 199 (211).
3 The depreciation and impairment of aircraft for the year included impairment losses of MSEK 725 (200).
4 Capitalizing of interest was conducted at an average interest rate of 5.0% (5.0).
5 The sale of Spirit, which was reported under assets held for sale, was discontinued. Spirit is therefore included in continuing operations.
The preceding year, Air Maintenance Estonia and SAS Ground Services UK were sold.

At the beginning of 2011, seven Boeing 737s, four Airbus A321s and five Airbus A330/340s had been formally acquired through finance leases, with original terms of 9–10 years. During the year, the leases of two Airbus A321s and one Airbus A340 fell due. These three aircraft were refinanced and placed in financing structures wholly owned by SAS.

With regard to finance-leased aircraft, the terms of the leases (particularly pertaining to SAS's purchase 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 13 (16) finance-leased aircraft are recognized in the balance sheet in the amount of MSEK 4,062 (5,644). In addition to these, owned aircraft include 21 (18) aircraft valued at MSEK 2,811 (1,923) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 1,675 (1,293), which are to be viewed as finance leased.

The SAS Group's aircraft holdings can be specified as follows:

	2011	2010
Owned	7,804	7,008
Finance leased	4,062	5,644
Carrying amount	**11,866**	**12,652**

Finance leasing

The SAS Group has finance leases for aircraft with remaining terms of up to five years.

Lease payments consist in part of minimum lease payments and in part of contingent rent. In those cases where the lease payments are based on a floating interest rate they are included in minimum lease payments according to the current rate at the start of the agreement. Future changes of the interest rate are included in the contingent rent. Total lease payments amounted to MSEK 772 (486). Contingent rent impacted lease payments for the year by MSEK –66 (–79).

At the closing date, there was no leasing of finance-leased assets to third parties.

On the closing date, carrying amounts of finance-leased assets amounted to:

	Aircraft	
	2011	**2010**
Cost	6,673	8,706
Less accumulated depreciation	–2,611	–3,062
Carrying amount of finance-leased assets	**4,062**	**5,644**

Future minimum lease payments and their present value for finance leases applicable on the closing date.

	2011		**2010**	
Due date:	Future minimum lease payments	Present value of future minimum lease payments	Future minimum lease payments	Present value of future minimum lease payments
< one year	1,022	1,017	913	909
1–5 years	1,097	1,060	1,714	1,670
> 5 years	-	-	410	352
Total	**2,119**	**2,077**	**3,037**	**2,931**

Operating leasing

SAS Group leases out owned assets with carrying amounts that on the closing date amounted to:

	Aircraft		Machinery & equipment	
	2011	**2010**	**2011**	**2010**
Cost	4,531	3,604	0	2
Less accumulated depreciation	–3,212	–2,273	0	–2
Carrying amount of assets leased out on operating leases	**1,319**	**1,331**	**0**	**0**

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 225 (158).

Leasing revenues for the year did not contain any contingent rent.

Future leasing revenues for operating leases on the closing date:

	2011	**2010**
< one year	81	210
1–5 years	259	569
> 5 years	-	38
Total	**340**	**817**

Contractual purchase commitments

The Group had the following commitments relating to future acquisition of tangible fixed assets. On the closing date, contracted orders amounted to 30 Airbus A320neo aircraft with a list price of approximately MUSD 90 per aircraft before discounts and other purchase commitments totaling MSEK 32. The preceding year, there were no contracted orders for aircraft. Other purchase commitments totaled MSEK 114 for 2010.

Note 13 Prepayments relating to tangible fixed assets

	2011	**2010**
Airbus	142	-
Bombardier	13	24
Total	**155**	**24**

Note 14 Financial fixed assets

	Equity in affiliated companies		Other holdings of securities		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Opening cost	294	358	303	285	10,512	10,286	3,566	1,940	14,675	12,869
Contributions	-	6	-	22	677	639	326	709	1,003	1,376
Share of income in affiliated companies	28	12	-	-	-	-	-	-	28	12
Sales of companies [1]	-	-	-	–45	-	1	-	-	-	–44
Reclassification from assets held for sale [1]	-	-	-	-	32	-	91	-	123	-
Amortization	-	-	-	-	-	-	–223	–308	–223	–308
Dividend	–3	–4	-	-	-	-	-	-	–3	–4
Reclassifications	-	–38	-	41	-	-	–7	1,389	–7	1,392
Exchange-rate differences	–2	–40	-	-	134	–414	–7	–164	125	–618
Closing accumulated cost	**317**	**294**	**303**	**303**	**11,355**	**10,512**	**3,746**	**3,566**	**15,721**	**14,675**
Opening impairment	-	-	–280	–51	-	-	-	–52	–280	–103
Impairment losses	-	-	-	–229	-	-	–1,395	-	–1,395	–229
Reclassifications	-	-	-	-	-	-	-	52	-	52
Closing accumulated impairment	**-**	**-**	**–280**	**–280**	**-**	**-**	**–1,395**	**-**	**–1,675**	**–280**
Carrying amount	**317**	**294**	**23**	**23**	**11,355**	**10,512**	**2,351**	**3,566**	**14,046**	**14,395**

1 The sale of Spirit, which was reported under assets held for sale, was discontinued during the year. Spirit is therefore included in continuing operations. The preceding year, Air Maintenance Estonia and SAS Ground Services UK were sold.

Note 15 Pension funds, net

	2011	2010
Pension funds, net, funded plans	13,459	12,818
Pension funds, net, unfunded plans	–2,104	–2,306
Total	**11,355**	**10,512**

Most pension plans in Scandinavia are defined-benefit plans, the majority of which 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.

A substantial portion of SAS employees in Sweden are covered by an ITP pension reinsured by Alecta (the Alecta plan). The Alecta plan is a multi-employer pension plan. According to a statement by the Swedish Financial Reporting Board, UFR 3, this constitutes a defined-benefit plan and pursuant to UFR 6, enterprises covered by a multi-employer pension plan classified as defined-benefit must account for their proportional share of the plan's obligations, plan assets and costs in the same way as for any other defined-benefit plan. SAS is provided with information that enables SAS to report 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 lose 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 on plan assets; 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:

	2011	2010	2009
Discount rate	4.2%	4.6%	5.1%
Expected long-term rate of return on plan assets	5.9%	5.9%	5.9%
Inflation	1.7%	1.7%	1.7%
Future salary adjustments	1.7%	2.2%	2.2%
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	4.0% (4.3%) in Sweden and 4.3% (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.

The discount rate is determined on the balance-sheet date with reference to corporate bonds and with regard to relevant spreads with terms compatible to the term of the commitments.

Other financial assumptions are based on anticipated developments during the term of the commitment. The long-term return must correspond to the expected long-term return on plan assets based on the pension institutes' investments in equities or interest-bearing securities.

The inflation assumption is 1.5% in Sweden and Denmark and 2.0% in Norway, which corresponds with estimated future salary adjustments in the respective countries.

Actuarial gains or losses may arise from actual returns being lower or higher than expected, 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 by amortizing accumulated actuarial gains and losses that exceed 10% of the greater of the commitment or the funded assets 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 2011, accumulated unrecognized actuarial gains and losses amounted to SEK 9.9 billion. The deviation has increased compared with 2010 primarily due to significantly lower than estimated returns on plan assets as well as from lowered discount rates in Sweden and Norway. Amortization of the deviation in actuarial gains and losses for the year amounted to about SEK 0.5 billion.

At year-end, the accumulated unrecognized actuarial gains and losses amounted to approximately SEK 11.8 billion.

Sensitivity to changes in individual parameters can be estimated as follows: A 1 percentage-point change in the discount rate has an impact of approximately SEK 3.9 billion on the commitment, a 1 percentage-point change in the inflation assumption has an impact of approximately SEK 1.6 billion on the commitment and a 1 percentage-point change in the parameter for payroll adjustment has an impact of approximately SEK 1.3 billion on the commitment. A 1 percentage-point change in expected long-term rate of return on plan assets has an impact of approximately SEK 0.3 billion on the fair value of plan assets.

Defined-benefit pension plans	2011	2010
Pension earned during the year	–916	–893
Interest on pension provisions	–1,363	–1,485
Expected return on plan assets	1,832	1,795
Amortization of deviations from estimates and plan amendments for the year	–484	–394
Impact on income for the year pertaining to defined-benefit pension plans	**–931**	**–977**

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 December 31	2011	2010
Fair value plan assets	32,089	31,651
Present value of pension commitments	–32,786	–31,370
Total	**–697**	**281**
Unrecognized deviations from estimates and plan amendments [1]	12,052	10,231
Book assets	**11,355**	**10,512**

1 Of which actuarial gains and losses MSEK 11,762 (9,901).

Changes in present value of defined-benefit plan commitments	2011	2010
Opening pension commitments	31,370	33,578
Pensions paid	–1,753	–1,308
Pension earnings for the year	916	893
Interest on pension provisions	1,363	1,485
Actuarial gains and losses (–/+)	739	–1,340
Reversal of companies held for sale	172	0
Exchange-rate differences	–21	–1,938
Closing commitments	**32,786**	**31,370**

Change of plan assets' fair value	2011	2010
Opening fair value	31,651	32,816
Paid-in premiums	1,194	1,594
Pensions paid	–1,320	–1,285
Expected return on plan assets	1,832	1,795
Actuarial gains and losses (+/–)	–1,424	–1,589
Reversal of companies held for sale	177	0
Exchange-rate differences	–21	–1,680
Closing fair value	**32,089**	**31,651**

Plan assets consist of the following	2011	2010
Equities	17%	30%
Interest-bearing securities	65%	54%
Properties	9%	9%
Other	9%	7%
	100%	**100%**

Only an insignificant share of the plan assets is invested in SAS shares.

In 2011, actual rate of return on plan assets was under the Group's estimated long-term return, which is reflected in the item "Unrecognized deviations from estimates and plan amendments". The actual rate of return on plan assets totalled MSEK 383 (1,733), which corresponds to a return of 1% (5.4%). In 2012, the return is expected to be about 6%. In 2012, paid-in premiums are expected to amount to SEK 1.2 billion.

Of total pension commitments of MSEK 32,786 (31,370), MSEK 29,936 (28,374) was funded and MSEK 2,850 (2,996) unfunded.

The difference between plan assets/pension commitments and net book assets is shown below:

	Plan assets	Pension commit-ments	Difference	Pension funds, net
Pension plans in Sweden	14,981	12,179	2,802	7,179
Pension plans in Norway	11,538	14,212	–2,674	2,728
Pension plans in other countries	5,570	6,395	–825	1,448
Total	**32,089**	**32,786**	**–697**	**11,355**

"Pension funds, net" includes unfunded pension plans funded via operating income in the amount of MSEK 464 (462) in Sweden and MSEK 1,641 (1,844) 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:

	2011	2010
Opening balance	10,512	10,286
Impact on income for the year	–931	–977
Paid-in premiums	1,194	1,594
Pensions paid	433	23
Pension funds (reversals from companies held for sale)	13	-
Exchange-rate differences	134	–414
Closing balance	**11,355**	**10,512**

	2011	2010	2009	2008	2007
Present value pension commitments	–32,786	–31,370	–33,578	–32,615	–29,069
Fair value of plan assets	32,089	31,651	32,816	30,472	30,585
Deficit/surplus	–697	281	–762	–2,143	1,516
Experience adjustments arising on plan assets	–1,449	–280	–735	–1,529	289
Experience adjustments arising on defined-benefit plan commitments	484	1,334	–21	318	610

Note 16 Expendable spare parts and inventories

	2011	2010
Expendable spare parts, flight equipment	456	455
Expendable spare parts, other	212	190
Inventories	37	33
Total	**705**	**678**
Measured at cost	705	678
Measured at net realizable value	-	-
Total	**705**	**678**

Note 17 Current receivables

Net impairment of accounts receivable and recovered accounts receivable came to MSEK –5 (10), charged to income. Impairment of other current receivables was charged to income in an amount of MSEK –87 (-).

The Group's combined accounts receivable amounted to MSEK 1,275 (1,328) of which, MSEK - (51) was classified as assets held for sale.

Age analysis of non-impaired accounts receivable	2011	2010
Accounts receivable not yet due	1,060	1,051
Due < 31 days	74	48
Due 31–90 days	59	46
Due 91–180 days	23	47
Due > 180 days	59	85
Total	**1,275**	**1,277**

Provision for doubtful accounts receivable	2011	2010
Opening provision	44	102
Reclassification from assets held for sale	1	-
Provision for expected losses	12	8
Reversed provisions	–18	–63
Actual losses	–7	–2
Exchange rate differences	0	–1
Closing provision	**32**	**44**

Note 18 Current receivables from affiliated companies

	2011	2010
Air Greenland A/S	6	3
Total	**6**	**3**

Note 19 Prepaid expenses and accrued income

	2011	2010
Prepaid expenses	647	618
Accrued income	287	221
Total	**934**	**839**

Note 20 Short-term investments

	2011	2010
Treasury bills	1,037	1,019
Mortgage bonds	-	499
Deposits	1,020	991
Commercial paper	592	598
Blocked funds in tax deduction account in Norway	193	182
Total	**2,842**	**3,289**
Short-term investments attributable to holdings of assets held for sale	-	–8
Total	**2,842**	**3,281**

The carrying amount of short-term investments corresponds with the fair value. Fair value is the amount that should have been received for short-term investments outstanding if sold on the closing date. Deposits and blocked bank funds are categorized as loans and receivables. Other financial instruments are classified as held for trading.

All investments have a term of no more than three months.

Note 21 Discontinued operations

Assets held for sale and corresponding liabilities

In the preceding year, Spirit was recognized as an asset held for sale with corresponding liabilities in the balance sheet.

	2011	2010
Tangible fixed assets	-	173
Financial fixed assets	-	123
Total non-current assets	**-**	**296**
Current receivables	-	189
Cash and cash equivalents	-	8
Total current assets	**-**	**197**
Assets held for sale	**-**	**493**
Long-term liabilities	-	4
Current liabilities	-	128
Liabilities attributable to assets held for sale	**-**	**132**
Interest-bearing assets	-	85
Interest-bearing liabilities	-	-

Note 22 Share capital

Share capital

The Company has two classes of shares, common shares and subordinated shares. As of December 31, 2011, a total of 329,000,000 common shares were issued and outstanding, which together constituted a registered share capital of SEK 6,612,900,000. No changes were made in 2011 as regards the number of shares or the share capital.

No subordinated shares are issued or outstanding. The common shares consist of 329,000,000 shares, with a quotient value of SEK 20.1 per share. The common shares provide shareholders with the rights found in the Swedish Companies Act and the Articles of Association. Subordinated shares provide shareholders the right to participate in and vote at SAS AB'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 distributed, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest-rate factor.

To ensure that the ownership circumstances of the company comply with the requirements stipulated in bilateral aviation agreements or in laws or regulations pertaining to the state of air traffic in the EU/EEA, the Board is entitled, pursuant to the Articles of Association, 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 (subsequent to resolution by the shareholders' meeting) to assign warrants with subscription rights for subordinated shares to Scandinavian shareholders to dilute the non-Scandinavian shareholding to the requisite level to ensure compliance with the aforementioned regulations.

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.

Note 23 Reserves

Translation reserve	2011	2010
Opening translation reserve	–69	52
Translation differences for the year	132	–466
Less: Hedging of exchange risk in foreign operations	–6	476
Tax pertaining to hedging of exchange risk in foreign operations	1	–125
Less: Translation differences attributed to divested operations	-	–6
Closing translation reserve	**58**	**–69**
Hedging reserve		
Opening hedging reserve	696	227
Cash-flow hedges:		
- Recognized directly in other comprehensive income	662	591
- Change in statement of income	–1,266	45
- Tax attributed to year's change in hedging reserve	159	–167
Closing hedging reserve	**251**	**696**
Total reserves		
Opening reserves	627	279
Change in reserves for the year:		
- Translation reserve	127	–121
- Hedging reserve	–445	469
Closing reserves	**309**	**627**

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 comprises exchange-rate differences arising in conjunction with the translation of liabilities and currency forward contracts reported as hedging instruments of a net investment in a foreign operation.

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 incurred.

Note 24 Long-term liabilities

Long-term liabilities that fall due more than five years after the closing date.

	2011	2010
Subordinated loans	1,019	974
Bond loans	331	503
Other loans	1,420	1,898
Total	**2,770**	**3,375**

Note 25 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 five years after an interest-rate reset, the loan must 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 936 (920). 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 amounted to MSEK 1,019 (974) 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 till 45 (52), with a countervalue of MSEK 327 (375).

Note 26 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 3,659 (1,503). Below follows a specification of individual bond loans:

Original amount issued	Coupon rate	Term	Debt outstanding, currency	2011 Carrying amount	2010 Carrying amount
MEUR 60.0	7.10%[1]	2010/16	MEUR 56.7	507	503
MEUR 75.0	9.65%	2011/14	MEUR 75.0	671	-
MEUR 40.0	4.90%[1]	2011/17	MEUR 37.0	331	-
MSEK 1,000.0	13.50%	2010/12	MSEK 850.0	850	1,000
MSEK 1,300.0	10.50%	2011/14	MSEK 1,300.0	1,300	-
Total				**3,659**	**1,503**
Less amortization 2012/2011				–850	-
Total				**2,809**	**1,503**

1 Coupon rate on closing date. The loan has a floating interest rate.

The debt outstanding in currency and the carrying amount in MSEK agrees with amortized cost. Repurchasing in an amount of MSEK 150 was performed in 2011.

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 agreements for some of these bonds for the purpose of limiting currency risk.

Note 27 Other loans

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Finance leases	2,060	2,076	2,903	2,931
Convertible bond	1,453	1,649	1,408	1,652
Other loans	4,091	4,414	3,868	4,149
Derivatives	34	34	70	70
Total before amortization	**7,638**	**8,173**	**8,249**	**8,802**
Less amortization 2012 and 2011	–1,459	–1,600	–1,383	–1,489
Total other loans	**6,179**	**6,573**	**6,866**	**7,313**

Maturity profile of other loans	2012	2013	2014	2015	2016	2017>	Total
Finance leases	992	422	131	115	400		2,060
Convertible bond				1,453			1,453
Other loans	467	939	250	255	760	1,420	4,091
Derivatives		1		33			34
Total	**1,459**	**1,362**	**381**	**1,856**	**1,160**	**1,420**	**7,638**

Other loans, finance leases and convertibles are classified as other liabilities, with recognition at amortized cost.

In 2010, a convertible bond was issued for MSEK 1,600 maturing in five years. The value of debt and share of equity on the convertible loan has been determined at the closing date to MSEK 1,453 and MSEK 147, respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226 respectively. The loan conversion price is SEK 46.50 and is convertible every three months.

In other loans, some borrowing is included within the framework of various revolving credit facilities (see Note 28 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 key ratios calculated from the Group's quarterly results.

The average interest rate on the closing date amounted to 1.54% for finance leases, 7.50% for convertible bonds and 3.16% for other loans.

Note 28 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 continuously hedging 40–80% 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, 2011, the Group signed an agreement on derivatives covering approximately 52% of the Group's forecast jet-fuel requirement for 2012. In 2011, jet-fuel-related costs accounted for 21.1% of the Group's operating expenses, compared with 17.1% in 2010.

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 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 must be between 40–80% of a 12-month rolling liquidity forecast. Future contracted aircraft purchases denominated in USD can be hedged by up to 80% of the contracted amount. Additionally, future aircraft sales can be hedged with currency derivatives and loans in USD in an amount up to 80% of the carrying amounts of the aircraft fleet.

Translation risk arises during conversion of balance sheet items in foreign currencies due to currency fluctuations. To limit translation risk the policy is to keep the financial net debt mainly in the presentation currency of the respective subsidiary. Furthermore, the SAS Group has hedged its foreign subsidiaries' equity through borrowings 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 target 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 is taken into consideration. In line with the policy, the average fixed interest-rate term during the year was approximately 3.7 (3.6) years. At the end of 2011, the fixed-interest term was 1.7 (3.1) years.

Sensitivity analysis, revaluation effect on closing date

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 on the closing date for cash-flow hedges, accounts receivable and accounts payable of a 10% 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 312 (353) through 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 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% parallel shifting of the yield curve. Beyond the revaluation effect, the SAS Group's net interest for 2012 is affected by around MSEK –16 (–3) 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 16 (3). The estimate also includes interest-rate derivatives.

Sensitivity analysis, revaluation effect on closing date

Market risk	Change	Earnings impact, 2011	Earnings impact, 2010	Equity impact, 2011	Equity impact, 2010
Fuel price	**+10%**	**-**	**-**	**216**	**400**
Fuel price	**–10%**	**-**	**-**	**–204**	**–380**
USD	+10%	9	–32	589	–489
NOK	+10%	–12	9	–89	4
DKK	+10%	–8	–23	17	–11
Other currencies	+10%	–4	–6	–94	15
Currency	**+10%**	**–15**	**–52**	**423**	**–481**
USD	–10%	–5	29	–576	484
NOK	–10%	12	–10	89	–4
DKK	–10%	8	26	–17	14
Other currencies	–10%	0	4	53	–16
Currency	**–10%**	**15**	**49**	**–451**	**478**
Market interest rates	**+1%**	**–21**	**22**	**39**	**59**
Market interest rates	**–1%**	**13**	**–24**	**–40**	**–63**

Financial derivatives

Different types of currency derivatives, such as currency forward 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-rate swap contracts.

As of December 31, 2011 the fair value of the SAS Group's outstanding derivative instruments totaled MSEK 664 (231), broken down according to the table below.

	2011				2010	
		Fair value				
	Outstanding volume	**Assets**	**Liabilities**	**Net**	**Outstanding volume**	**Fair value, net**
Currency derivatives	39,065	771	–310	461	26,297	–138
Interest-rate derivatives	5,472	86	–31	55	4,905	–5
Fuel derivatives	4,930	367	–219	148	3,700	374
Total	**49,467**	**1,224**	**–560**	**664**	**34,902**	**231**

As of December 31, 2011, fair value is consistent with carrying amounts. 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 nominal amount of derivative contracts expressed in absolute terms.

The total carrying amount for the Group's derivative financial instruments is presented in the following balance-sheet items.

	2011	2010
Other long-term receivables	85	80
Other receivables	1,139	774
Total derivative assets	**1,224**	**854**
Other loans	–34	–70
Current liabilities	–526	–553
Total derivative liabilities	**–560**	**–623**
Derivative assets/liabilities Net at end of the period	**664**	**231**
Allocation of derivatives according to the following:		
Cash-flow hedges	446	159
Fair-value hedges	105	97
Net investment hedges	72	101
Derivatives not designated as hedges for accounting purposes	41	–126
Derivative assets/liabilities Net at end of the period	**664**	**231**

Hedge-accounted derivatives, cash-flow hedge

Hedging of aircraft investments

The hedging of future contracted aircraft purchases/sales represents hedging transactions since it is the payment flow in foreign currency during a future purchase/sale that is hedged according to the cash-flow method. The loans and the currency forward contracts included in hedging relationships are translated at the relevant closing rate and the change that is calculated as effective is recognized in other comprehensive income. In the first six months of 2011, SAS updated its aircraft fleet strategy. Hedges connected with the previous strategy were therefore released in an amount of MSEK 729. As of December 31, 2011 the accumulated currency effect on cash-flow hedged loans and derivatives relating to future aircraft purchases and sales was recognized in equity in the amount of MSEK 44 (471).

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 recognized in equity until it is recycled to the statement of income as a cost/revenue. As of December 31, 2011, the accumulated currency effect of these cash flow-hedged currency derivatives was recognized in equity in the amount of MSEK 200 (–113).

Interest-rate derivatives

When the SAS Group borrows at floating interest rates and changes its interest-rate exposure by entering into interest-rate swap contracts 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 recognized in other comprehensive income. The accounting policies for the interest-rate derivatives used for hedging transactions are matched with those of the individual loans. As of December 31, 2011, the accumulated effect on these cash flow-hedged interest derivatives was recognized in equity in the amount of MSEK –25 (17).

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 forecast jet-fuel requirement. As of December 31, 2011, the accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK 32 (321).

All together, MSEK 251 (696) relating to cash-flow hedges was recognized in equity at December 31, 2011, and is expected to affect the statement of income in the following years as follows:

	2012	2013	2014	2015	2016	2017>	Total
Aircraft	23				5	32	60
Commercial flows	272						272
Interest-rate derivatives		–1		–33			–34
Fuel derivatives	43						43
Deferred tax	–89	0		8	–1	–8	–90
Effect on equity	**249**	**–1**	**-**	**–25**	**4**	**24**	**251**

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 interest-rate swap contracts, whereby fixed interest is received and floating interest is paid, the hedging relationship is classified as a fair-value hedge. When hedge accounting is applied, changes in value attributable to the hedge instrument are recorded in net interest, where the effects are counteracted because the underlying hedged position (interest portion of the loan) is also measured at fair value and recorded in net interest. The accounting policies for the interest-rate derivatives used for hedging transactions are matched with those of the individual loans.

Hedge-accounted derivatives, hedging of net investments in foreign operations
To hedge net investments in foreign operations, SAS has entered into currency derivative agreements and loans in the corresponding currency. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in equity. As of December 31, 2011, the Group's net investments were MDKK 1,107 and MNOK 1,553.

Derivatives not subject to hedge accounting
Other currency derivatives are not subject to hedge accounting and 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.

Emission rights
From January 1, 2012, all air traffic to and from the EU will be included in the European emissions trading system (ETS). SAS received about 66% of the rights free of charge and must procure the remainder on the open market. Of these, SAS has secured about 50% of the expected need for emission rights for 2012, which are reported under Other in Note 34 Contingent liabilities.

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 continuously revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. 94% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 6% in the rest of Europe and 0% in the rest of the world. The maximum credit exposure for derivative instruments is matched by carrying amounts, see the above table under the heading Financial derivatives. For short-term investments, the size of the credit risk is the carrying amount and is distributed as follows:

	Carrying amount	
Rating (Moody's)	**2011**	**2010**
Aaa/P-1	1,037	1,119
Aa1/P-1	100	199
Aa2/P-1	249	700
Aa3/P-1	470	1,263
A1/P-1	986	-
Total	**2,842**	**3,281**

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 intra-Group information on payment history supplemented with credit and business information from external sources.

The maximum credit risk for the SAS Group accords with the carrying amounts of financial assets 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 target is for financial preparedness to amount to a minimum of 20% of the SAS Group's revenue, 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. As of December 31, 2011, financial preparedness amounted to MSEK 8,901 (10,189), with cash and cash equivalents amounting to MSEK 3,808 (5,043) and unutilized credit facilities totaling MSEK 5,093 (5,146). This provides a financial preparedness level of 21% (25%). The SAS Group's cash and cash equivalents are held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P-1 according to Moody's or A-/A-1 according to Standard & Poor's.

The following 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 liabilities are linked to financial covenants, which mean 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 using the current interest rate on the closing date, which means the amounts may differ.

As of December 31, 2011 the Group's interest-bearing liabilities amounted to MSEK 13,338 (11,897); 12% (11%) 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 3.2 years (3.5) at year-end, excluding the subordinated loan of MCHF 127 which runs without stipulated maturity.

Liquidity risk

December 31, 2011	Up to 3 months	4–12 months	1–5 years	over 5 years
Financial liabilities				
Subordinated loans	3		89	936
Bond loans	74	1,039	2,861	363
Finance leases	330	686	1,111	
Convertibles	1	90	1,900	
Other loans	157	484	2,774	1,568
Other liabilities			56	
Short-term loans	470			
Fuel derivatives	73	146		
Currency derivatives	199	128	–17	
Interest-rate derivatives	–9	14	26	
Accounts payable	1,540			
Total	**2,838**	**2,587**	**8,800**	**2,867**
Financial assets				
Other long-term receivables	1	2	1,011	
Accounts receivable	1,275			
Receivables from affiliated companies	6			
Other receivables	323	1,117		
Short-term investments	2,842			
Cash and Bank	966			
Fuel derivatives	95	272		
Currency derivatives	344	427		
Interest-rate derivatives	2	1	83	
Total	**5,854**	**1,819**	**1,094**	

December 31, 2010	Up to 3 months	4–12 months	1–5 years	over 5 years
Financial liabilities				
Subordinated loans	22		66	942
Bond loans	35	108	1,126	545
Finance leases	88	831	1,695	399
Convertibles	30	90	2,020	
Other loans	237	524	4,153	1,665
Other liabilities		3	142	5
Short-term loans	506			
Fuel derivatives				
Currency derivatives	310	207		
Interest-rate derivatives	25	41	41	–1
Accounts payable	1,749			
Total	**3,002**	**1,804**	**9,243**	**3,555**
Financial assets				
Other long-term receivables	12	279	2,121	
Accounts receivable	1,277			
Receivables from affiliated companies	3			
Other receivables	115	2,067	23	
Short-term investments	3,285			
Cash and Bank	1,762			
Fuel derivatives	84	290		
Currency derivatives	304	75		
Interest-rate derivatives	18	–7	90	
Total	**6,860**	**2,704**	**2,234**	

Contracted credit facilities

The Group has entered into various credit facilities in order to provide additional funding if needed. The schedule below provides details of the credit facilities on December 31, 2011:

Facility	Maturity	Total facility	Utilized facility	Unutilized facility 2011	Unutilized facility 2010
Revolving credit facility MEUR 366	2013	3,274	-	3,274	3,295
Revolving credit facility MUSD 104	2013	721	721	-	-
Revolving credit facility MUSD 125	2016	866	574	292	445
Revolving credit facility MUSD 74	2017	512	256	256	-
Bilateral bank facilities	2013	500	-	500	500
Bilateral bank facilities	2013	500	-	500	500
Bilateral bank facilities	2013	250	-	250	250
Other facilities	2012	381	360	21	156
Total		**7,004**	**1,911**	**5,093**	**5,146**

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. Below is a description of the different levels for determining fair value.

Level 1

Level 1 comprises financial instruments for which fair value is based on 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

Level 2 comprises financial instruments for which fair value is based on models that utilize observable data for the asset or liability other than the quoted prices included within level 1, 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 as well as 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

Level 3 comprises financial instruments for which fair value is based on valuation models, whereby 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 security holdings – Shares and participations

The balance sheet item "Other security holdings" MSEK 23 (23) is made up of strategic shareholdings that are not affiliated companies or subsidiaries.

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 security holdings" is not included in the adjacent table "Financial assets and liabilities measured at fair value".

Interest-rate 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 market rates prevailing at the closing date.

Futures: Standardized futures contracts with daily settlement. Fair value is thus determined by daily "market 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 a corresponding term to maturity.

Currency swaps

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 and Scholes valuation model, a recognized and accepted valuation model in financial markets. The model is based primarily on observable data such as spot price, exercise price, term to maturity, interest rate, volatility, etc.

Fuel derivatives

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, exercise 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 comprise 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. Carrying amounts correspond to fair value.

Financial assets and liabilities measured at fair value

	Dec. 31, 2011			Dec. 31, 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Other long-term receivables						
- Interest-rate derivatives		85			80	
Other receivables						
- Fuel derivatives		367			374	
- Currency derivatives		771			379	
- Interest-rate derivatives		1			21	
Short-term investments	1,036	592		1,019	1,096	
Cash and bank balances	966			1,762		
Total	**2,002**	**1,816**		**2,781**	**1,950**	
EQUITY & LIABILITIES						
Other loans						
- Interest-rate derivatives		34			70	
Current portion of long-term loans						
- Currency derivatives						
Short-term loans						
- Fuel derivatives		219				
- Currency derivatives		310			517	
- Interest-rate derivatives		–3			36	
Total		**560**			**623**	

Categorization of financial assets and liabilities

	Held for trading	Loans and receivables	Financial assets available for sale	Other liabilities	Hedging instruments, derivates	Non-financial items	Total carrying amount	Total fair value[1]
December 31, 2011	*Fair value*	*Amortized cost*	*Fair value*	*Amortized cost*	*Fair value*			
ASSETS								
Long-term receivables from affiliated companies							0	0
Other holdings of securities			23				23	23
Other long-term receivables		723				203	926	926
- Interest-rate derivatives	1				84		85	85
Accounts receivable		1,275					1,275	1,275
Receivables from affiliated companies						6	6	6
Other receivables		566				869	1,435	1,438
- Fuel derivatives					367		367	367
- Currency derivatives	206				565		771	771
- Interest-rate derivatives	1						1	1
Short-term investments	1,629	1,213					2,842	2,842
Cash and bank balances	966						966	966
Total	**2,803**	**3,777**	**23**	**0**	**1,016**	**1,078**	**8,697**	**8,700**
EQUITY AND LIABILITIES								
Subordinated loans				1,019			1,019	327
Bond loans				2,809			2,809	2,809
Other loans				6,145			6,145	6,539
- Interest-rate derivatives					34		34	34
Other liabilities				24		31	55	55
Current portion of long-term loans				2,309			2,309	2,450
Short-term loans				471			471	471
- Fuel derivatives					219		219	219
- Currency derivatives	154				156		310	310
- Interest-rate derivatives	14				–17		–3	–3
Accounts payable				1,540			1,540	1,540
Total	**168**	**0**	**0**	**14,317**	**392**	**31**	**14,908**	**14,751**

1 Fair value of short-term investments and subordinated 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.

Categorization of financial assets and liabilities

	Held for trading	Loans and receivables	Financial assets available for sale	Other liabilities	Hedging instru-ments, derivates	Non-financial items	Continuing operations and operations held for sale: Total carrying amount	Continuing operations and operations held for sale: Total fair value[1]	Assets held for sale	Total carrying amount
December 31, 2010	*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			23				23	23	0	23
Other long-term receivables		2,092				207	2,299	2,299	0	2,299
- Interest-rate derivatives					80		80	80	0	80
Accounts receivable		1,328					1,328	1,328	–51	1,277
Receivables from affiliated companies						3	3	3	0	3
Other receivables		1,037				1,179	2,216	2,216	–89	2,127
- Fuel derivatives					374		374	374	0	374
- Currency derivatives	123				256		379	379	0	379
- Interest-rate derivatives					21		21	21	0	21
Short-term investments	2,115	1,174					3,289	3,289	–8	3,281
Cash and bank balances	1,762						1,762	1,762	0	1,762
Total	**4,000**	**5,631**	**23**	**0**	**731**	**1,389**	**11,774**	**11,774**	**–148**	**11,626**
EQUITY AND LIABILITIES										
Subordinated loans				974			974	375	0	974
Bond loans				1,503			1,503	1,503	0	1,503
Other loans				6,796			6,796	7,243	0	6,796
- Interest-rate derivatives	66				4		70	70	0	70
Other liabilities				99		44	143	143	0	143
Current portion of long-term loans				1,383			1,383	1,489	0	1,383
Short-term loans				520			520	520	0	520
- Fuel derivatives							0	0	0	0
- Currency derivatives	152				365		517	517	0	517
- Interest-rate derivatives	31				5		36	36	0	36
Accounts payable				1,769			1,769	1,769	–20	1,749
Total	**249**	**0**	**0**	**13,044**	**374**	**44**	**13,711**	**13,665**	**–20**	**13,691**

1 Fair value of short-term investments and subordinated 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.

Note 29 Other provisions

	Restructuring		Loyalty program		Other provisions		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Opening balance, January 1	899	1,153	1,816	1,765	85	65	2,800	2,983
Provisions	357	1,053	662	878	54	45	1,073	1,976
Utilized provisions	–630	–1,265	–1,131	–827	–20	–24	–1,781	–2,116
Currency effect	7	–39			–1	–1	6	–40
Liabilities attributable to assets held for sale		–3						–3
Reclassification from assets held for sale	3						3	
Closing balance, December 31	**636**	**899**	**1,347**	**1,816**	**118**	**85**	**2,101**	**2,800**

Breakdown in balance sheet:	**2011**	**2010**
Long-term liabilities	1,673	2,143
Current liabilities	428	657
	2,101	**2,800**

Restructuring provisions
In 2009, the Group introduced the Core SAS program, which was completed in 2011. The aim of this program was to reduce the Group's cost base by reducing the number of full-time employees, centralizing Group purchasing and increasing the productivity of some of the Group's operations. The remaining restructuring provision comprises restructuring provisions for employees and provisions for leasing costs relating to unused premises.

Loyalty program
Utilized provisions in continuing operations for 2011 include revaluation of the EuroBonus points liability in an amount of MSEK 380. The EuroBonus revaluation is due to the previous estimates made regarding the fair value per point category being adjusted downward, driven by continued price reductions as well as changes to the EuroBonus rules and redemption patterns. The effect of the changed assessment of the point value has been recognized prospectively from June 2011.

Other provisions
Other provisions mainly include maintenance costs for leased aircraft pursuant to the lease agreements.

Note 30 Short-term loans

	2011	2010
Issued commercial paper	-	263
Overdraft facilities, utilized portion	356	241
Accrued interest	114	85
Derivatives	526	478
Other	1	6
Total	**997**	**1,073**

Note 31 Unearned transportation revenue

Unearned transportation revenue liability consists of tickets sold and still valid but unused, see Note 1, Significant accounting policies, page 62 – revenue recognition.

On December 31, 2011, the estimated reserve in the unearned transportation revenue liability amounted to MSEK 201 (434).

Note 32 Accrued expenses and prepaid income

	2011	2010
Vacation pay liability	1,260	1,338
Other accrued payroll expenses	482	288
Selling costs	364	338
Government user fees	262	329
Handling costs	217	191
Other accrued expenses	168	51
Prepaid income	181	220
Total	**2,934**	**2,755**

Note 33 Pledged assets

	2011	2010
Related to long-term liabilities to credit institutions:		
Real estate mortgages	121	121
Aircraft mortgages	2,666	2,501
Company mortgages	0	0
Shares in subsidiaries	0	0
Related to deposits:	776	669
Total	**3,563**	**3,291**

Outstanding liability at December 31, 2011, relating to aircraft mortgages was MSEK 2,341 (2,415).

The item Shares in subsidiaries includes the carrying amount of SAS shares in SAS's wholly owned financing structures for aircraft. For additional information in this regard, please refer to Note 12.

Note 34 Contingent liabilities

	2011	2010
Guarantees related to		
Government user fees	-	108
bmi sale	-	200
Other	54	145
Total	**54**	**453**

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 recognized adequate provisions for such matters in accordance with probable and quantifiable loss risks. On the basis of information currently available, the Group believes that those issues not requiring any provisions will not have a material adverse effect on the Group's earnings. 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 results could occur. This could have an adverse material effect on the Group's earnings in future accounting periods.

Note 35 Leasing commitments

The SAS Group has entered into the following leasing commitments, with specification of the total annual rent for:

	2012	2013	2014	2015	2016	2017>
Aircraft	1,600	1,688	1,661	1,541	1,277	2,089
Properties	1,035	986	892	852	834	2,409
Machinery and equipment	25	14	10	7	3	6
Total	**2,660**	**2,688**	**2,563**	**2,400**	**2,114**	**4,504**

Leases with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs in 2011 amounted to MSEK 2,684 (3,051), of which MSEK 13 (186) pertains to contingent rent. Contingent rents vary according to different factors such as revenue, the consumer price index and short-term market interest rates. In 2011, payments received for assets subleased to a third party amounted to MSEK 55 (186). The value of future fixed payments for these assets subleased to third parties amounted to MSEK - (339).

The above table includes the following major items:

At the end of 2011, the SAS Group aircraft fleet totaled 215 aircraft, of which 108 were leased. In 2011, one sale and leaseback transaction was carried out for one aircraft, corresponding to an annual leasing cost of approximately MSEK 19. The term of the lease is six 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 10–16 years. The rent will amount to MSEK 200 in 2012.

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 over a period of 10–20 years. The rent amounts to MSEK 179 in 2012.

Note 36 Adjustment for other items not included in the cash flow, etc.

	2011	2010
Share of income in affiliated companies	–28	–12
Dividends from affiliated companies	3	4
Capitalized interest on prepayments to aircraft manufacturers	–4	–1
Earnings impact from measuring financial instruments according to IAS 39	–111	171
Reversal of currency hedges	–970	–
Impairment losses and provisions	1,731	889
Payment of fine levied on SAS Cargo, provision made in 2010	–660	–
Other	0	14
Total	**–39**	**1,065**

Note 37 Disposals of subsidiaries and affiliated companies

In 2011, no subsidiaries or affiliated companies were divested.

In 2010, the subsidiaries Air Maintenance Estonia and SAS Ground Services UK were sold.

The value of the sold assets and liabilities was as follows:

	2011	2010
Intangible assets	-	27
Tangible fixed assets	-	27
Financial fixed assets	-	–1
Current assets	-	24
Current receivables	-	62
Cash and cash equivalents	-	26
Long-term liabilities	-	0
Current liabilities	-	–47
Total	**-**	**118**
Capital gain/loss excluding selling costs	-	–4
Purchase price paid	**-**	**114**
Selling costs	-	–20
Cash and cash equivalents in divested companies	-	–26
Impact on the Group's cash and cash equivalents	**-**	**68**

Note 38 Cash and cash equivalents

	2011	2010
Short-term investments	2,834	3,280
Cash and bank balances	966	1,761
Cash and cash equivalents reclassified from assets held for sale	8	2
Cash and cash equivalents at year-end	**3,808**	**5,043**

Disclosure of interest paid:

During the year, interest received amounted to MSEK 182 (156), of which MSEK 57 (61) refers to forward premiums for currency derivatives. During the year, interest paid amounted to MSEK 935 (747), of which MSEK 174 (125) refers to forward premiums for currency derivatives.

Note 39 Auditor's fees

The following remuneration was paid to auditing firms for auditing services.

	2011	2010
Deloitte		
Auditing services	12	11
Audit activities other than audit assignment	9	19
Tax consultancy services	1	4
Other services	0	2
Total Deloitte	**22**	**36**
Other auditing firms		
Auditing services	0	0
Total	**22**	**36**

Note 40 Transactions with affiliated companies

Revenue from sales to affiliated companies amounted to MSEK 23 (34). Cost of purchases from affiliated companies was MSEK 28 (22).

Note 41 Segment reporting

The Group's operations are managed and reported by business segment according to the following:

Scandinavian Airlines includes airline operations in the consortium of Scandinavian Airlines System, SAS Ground Services in Sweden, Norway and Denmark, SAS Tech and SAS Cargo. **Blue1** is an independent airline based in Finland. **Widerøe** is an independent airline based in Norway. Other operations include the Parent Company SAS AB (Group functions) and other non reportable segments.

	Scandinavian Airlines		Blue1		Widerøe		Reconciliation: Other		Reconciliation: Eliminations		SAS Group	
January-December	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
External revenue	36,023	35,791	1,637	1,769	3,751	3,468	1	42	0	0	41,412	41,070
Sales between segments	712	733	21	23	24	5	11	87	–768	–848	0	0
Revenue	**36,735**	**36,524**	**1,658**	**1,792**	**3,775**	**3,473**	**12**	**129**	**–768**	**–848**	**41,412**	**41,070**
Payroll expenses	–11,447	–12,094	–339	–341	–1,337	–1,251	31	–208	0	0	–13,092	–13,894
Other operating expenses	–20,517	–22,414	–1,760	–1,560	–1,734	–1,740	–332	–112	602	711	–23,741	–25,115
Operating income before depreciation/ amortization and leasing costs	**4,771**	**2,016**	**–441**	**–109**	**704**	**482**	**–289**	**–191**	**–166**	**–137**	**4,579**	**2,061**
Leasing costs for aircraft	–1,491	–1,725	–112	–106	–123	–121	0	0	166	137	–1,560	–1,815
Depreciation, amortization and impairment	–2,256	–1,720	–9	–4	–146	–151	–2	–10	0	0	–2,413	–1,885
Share of income in affiliated companies	4	2	0	0	0	0	24	10	0	0	28	12
Capital gains/losses	12	–271	0	0	0	0	0	–41	0	0	12	–312
Operating income	**1,040**	**–1,698**	**–562**	**–219**	**435**	**210**	**–267**	**–232**	**0**	**0**	**646**	**–1,939**
Reconciliation with net income for the period:												
Income from other security holdings											–1,469	–263
Net financial items											–806	–867
Tax											–58	851
Net income for the year											**–1,687**	**–2,218**

Geographical breakdown

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Passenger revenue	10,292	9,745	3,453	3,368	11,340	11,683	5,412	5,143	30,497	29,939
Freight and mail revenue	58	76	48	13	119	85	1,224	1,356	1,449	1,530
Charter revenue	57	37	13	12	1,798	1,884	4	0	1,872	1,933
Other traffic revenue	719	614	232	194	783	758	397	340	2,131	1,906
Total traffic revenue	**11,126**	**10,472**	**3,746**	**3,587**	**14,040**	**14,410**	**7,037**	**6,839**	**35,949**	**35,308**

	Denmark		Norway		Sweden		Europe		Other		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Other operating revenue	867	917	2,074	1,915	1,105	1,255	991	1,304	426	371	5,463	5,762

OTHER DISCLOSURES

	Denmark		Norway		Sweden		Europe		Other		Not broken down		Total	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Assets [1]	1,062	1,412	1,522	2,390	10,530	13,418	397	593	58	192	6,588	2,635	20,157	20,640
Investment for the year	12	20	59	33	838	565	60	14	1	1	1,071	1,991	2,041	2,624

1 Aircraft and spare parts are not broken down, see Note 1, Significant accounting policies – Segment reporting, page 59.

In 2011 and 2010, there was no single customer who accounted for more than 10% of Group revenue.

Note 42 Subsidiaries in the SAS Group

	Domicile	Corporate registration number	Total owned shares	Holding	Carrying amount at December 31, 2011	Share of equity at December 31, 2011	Carrying amount at December 31, 2010
Owned by SAS AB:							
SAS Sverige AB	Sigtuna	556042-5414	70,500,000	100	737	1,488	737
SAS Norge AS	Bærum	811176702	47,000,000	100	628	2,545	628
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	571	1,106	571
Widerøes Flyveselskap AS	Bodø	917330557	364,196	100	1,440	615	1,440
SAS Individual Holding AB	Stockholm	556063-8255	610,000	100	756	745	756
SAS Tech AB	Stockholm	556137-6764	940,000	100	1,150	2,270	1,150
Nordair A/S	Tårnby	24176711	10,000	100	0	–73	0
Linjeflyg AB	Sigtuna	556062-8454	2,000,000	100	237	172	237
OY Nordair AB	Vantaa	525.232	150	100	671	350	72
SAS Revenue Information Services A/S	Tårnby	28098766	13,200	100	16	40	16
Other					0	68	79
					6,206	**9,326**	**5,686**
Owned by SAS Danmark A/S, SAS Norge AS and SAS Sverige AB:							
SAS Consortium	Stockholm	902001-7720	-	100	**5,280**	**5,280**	**9,108**
Owned by SAS Consortium:							
SAS Scandinavian Airlines Norge AS	Bærum	962308449	150,000	100	951	769	3,851
SAS Scandinavian Airlines Danmark A/S	Tårnby	10156858	1,290,500	100	1,370	1,364	1,570
SAS Scandinavian Airlines Sverige AB	Sigtuna	556235-5908	710,000	100	810	809	1,010
Linjeflyg Leasing HB	Sigtuna	916644-1080	-	79	324	375	313
Cherrydean Limited	Dublin	310983	12,633,198	100	53	52	113
SAS Capital B.V.	Rotterdam	167071	501	100	8	71	8
SAS Ground Services Sweden AB	Stockholm	556657-7374	101,000	100	300	245	300
SAS Ground Services Norway AS	Oslo	986978364	12,100	100	552	242	552
SAS Ground Services Denmark A/S	Copenhagen	27723454	184,000	100	111	100	211
URIS Limited	Dublin	316438	1,620	100	3	4	3
Other					3	22	491
					4,485	**4,053**	**8,422**
Owned by Nordair A/S:							
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	**0**	**–587**	**0**
Owned by SAS Individual Holdings AB:							
RASN A/S	Copenhagen	24202941	500	100	1	0	1
Spirit Air Cargo Handling Group AB	Stockholm	556690-7076	11,000	100	63	123	120
SAS Accounting Services Denmark A/S	Copenhagen	27 931 693	5,002	100	0	–2	-
SAS Human Resources Denmark A/S	Copenhagen	27 931 766	8,300	100	6	5	-
SAS Human Resources Norway AS	Bærum	987 331 992	9,200	100	10	12	-
Other					-	-	10
					80	**138**	**131**
Owned by URIS Limited:							
Commercial Aviation Leasing Limited	Dublin	30 8550	1,613	6	**5**	**5**	**5**
Owned by Cherrydean Limited:							
Commercial Aviation Leasing Limited	Dublin	30 8550	25,266	94	**81**	**81**	**112**

Note 43 Significant events after the closing date

Eivind Roald becomes the new Executive Vice President of Sales & Marketing and Joakim Landholm becomes Executive Vice President for Commercial in the new Group management of SAS.

The Board of Spanair filed for bankruptcy in January 2012 and SAS recognized an impairment totaling SEK 1.7 billion. A provision of MSEK –1,731 was made in December, of which MSEK –249 was recognized in other operating expenses and MSEK –1,482 recognized in income from other securities holdings.

The Norwegian Competition Authority recommended a reversal of the previous ban on loyalty programs, including EuroBonus, on domestic services in Norway, but only on travel between Oslo and Stavanger, Bergen and Trondheim.

SAS AB, Parent Company

Statement of income

MSEK	Note	2011	2010
Revenue		19	40
Payroll expenses	1	–123	–145
Other operating expenses		–254	–83
Depreciation		0	0
Operating income		**–358**	**–188**
Share of income of Group companies	2	–894	–45
Income from other securities holdings	2	13	–267
Impairment of receivables	7	–1,395	-
Interest income and similar income items		350	181
Interest expenses and similar income items		–271	–202
Exchange-rate differences		1	43
Income before tax		**–2,554**	**–478**
Tax	3	49	40
Net income for the year		**–2,505**	**–438**

The Parent Company recognizes no items in other comprehensive income for 2011 and 2010, respectively. Net income for the year for the Parent Company also corresponds to total comprehensive income.

Balance sheet

ASSETS, MSEK	Note	2011	2010
Non-current assets			
Tangible fixed assets			
Equipment	4	0	0
Financial fixed assets			
Shares in subsidiaries	5	6,206	5,686
Other holdings of securities	6	2	2
Deferred tax asset	3	691	642
Other long-term receivables	7	-	1,367
Total non-current assets		**6,899**	**7,697**
Current assets			
Current receivables			
Accounts receivable		0	0
Receivables from Group companies		8,115	9,257
Other receivables		249	251
Prepaid expenses and accrued income		0	0
		8,364	**9,508**
Cash and bank balances		0	1
Total current assets		**8,364**	**9,509**
TOTAL ASSETS		**15,263**	**17,206**

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	2011	2010
Shareholders' equity			
Restricted equity			
Share capital		6,612	6,612
Statutory reserve		473	473
Unrestricted equity			
Retained earnings		6,171	6,609
Net income for the year		–2,505	–438
Total shareholders' equity		**10,751**	**13,256**
Long-term liabilities			
Convertible loans	8	1,453	1,408
Long-term liabilities to Group companies		2,810	2,420
Pensions and similar commitments		-	1
Other liabilities		2	5
Total long-term liabilities		**4,265**	**3,834**
Current liabilities			
Liabilities to Group companies		10	36
Accounts payable		8	3
Other liabilities		207	17
Accrued expenses and prepaid income		22	60
Total current liabilities		**247**	**116**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**15,263**	**17,206**
Pledged assets and contingent liabilities			
Pledged assets		-	-
Contingent liabilities	9	124	341

Change in shareholders' equity

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total equity
Shareholders' equity, Dec 31, 2009	**6,168**	**306**	**2,299**	**8,773**
Reduction of share capital	–4,516		4,516	0
Rights issue	4,960			4,960
Cost of rights issue			–282	–282
Tax effect of cost of rights issue			74	74
Other contributed capital		226		226
Tax effect of other contributed capital		–59		–59
Group contribution received			3	3
Tax effect of Group contribution			–1	–1
Net income for the period			–438	–438
Shareholders' equity, Dec 31, 2010	**6,612**	**473**	**6,171**	**13,256**
Net income for the period			–2,505	–2,505
Shareholders' equity, Dec 31, 2011	**6,612**	**473**	**3,666**	**10,751**

No. of shares: 329,000,000 (329,000,000). Quotient value 20.1 (20.1). Each share is entitled to one vote and all shares own equal rights to a share in the company's assets and profits.

There were no dilutions during the year.

Cash-flow statement

MSEK	2011	2010
Operating activities		
Income before tax	–2,554	–478
Depreciation and amortization	0	0
Income from the sale of shares, etc.	0	93
Impairment of shares	894	229
Impairment of receivables	1,367	-
Adjustment for items not included in the cash flow	45	-
Cash flow from operating activities before changes in working capital	**–248**	**–156**
Change in:		
Operating receivables	–19	104
Operating liabilities	94	–199
Cash flow from changes in working capital	**75**	**–95**
Cash flow from operating activities	**–173**	**–251**
Investing activities		
Investment in Group companies	–1,493	–21
Loans to Group companies	-	–1,365
Disposal of Group companies	79	1
Disposal of equipment	0	10
Cash flow from investing activities	**–1,414**	**–1,375**
Financing activities		
Short-term investments	1,163	–4,674
Change in long-term liabilities	390	1,620
Change in current liabilities	33	1
Rights issue	-	4,960
Cost of rights issue	-	–282
Cash flow from financing activities	**1,586**	**1,625**
Cash flow for the year	**–1**	**–1**
Cash and cash equivalents at beginning of the year	1	2
Cash and cash equivalents at year-end	**0**	**1**

Disclosure of interest paid:
During the year, interest received amounted to MSEK 291 (110). During the year, interest paid amounted to MSEK 226 (136).

Note 1 No. of employees, salaries, other remuneration and social security expenses

The average number of employees was 45 (55). A breakdown of the average number of employees by country is provided in the table below.

	2011		2010	
	Men	Women	Men	Women
Denmark	4	6	4	6
Norway	-	-	-	1
Sweden	19	16	25	19
Total	**23**	**22**	**29**	**26**
Total men and women	**45**		**55**	

For salaries, remuneration and social security expenses as well as remuneration and benefits paid to Board members, the President and senior executives of SAS AB, see SAS Group Note 3, Payroll expenses, pages 64–66.

Note 2 Income from financial items

	Income from participations in Group companies		Income from other securities holdings	
	2011	2010	2011	2010
Dividend	-	3	13	6
Capital gain/loss from the sale of shares and other participations	0	–48	-	–44
Impairment of shares	–894	-	-	–229
Total	**–894**	**–45**	**13**	**–267**

Note 3 Tax

	2011	2010
Current tax	-	-
Deferred tax	49	40
Total tax	**49**	**40**
Deferred tax assets		
Opening balance tax assets	642	588
Tax effect on items in equity	-	14
Deferred tax	49	40
Closing balance tax assets	**691**	**642**

Note 4 Tangible fixed assets

Equipment	2011	2010
Opening cost	3	5
Disposals/sales	–2	–2
Acquisitions for the period	0	0
Closing accumulated cost	**1**	**3**
Opening depreciation	–3	–3
Disposals/sales	2	0
Depreciation for the period	0	0
Closing accumulated depreciation	**–1**	**–3**
Carrying amount	**0**	**0**

Note 5 Participations in subsidiaries

See SAS Group Note 42 – Subsidiaries in the SAS Group, page 85.

Note 6 Other holdings of securities

	2011	2010
Incorporate Cell Company	2	2
Spanair	0	0
Total	**2**	**2**

Note 7 Other long-term receivables

In conjunction with Spanair's filing for bankruptcy at the start of 2012, Other long-term receivables were impaired in an amount of MSEK 1,395, of which MSEK 28 was attributable to interest charges in 2011.

Note 8 Convertible loans

In 2010 a convertible debenture was issued for MSEK 1,600 maturing in five years. The value of debt and share of equity on the convertible bond loan has been determined at the closing date at MSEK 1,453 (1,408) and MSEK 147 (192), respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226, respectively. The conversion price of the bonds is SEK 46.50 and is convertible every three months and has an interest rate of 7.5%.

The loan is categorized as "Other liabilities," which means recognition at amortized cost.

Note 9 Contingent liabilities

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).

Other contingent liabilities benefiting:	2011	2010
Blue1	124	125
Spanair	-	216
Total	**124**	**341**

In 2011, MSEK 172 was recognized in profit or loss due to Spanair filing for bankruptcy.

Note 10 Fees to auditing firms

Fees paid to Deloitte were as follows:	2011	2010
Auditing services	4	4
Audit activities other than audit assignment	6	18
Tax advice	0	-
Total	**10**	**22**

Corporate governance

Corporate Governance Report

SAS AB is the Parent Company of the SAS Group and a Swedish public limited company headquartered in Stockholm, Sweden. Since July 2001, SAS AB has been listed on the NASDAQ OMX Stockholm with secondary listings in Copenhagen and Oslo. In 2005, the Stockholm Stock Exchange introduced the Swedish Code of Corporate Governance (the Code) as part of the listing agreement. Since then, SAS AB has complied with the Code in its various versions. The objective of corporate governance is to provide SAS with effective management and control of its operations in combination with adequate transparency, clarity and proper business ethics.

This report constitutes the SAS Group's corporate governance report for the 2011 fiscal year and has been prepared pursuant to the Swedish Annual Accounts Act and the provisions of the Code based on the revision of the Code issued in February 2010.

No significant changes were made to corporate governance compared with the preceding year. SAS committed no breach of stock-exchange rules or accepted practice in the stock market pursuant to any decisions passed by the Stockholm Stock Exchange Disciplinary Committee or statements by the Swedish Securities Council in 2011.

Legal framework governing the SAS Group

Corporate governance in the SAS Group is based on Swedish legislation, the Articles of Association, the Swedish Code of Corporate Governance (the Code), and the NASDAQ OMX Stockholm rules for issuers, as well as other applicable rules and recommendations issued by relevant Swedish and international organizations.

In accordance with NASDAQ OMX Stockholm rules and regulations the SAS Group has produced an information/investor relations policy to ensure adequate disclosure to the capital market.

Departure from the Code

Since the implementation of the Code, the SAS Group has followed the Code with the exception of the following instance: SAS conducts shareholder's meetings in Swedish, Norwegian and Danish, which departs from clause 1.5.

Reason for the departure: the Articles of Association for SAS AB specify that the language used at shareholders' meetings is to be Swedish, Danish or Norwegian, and, if the Board so decides, other languages as well. The reason all three Scandinavian languages are used at shareholders' meetings is due to the strong Scandinavian nature of the SAS Group with the largest number of shareholders in Denmark, a management and Board comprising citizens of all three Scandinavian countries, and a system for remote attendance of shareholders' meetings from Copenhagen and Oslo. Meeting deliberations in SAS AB are held primarily in Swedish and meeting materials are available in Swedish. In view of the above, the Board believes that any one of the Scandinavian languages may be freely used at shareholders' meetings in the company in view of the similarity of the three Scandinavian languages.

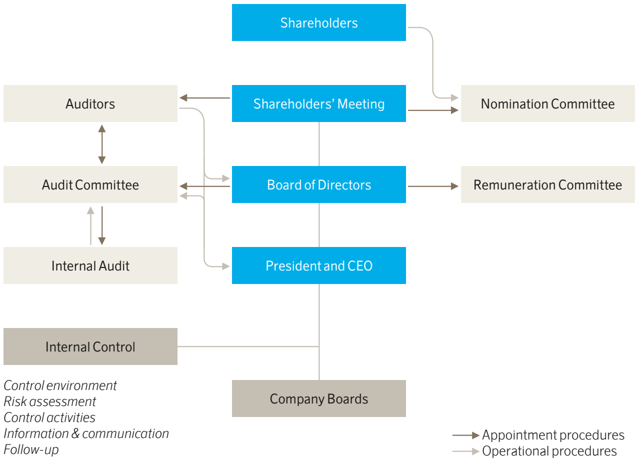
Shareholders' meeting

The shareholders' influence in the company is exercised at the shareholders' meeting, which is the company's highest decision-making body. At the Shareholders' Meeting of SAS AB, one share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to.

The shareholders' meeting may be held in Stockholm or in Sigtuna. According to a provision in the company's Articles of Association, shareholders may also attend the meeting from locations in Copenhagen and Oslo via telecommunications links. Shareholders attending the meeting from Copenhagen and Oslo have the same rights, including voting rights, as shareholders attending in Stockholm or Sigtuna.

Corporate governance, governance structure

The SAS Group had 69,917 shareholders on December 31, 2011. The major shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, Unionen, Danmarks Nationalbank, Avanza Pension and various bank mutual funds.



Meetings in 2011

The Board had 10 recorded meetings and one meeting held by circular letter. The Audit Committee had four recorded meetings and the Remuneration Committee had three recorded meetings. The Nomination Committee had five recorded meetings after the 2011 Annual General Shareholders' Meeting.

Notice convening the Annual General Shareholders' Meeting is issued at the earliest six and latest four weeks prior to the meeting. Notice is published in daily newspapers in Sweden, Denmark and Norway and announced in press releases as well as published on the company's website. The company e-mails notices to shareholders who have requested this service via Shareholder Service on the company website; www.sasgroup.net.

A table of the major shareholders in SAS AB can be found on page 102 of the Annual Report. Three shareholders exist that each represent more than one-tenth of the total number of votes in SAS AB: the Swedish government with 21.4% of the votes, the Danish government with 14.3% and the Norwegian government with 14.3%.

The Articles of Association contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. Currently, no authority has been provided by the shareholders' meeting to the Board empowering the Board to issue new shares or buy back treasury shares.

Board of Directors

The Articles of Association stipulate that the Board of Directors consist of six to eight members elected by the shareholders' meeting. During the year, the Board comprised seven duly elected members, no deputies and three employee members, each with two personal deputies. The employee members are appointed by the SAS Group's employee groups in Denmark, Norway and Sweden according in line with governing legislation and special agreements. 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. By a special Board decision, a representative of the SAS pilots' organization participates

Fees decided at the 2011 Annual General Shareholders' Meeting

Name	Nationality	Independent	Board	Audit Committee	Remuneration Committee	Total, TSEK
Fritz H. Schur	DK	Yes	585		70	655
Jacob Wallenberg	SE	Yes	390		25	415
Dag Mejdell	NO	No[1]	345		25	370
Monica Caneman	SE	Yes	295	45		340
Jens Erik Christensen	DK	Yes	295	45		340
Gry Mølleskog	NO	Yes	295			295
Timo Peltola	FI	Yes	295	95		390
Nicolas Fischer, March 21–September 29	DK	–	123			123
Elisabet Goffeng, from May 1	NO	–	197			197
Ulla Gröntvedt	SV	–	295			295
Anna-Lena Gustafsson, from September 29	SV	–	98			98
Asbjørn Wikestad, until May 1	NO	–	98			98
Carsten Bardrup Nielsen, until March 21	DK	–	73			73
Total			**3,384**	**185**	**120**	**3,689**

1 Dag Mejdell is not considered independent in relation to major shareholders (but is independent in relation to SAS and its management).

as an observer to the Board, in addition to the employee representatives.

The elected Board members are appointed for the period until the end of the next Annual General Shareholders' Meeting in compliance with the Code. No regulation exists that limits the period of time a Board member can serve as a member of the Board. The experience of the Board members and their independence in relation the owners of the company are disclosed on page 96.

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 work

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 as well as instructions for the President and the company's Board committees.

In 2011, the Board of Directors held ten scheduled meetings and the minutes of one meeting were prepared by circular letter. Senior executives in the company 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 including business and market conditions, financial reporting and follow-up, the company's financial position, and investments. The Board also discussed any sustainability-related information of material importance.

Main issues considered at ordinary Board meetings in 2011

Feb. 8	The SAS Group year-end report for 2010 and the decision to phase-out the MD80 and Boeing 737 "classic" fleets.
Mar. 16	SAS's annual report, review of PULS and employee satisfaction as well as flight safety activities.
Apr. 11	Approval of SAS Tax Policy and fleet strategy.
May 9	First quarter report.
Jun. 7–8	Strategy discussion, investment in Airbus 320neo aircraft as well as the internal audit report for 2010 and the audit plan for 2011.
Aug. 16	Second quarter report and follow-up of the strategy process and action plan for Blue1.
Sep. 26	Performance review and plan for the Board's annual evaluation of the Board's work.
Nov. 7	Third quarter report and the auditors' review of the "hard close" as well as evaluation of the Board's work.
Dec. 20	Budget process for 2012, the financial plan for 2012–2013 and the regional partner strategy.

Outcome 2011 recorded fees for employee representative deputies, TSEK	
Bo Nilsson	1
Sven Cahier	9
Christian Anderström	8
Tore Hansen	3
Trygve Skogseide	9
Asbjörn Wikestad	6
Nicolas Fischer	5.5
Anna-Lena Gustafsson	6
Bo Nielsen	7
Per Weile	will be paid in 2012

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. An election was conducted to appoint an auditor at the 2009 Annual General Shareholders' Meeting, whereby Deloitte AB was reelected for the period until the end of the 2013 Annual General Shareholders' Meeting. The principal auditor is Jan Palmqvist (born in 1962), who assumed responsibility for the audit engagement at Deloitte in 2011. In addition to SAS AB, he has audit engagements for AFA Försäkring, Nordisk Renting and Länsförsäkringar Stockholm. On two occasions during 2011, the principal auditor met with the Board, presenting the program for auditing work, reporting observations from the audit of the financial statements, the examination "hard close" of the interim accounts as of September 30 and an evaluation of internal control.

On one occasion during the year, the Board met with the company's auditor without the presence of the President or any other representative of the company management. Deloitte submits an audit report regarding SAS AB, the Group, and an overwhelming majority of the subsidiaries. In the past six years, in addition to its auditing work, Deloitte performed advisory services for SAS Group companies in auditing-related areas for a total invoiced amount of MSEK 107, of which MSEK 10 pertains to 2011. Auditors' fees for work performed are in line with the resolution of the Annual General Shareholders' Meeting. For more information about the auditors' fees in 2011, see Note 39.

President and Group Management

The Board appoints the President of SAS AB, who is also Group CEO. The Board has delegated responsibility for the day-to-day management of company and Group operations to the President. Each year, an instruction defining the division of duties between the Board and the President is determined by the Board who also evaluate the work performed by the President. The Board's instructions to the President contain detailed rules governing the President's authority and obligations. The members of Group Management report to the President.

The President and CEO was John S. Dueholm until January 31, 2011. From February 1, 2011, Rickard Gustafson assumed the position of President. A presentation of the President's background, experience, positions and shareholding is available on page 98.

The President liaises and works closely with the Chairman as well as 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 five to six members named by the President in consultation with the Board. The composition of Group Management appears on page 98.

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 second 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 are primarily tied to active work on the boards of the respective subsidiaries. The Boards of wholly-owned subsidiaries are often composed of representatives of Group Management and Corporate Functions. In certain larger subsidiaries there are representatives of the employees.

Those of the Group's main business areas that are not themselves a separate legal entity are led by Group Management through the representative for the respective business area. 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

Remuneration policies for company management are to be formulated and presented by the Remuneration Committee to the Board, which submits the proposal to the Annual General Shareholders' Meeting for adoption.

The remuneration policies for 2011 remained unchanged compared with those that applied in 2010. Pursuant to the resolution of the Annual General Shareholders' Meeting no variable remuneration is payable to senior executives and no share-related incentive programs exist in the SAS Group. For 2011, the following guidelines, as adopted by the Annual General Shareholders' Meeting, governing remuneration and other terms of employment for senior executives (Group Management at SAS) have been applied. Agreements concluded previously with some executives that contain partially deviating conditions governing pensions, notice periods and severance pay will be respected until they cease or are renegotiated.

Total remuneration must be market-based and competitive and must be in relation to responsibility and authority. Remuneration consists of fixed salary, other benefits and pension.

Remuneration to senior executives consists of a fixed annual base salary. The fixed salary reflects the position's requirements pertaining to skills, responsibility, complexity and the manner in which it contributes to achieving the business objectives. The fixed salary also reflects the executive's performance and can therefore be both individual and differentiated. Other benefits, including company car and health insurance, must be market-based and only constitute a limited part of the total remuneration.

Pension benefits are defined-contribution, with premiums not exceeding 35% of the fixed annual salary.

Remuneration of the President is 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 decided by the President within the framework of approved remuneration policies after consultation with the Remuneration Committee.

The detailed guidelines are available on the company's website. For detailed information about remuneration and benefits paid to the Board, President and senior executives in 2011 see Note 3, page 65.

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 and the minutes of committee meetings is provided to all Board members. Remuneration for work on Board committees is determined by the Annual General Shareholders' Meeting.

Financial reporting

The Audit Committee is responsible for preparing the Board's quality assurance work regarding financial reporting. The Committee performs quality assurance through the discussion of critical auditing issues and the financial reports that the company submits. Issues discussed by the Committee include internal control, compliance, specifically identified focus areas, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected and verified irregularities, and other matters affecting the company's financial reporting.

The company's external auditor attends all meetings of the audit committee. The Board scrutinizes and approves the company's year-end and interim reports.

Nomination Committee

The Nomination Committee is the Annual General Shareholders' Meeting's body tasked with preparing the meeting's recommendation for nomination and remuneration issues, and matters of procedure for the next nomination committee. Members of the Nomination Committee, irrespective of how they were appointed, must address the interests of all shareholders.

Nomination committee, five recorded meetings
Marianne Förander, Ministry of Finance, for the Swedish Government, Chairman until January 31, 2012. She is succeeded by Jonas Iversen, Ministry of Finance, for the Swedish Government
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 2012 Annual General Shareholders' Meeting:

- Chairman of the Meeting
- The number of Board members and the fee to the Board, broken down among the Chairman, Vice Chairman, other Board members and any remuneration for work on Board committees
- Election of Board members and Chairman of the Board
- Audit fee
- Nomination Committee for 2013 Annual General Shareholders' Meeting.

The Nomination Committee evaluates the Board's work, qualifications and composition. The Chairman liaises closely with the Committee, and the result of the evaluation of the Board is made available to the Committee. At least one meeting with the Chairman and Group CEO must be held before the Nomination Committee submits its recommendations to the Annual General Shareholders' Meeting. The Nomination Committee's recommendations will be published in the notice convening the Annual General Shareholders' Meeting, on the company website, and at the Annual General Shareholders' Meeting. Committee members received no fees or other remuneration from SAS for their work on the Nomination Committee. When required, the Nomination Committee utilizes outside advisers and consultants, with the SAS Group defraying the cost.

Attendance at Board meetings in 2011

	Feb 8	Mar 16	Apr 11	May 4[1]	May 9	Jun 7–8	Aug 16	Sep 26	Nov 7	Dec 20
Fritz H. Schur, Chairman	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg, Vice Chairman	●	●	●	○	●	●	●	●	●	●
Monica Caneman, member	●	●	●	●	●	●	●	●	●	●
Jens Erik Christensen, member	●	●	●	●	●	●	●	●	●	●
Dag Mejdell, member	●	●	●	●	●	●	●	●	●	●
Gry Mølleskog, member	●	●	○	●	●	●	●	●	●	○
Timo Peltola, member	●	●	●	●	●	●	●	●	●	●
Ulla Gröntvedt, employee rep.	●	●	●	●	●	●	●	●	●	●
Carsten Bardrup Nielsen, employee rep.	●	●	●	–	–	–	–	–	–	–
Asbjørn Wikestad, employee rep.	●	●	●	–	–	–	–	–	–	–
Nicolas Fischer, employee rep.				●	●	●	●	–	–	–
Anna-Lena Gustafsson, employee rep.				–	–	–	–	●	●	●
Elisabeth Goffeng, employee rep.				●	●	●	●	●	●	●

● Present ○ Absent – Resigned/Not joined

1. The meeting held on May 4 was a statutory meeting.
One meeting was held by circular letter in January 2011.

Remuneration Committee

Remuneration and other terms of employment for senior executives are designed with a view to ensuring the company's access to executives possessing the requisite skills for the company at a cost appropriate for the company and so that they have the intended effects for the company's operations.

Remuneration Committee, three recorded meetings

	Number of meetings attended
Fritz H. Schur (Chairman)	3
Jacob Wallenberg	2
Dag Mejdell	3

The Group's Remuneration Committee complies with the Code's instructions. The Code specifies that members of the Remuneration Committee must be independent of the company or company management. Fritz H. Schur and Jacob Wallenberg are independent in relation to the company, company management, as well as 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 independent in relation to major shareholders.

The Committee discussed matters of principle regarding variable remuneration for senior executives and general matters regarding guidelines and policies for compensation to senior executives in SAS as well as approved certain changes in corporate management members' employment terms.

Prior to the 2012 Annual General Shareholders' Meeting, the Committee will prepare the proposal regarding remuneration policies and other terms of employment for company management that, pursuant to the Swedish Companies Act and the Code, the Board later submits to the Annual General Shareholders' Meeting for adoption.

Audit Committee

Without otherwise impacting the responsibilities and obligations of the Board, the Audit Committee is tasked with monitoring the company's financial reporting and, with regard to the financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management functions, following the audit of the annual report and consolidated financial statements, scrutinizing and monitoring the impartiality and independence of the auditor including according particular attention to any non-audit-related assignments provided to the company by the auditor as well as preparing proposals regarding the election of auditors for resolution at general shareholders' meetings.

Audit Committee, four recorded meetings

	Number of meetings attended
Timo Peltola (Chairman)	4
Jens Erik Christensen	4
Monica Caneman	3

All members of the Audit Committee are independent in relation to the SAS Group, the management and the shareholders in line with the Code. Besides the Committee Secretary, the SAS Group CEO and CFO, the company's external auditor, and the head of internal auditing attend meetings of the Committee. The Committee also scrutinizes the auditors' independence vis-à-vis the company, including the extent of the auditor's non-audit-related assignments for the company.

In 2011, in addition to the yearly recurring business regarding quality assurance of financial reporting, detailed review of the year-end financial statement and interim report as of September 30, the Committee focused particularly on the company's financial position, reporting of pensions and refinancing efforts.

Moreover, the Committee has dealt with issues regarding the valuation of aircraft fleet, the internal audit work and function, special areas of focus in the auditing work, risk analyses and internal controls.

Annual General Shareholders' Meeting

The Annual General Shareholders' Meeting of the SAS Group is held on April 19, 2012 at 2:00 p.m. at the following venues:
Copenhagen: Radisson Blu, Scandinavian Hotel, Amager Boulevard 70.
Stockholm-Arlanda: Sky City.
Oslo: Radisson Blu Plaza Hotel, Sonja Henies Plass 3.

General information
One share entitles the holder to one vote. At the Annual General Shareholders' Meeting, shareholders exercise their voting rights to pass resolutions on the annual report, disposition of earnings, composition of the Board of Directors, election of auditors, remuneration of Board members and auditors and other issues pursuant to the Swedish Companies Act and the Articles of Association of SAS AB. As stated in the Articles of Association, the Annual General Shareholders' Meeting may be held in Stockholm or Sigtuna.

To facilitate participation by shareholders in Denmark and Norway in general shareholders' meetings, the meeting can be attended from locations in Copenhagen and Oslo via telecommunications links. Shareholders participating in this manner have the same rights as shareholders attending the meeting in Stockholm or Sigtuna. Shareholders may participate, address the meeting and vote on matters simultaneously with shareholders present in Stockholm or Sigtuna. This procedure means that, in practice, the meeting is held in three locations simultaneously.

Attending the Annual General Shareholders' Meeting
Shareholders who wish to attend the Annual General Shareholders' Meeting must notify the company in advance. Details about notification will be published in the notice convening the Annual General Shareholders' Meeting.

Proposals or questions for inclusion in the notice of the Annual General Shareholders' Meeting
Shareholders who wish to address a specific question or who have a proposal for inclusion in the notice convening the Annual General Shareholders' Meeting may do so. To enable preparation of the notice convening the Annual General Shareholders' Meeting, any such business must be received in writing by SAS AB by, at the latest, March 1, 2012 to the following address:

SAS AB / STODL
Annual General Shareholders' Meeting 2012
SE-195 87 Stockholm
Sweden

Items in the notice
- The deadline for receiving business to be included in the notice is March 1, 2012.

Sending of the notice and notification of attendance
- The notice is sent in March 2012.
- Deadline for notification of attendance:
  April 13, 2012 in Sweden and April 12, 2012 in Norway and Denmark.

Record day
- April 13, 2012

Admission cards to the AGM will be sent on
- April 13 and 14, 2012

Annual General Shareholders' Meeting
- April 19, 2012

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 constitutes the base of the internal control and includes the culture that the SAS Group communicates and works within. The ambition of the Group is that its values, reliability, openness, care and value-creation will 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 approach in various situations, including a structure for reporting deviations from desired approach (whistleblowing). An updated version was published in 2008 with the requirement that all personnel complete the interactive training program on the Group's intranet.

The management of the Group is described in various internal documents that outline management philosophy, management model, roles and responsibilities of the units and subsidiaries, shareholder requirements, overarching monitoring, intra-Group business relations and segregation of duties. Information regarding the management of the Group is available to all employees on the Group's 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 authorizations. In connection with the implementation of Core SAS, vital portions of management documents, description of the organization and Group-wide policies, 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 assessment 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 units and companies in the SAS Group, where an assessment of internal control is to be performed, (see below). Beyond that, the SAS Group's internal audit function performs an ongoing overarching risk assessment that results in an annual audit plan, and is revised if the risk assessment 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 loss or embezzlement. The audit plan is approved by the Audit Committee and the SAS Group's Board.

Control activities

The SAS Group's ambition is to have adequate control 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. The SAS Group has financial officers, both centrally and locally, who are responsible for financial updates.

Control targets and evaluations

SAS has prepared a relatively comprehensive form with defined control targets in the management process, accounting process, revenue process, purchasing process, payroll process and asset management process. These control targets also include IT controls that safeguard change management, user administration and procedures and responsibilities. The management of all units and subsidiaries conduct their own annual assessment of internal control in relation to the fulfillment of control targets, including documentation of the processes used in the control activities. This control and evaluation also comprise processes conducted by third parties. The evaluation is also reviewed by external auditors, who make an independent assessment of status and improvement potential. In the event of evaluations not being approved, in which the assessment by the external auditor prevails, action plans are prepared, which are subject to monitoring. The total assessment for the audit performed in 2011 was that the internal control of financial reporting was satisfactory and earnings amounted to 93%, entailing an unchanged result compared with the preceding year. In addition to this, areas for in-depth study are focused on 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. Over the year, the internal audit has focused on the IATA Clearing House Process in the SAS Group, the Contract Management processes for SAS Multi-Market and Star Alliance Corporate Plus Agreements, the Process for Delegation of Economic Authority in the SAS Group, the Corporate Governance, Revenue, Cost Control and Material Supply at Blue1, selected parts of the Inflight Processes and the process for expense and revenue control in selected parts of the sales organization outside Scandinavia. In addition, follow-up audits were conducted regarding Travel Order and Voucher Processes in the SAS Group and Marketing Related Contract Management Processes.

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 affected parties in the Group through direct distribution via electronic mail, but also via the intranet, where all policies and guidelines in the financial areas are gathered 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.

Financial information reported regularly:
- Year-End and interim reports
- Annual Report
- Press releases
- Presentations and telephone conferences focused on financial analysts, investors and media when publishing important information
- Meetings with the capital market in Sweden and abroad

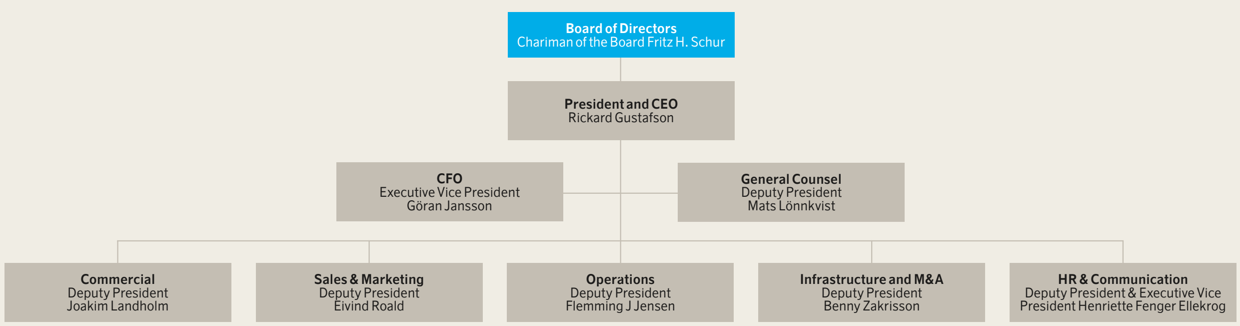
The above information is also available on the Group's website www.sasgroup.net

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, all units and subsidiaries submit a report on their activities every month, including their financial status and performance. To ensure that the provision of external information is correct and complete, the SAS Group has an information policy regarding disclosures to the stock exchange and 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.

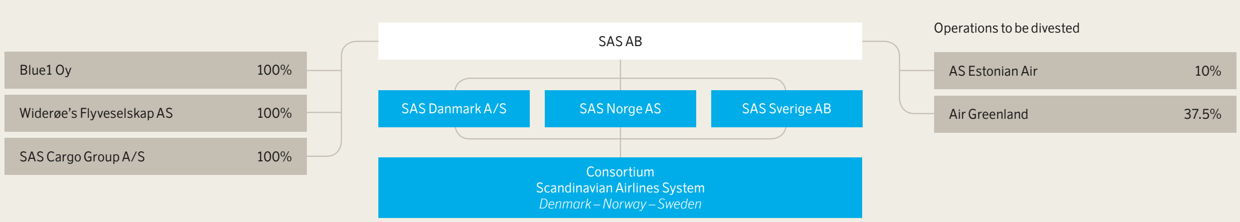
Monitoring

Monitoring and continuous evaluation of compliance with policies and guidelines as well as monitoring reported deficiencies are conducted regularly. In connection with monitoring action plans 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 Group Management and Audit Committee. Financial reporting is discussed at each Board meeting and at meetings of the Audit Committee.

Business model and areas of responsibility



SAS Group's legal structure March 14, 2012



Board of Directors

The Board is responsible for the organization and administration of the Group and for ensuring proper control of its accounting and other financial circumstances as well as for appointing the President. All members of the Board elected by the Shareholders' Meeting are independent of the company and company management. The Annual General Shareholders' Meeting 2011 adopted the Nomination Committee's recommendation for reelection of the following Board members in SAS AB: Fritz H. Schur, Jens Erik Christensen, Dag Mejdell, Timo Peltola, Jacob Wallenberg, Monica Caneman and Gry Mølleskog. Fritz H. Schur was reelected Chairman of the Board. No share convertibles or options have been issued to the Board of the SAS Group.

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. *Directorships:* Chairman of the companies in the Fritz Schur Group. Chairman of PostNord AB, DONG Energy A/S, F. Uhrenholt Holding A/S, Relationscore ApS and C.P. Dyvig & Co. A/S. Vice Chairman of the Board of Brd. Klee A/S. *Education:* B. Sc. Economics and Business Administration. *Earlier directorships/positions:* Chairman of Det Danske Klasselotteri A/S, SN Holding A/S, CVI A/S and Post Danmark A/S. Vice Chairman of Interbank A/S and Board member of De Post NV/La Poste SA, Belgium, and others. *Shareholding:* 40,000.

Vice Chairman Jacob Wallenberg, born 1956
Vice Chairman of the Board of SAS AB since 2001. *Directorships:* Chairman of Investor AB. Vice Chairman of Atlas Copco AB, Ericsson AB 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. Economics and MBA Wharton School, University of Pennsylvania. *Earlier directorships/positions:* Vice Chairman of Stockholms Handelskammares Service AB, Electrolux AB and Board member of the Confederation of Swedish Enterprise and the Nobel Foundation. *Shareholding:* 10,000.

Second Vice Chairman Dag Mejdell, born 1957
Second Vice Chairman of the Board of SAS AB since 2008. President and CEO of Posten Norge AS. *Directorships:* Chairman of Arbeidsgiverföreningen Spekter and International Post Corporation. Vice Chairman in Orkla ASA (corporate assembly) and EDB Ergo Group's Board. Board member of IK Investment Partners. *Education:* MBA, Norwegian School of Economics and Business Administration. *Earlier directorships/positions:* President and CEO of Dyno Nobel ASA. Chairman of Svenska Handelsbanken, Region Norway. Board member of DYWIDAG System International GmbH. *Shareholding:* 4,214.

Monica Caneman, born 1954
Member of the Board of SAS AB since 2010. *Directorships*: Chairman of the Fourth Swedish Pension Fund, Allenex AB, Arion bank hf, Frösunda LSS AB and Big Bag AB. Board member in Schibsted ASA, Storebrand ASA, Poolia AB, My Safety AB, Intermail A/S and SOS Barnbyar. *Education:* MBA, Stockholm School of Economics. *Earlier directorships/positions:* Chairman of EDT AS and Interverbum AB. Board member of Resco AB, Nocom AB, Akademikliniken AB, Nya Livförsäkrings AB SEB Trygg Liv, Xpon-Card Group AB, Lindorff Group AB, Citymail Group AB, EDB Business Partner ASA, Nordisk Energiförvaltning ASA and Svenska Dagbladet AB. *Shareholding:* 4,000.

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 A/S, Alpha Holding A/S and Vördur Tryggingar hf. Vice chairman in BankNordik A/S. Board member of Nemi Forsikring A/S, Andersen&Martini A/S, Lægernes Pensionskasse, Skandia Liv AB, TK Development A/S and Nordic Corporate Investment A/S as well as member of the Danish Government's infrastructure commission. *Education:* Cand. Act. University of Copenhagen. *Earlier directorships/positions:* President of Codan A/S, President of Codan Försäkring A/S and President of Trygg-Hansa AB as well as member of the Executive Committee of the Royal & Sun Alliance plc. 1999 – 2006; prior to this, directorships and business development assignments in the financial sector. *Shareholding:* 12,666.

Gry Mølleskog, born 1962
Member of the Board of SAS AB since 2010. Head of Staff for the Norwegian Crown Prince and Princess at the Norwegian Royal Court. *Directorships:* Chairman of Norsk Folkemuseum. Board member of Norwegian Property ASA. *Education:* Studies at University of Oslo and Norwegian School of Management BI. *Earlier directorships/positions:* Senior Vice President SAS Airlines, Senior Client Partner in Korn/Ferry International, Board member of Hurtigruten ASA, Oslotrikken AS, DnBNOR Finans, Posten Norge and Steen og Ström. *Shareholding:* 666.

Timo Peltola, born 1946
Member of the Board of SAS AB since 2005. *Directorships:* Chairman of Neste Oil. Vice Chairman of TeliaSonera. Member of the Board of AW Energy Oy and CVC Capital Partners Advisory Board. Member of Citigroup's Nordic Advisory Board. *Education:* MBA, Turku School of Economics and Business Administration. Studies at IMI, Geneva. Honorary doctorate in economics, Swedish School of Economics and Business Administration in Helsinki and Turku School of Economics and Business Administration. *Earlier directorships/positions:* Chairman of Ilmarinen, Merita Bank, Amer-group and Instrumentarium as well as Vice Chairman of Nordea. Board member of Huhtamaki Oyj and CEO of Huhtamaki Oyj 1988–2004. *Shareholding:* 2,000

Auditors
Deloitte AB

Principal auditor
Jan Palmqvist, born 1962,
Authorized Public Accountant. Elected in 2011

Other major engagements
AFA Försäkring, Nordisk Renting and Länsförsäkringar Stockholm.

Corporate Secretary
Mats Lönnkvist, General Counsel, SAS Group and Member of SAS Group Management.

Employee representative
Elisabeth Goffeng, born 1957
Employed at Scandinavian Airlines in Norway.
Member of the Board of SAS AB since May 2011.
Shareholding: 0
Deputies: Trygve Skogseide, First Deputy.
Shareholding: 0
Asbjörn WIkestad, Second Deputy.
Shareholding: 0

Employee representative
Ulla Gröntvedt, born 1948
Employed at Scandinavian Airlines Sweden.
Member of the Board of SAS AB since 2001
Shareholding: 2,000
Deputies: Sven Cahier, First Deputy.
Shareholding: 0
Christian Anderström, Second Deputy.
Shareholding: 400

Employee representative
Anna-Lena Gustafsson, born 1959
Employed at Scandinavian Airlines Denmark.
Member of the Board of SAS AB since September 2011.
Shareholding: 0
Deputies: Bo Nielsen, First Deputy.
Shareholding: 392
Per Weile, Second Deputy.
Shareholding: 200

Group Management

Group Management is responsible for the Group's business management, financial reporting, acquisitions/disposals, financing and communication with the stock market as well as other corporate matters. The members of Group Management are appointed and supervised by the President in consultation with the Board of Directors. Only the President reports to the Board, whereas the other members of Group Management report to the President. Group Management's responsibilities are divided among its members with regard to managing the Group's business affairs, and recorded meetings are normally held every second week.

Rickard Gustafson, born 1964
President and CEO
Member of SAS Group Management from February 1, 2011. Previously, various executive positions at GE Capital, both in Europe and the US, and 2006–2011, President of Codan/Trygg-Hansa. *External directorships:* None. *Education:* Master of Science, Industrial economics. *Shareholding:* 40,000. *The President and the parties closely related to the President have no shares or other financial instruments in the company or in companies with which the SAS Group has significant business relations.*

Henriette Fenger Ellekrog, born 1966
Deputy President and Executive Vice President Human Resources and Communication
Member of SAS Group Management since October 1, 2007. Since 2007, responsible for Human Resources, and since 2010 responsible for Communication. *Previous positions include:* 1998–2007 various senior executive positions at TDC A/C, most recently as HR & Chief of Staff Senior Executive Vice President. Prior to that, various positions and management posts at Mercuri Urval A/S and Peptech (Europe) A/S. *External directorships:* Board member of the Swedish Aviation Industry Group, Daycatch A/S, 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. *Shareholding:* 12,200.

Göran Jansson, born 1958
Deputy President and CFO
Member of SAS Group Management since 2011. As of March 1, 2011 Göran Jansson succeeded former CFO Mats Lönnqvist, who left his post with SAS on April 1, 2011. Previously, CFO and Deputy CEO of Assa Abloy. *External directorships:* Chairman of nWise AB. Member of the Board of Axis Communication AB. *Education:* Graduate in Business Administration from Stockholm University. *Shareholding:* 0.

Flemming J. Jensen, born 1959
Executive Vice President Operations
Member of SAS Group Management since September 14, 2011. Flemming J. Jensen joined SAS in 1989 and, since 2008, has held a number of senior executive positions in SAS production including Chief Operating Officer Production Unit CPH. During the period 2002–2008 he was Chief Pilot and before that a pilot. *External directorships:* Board member of Industriens Arbejdsgivere i Kobenhavn (IAK). *Education:* Pilot in the Danish Air Force. *Shareholding:* 14,100.

Joakim Landholm, born 1969
Executive Vice President Commercial
Member of SAS Group Management since January 16, 2012. Joakim Landholm comes from a position as Chief Operating Officer of RSA Scandinavia, which comprises Trygg-Hansa and Codan. Otherwise, he has an extensive background in leadership, strategic and analytical work at GE Money Bank, Accenture and Swedbank. *External directorships:* None. *Education:* Master of Business Administration from the Stockholm School of Economics. *Shareholding:* 0.

Mats Lönnkvist, born 1955
Senior Vice President and General Counsel
Member of SAS Group Management since 2009. Head of Legal, Insurance and Public Affairs and Board Secretary of SAS AB. *Previous engagements/posts:* Various legal posts in the SAS Group 1988–2009, the law firm of Mannheimer & Zetterlöf 1984–1988. *External directorships:* None. *Education:* Law degree from Uppsala University. *Shareholding:* 2,704.

Eivind Roald, born 1966
Executive Vice President Sales & Marketing
Member of SAS Group Management since April 1, 2012. Eivind Roald joined SAS from his position as President of Hewlett Packard in Norway. Prior to his seven years at HP, Eivind Roald has eight years experience gained at Accenture. *External directorships:* None. *Education:* Bachelor's degree from BI Norwegian Business School. *Shareholding:* 0.

Benny Zakrisson, born 1959
Executive Vice President Infrastructure and M&A
Member of SAS Group Management since June 14, 2007, and responsible for Infrastructure and M&A. 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:* Scandic Hotels AB, iCell (publ) and iTell (publ). *Education:* Law degree from Stockholm University. *Share- and bond holding* exists under other management.

The Board of Directors and the President hereby give their assurance that the Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RFR 2.1. Accounting for Legal Entities and provides a true and fair view of the company's financial position and earnings and that the Report by the Board of Directors provides a true and fair overview 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 pursuant 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 14, 2012

Fritz H. Schur
Chairman of the Board

Jacob Wallenberg
Vice Chairman

Dag Mejdell
Second Vice Chairman

Monica Caneman
Board Member

Jens Erik Christensen
Board Member

Gry Mølleskog
Board Member

Timo Peltola
Board Member

Elisabeth Goffeng
Board Member

Ulla Gröntvedt
Board Member

Anna-Lena Gustafsson
Board Member

Rickard Gustafson
President and CEO

As stated above, the annual accounts and consolidated financial statements were approved for issuance by the Board of Directors on March 14, 2012. 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 19, 2012.

Our auditors' report was submitted on March 14, 2012
Deloitte AB

Jan Palmqvist
Authorized Public Accountant

Auditors' report

To the annual meeting of the shareholders of SAS AB,
Corporate Registration Number 556606-8499

Report on the annual accounts and consolidated financial statements
We have audited the annual accounts and the consolidated financial statements of SAS AB for the financial year 2011, except for the corporate governance statement on pages 89–99. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 46–100.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements
The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for the internal control deemed necessary by the Board of Directors and the President for the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether such misstatement is due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The auditor chooses such procedures based on such assessments as the risk of material misstatement in the annual accounts and consolidated financial statements, whether such misstatement is due to fraud or error. In making these risk assessments, the auditor considers internal control measures relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate taking the circumstances into account, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act.

Our opinions do not cover the corporate governance statement on pages 89–99. The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of SAS AB for the year 2011. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the President
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and that the corporate governance statement on pages 89–99 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Report by the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, March 14, 2012
Deloitte AB

Jan Palmqvist
Authorized Public Accountant

The SAS Group's share data

Share related key figures

	2011	2010	2009	2008	2007	2006
Market capitalization, MSEK	2,632	7,403	9,944	6,235	13,654	19,164
Number of shares traded, millions[1]	309.8	271.2	79.2	9.2	7.6	5.1
Shares traded, MSEK	4,900	9,540	11,183	8,936	18,961	13,345
Number of shares, millions	329	329	2,467.50	164.5	164.5	164.5
Income after tax minus non-controlling interest, SEK per share[2]	–5.13	–6.74	–8.96	–38.66	3.87	28.1
Cash flow from operating activities, SEK per share[2]	–1.47	–0.47	–10.38	–16.12	17.42	12.78
Dividend, SEK	0	0	0	0	0	0
Dividend in % of earnings after tax	0%	0%	0%	0%	0%	0%
Dividend yield	0%	0%	0%	0%	0%	0%
Shareholders' equity, SEK per share[2]	37.79	43.88	34.62	44.45	104.13	99.49
Total assets, SEK per share[2]	119.10	127.13	129.16	263.61	296.47	311.03
Revenue, SEK per share[2]	125.87	124.83	136.53	321.4	307.59	304.88

Price-related key figures, SEK	2011	2010	2009[1]	2008[1]	2007[1]	2006[1]
Market capitalization/equity at year-end	21%	51%	87%	85%	80%	117%
Share price at year-end	8.00	22.5	30.23	18.95	41.5	58.25
Highest share price during the year	27.80	43.2	43.5	41.13	83.75	58.25
Lowest share price during the year	7.50	17.85	6.95	13.35	41.5	36.13
Average share price during the year	16.16	25.9	28.75	23.19	65.66	48.05

1 For 2006–2009 the historic key figures have been adjusted for the rights issues in 2009 and 2010 and reverse split in 2010.
2 For 2009–2011, the key figures are calculated based on 329 million shares and for 2006–2008 based on 165.4 million shares.

The 20 largest shareholders in the SAS Group[1]

Dec. 31, 2011	Number of shares	Holding
Swedish government	70,500,000	21.4%
Danish government	47,000,000	14.3%
Norwegian government	47,000,000	14.3%
Knut and Alice Wallenbergs Foundation	24,855,960	7.6%
A. H. Värdepapper AB	4,750,000	1.4%
Försäkringsaktiebolaget, Avanza Pension	4,748,062	1.4%
Unionen	4,700,532	1.4%
Danmarks Nationalbank	4,578,588	1.4%
Robur Försäkring	3,051,809	0.9%
Andra AP-fonden	1,651,641	0.5%
Nordnet Pensionsförsäkring AB	1,554,440	0.5%
JPM Chase NA	1,511,726	0.5%
Ponderus Securities AB	1,339,415	0.4%
Swedbank Robur Sverigefond	1,227,478	0.4%
Swedbank Robur Sverigefond Mega	1,122,522	0.3%
Handelsbankens Sverigefond Index	1,026,559	0.3%
AMF Aktiefond Småbolag	980,700	0.3%
SSB Cl Omnibus Ac Om03 (0 Pct), Pension Fund	906,090	0.3%
JP Morgan Bank	901,642	0.3%
Other shareholders	105,592,836	32.1%
Total	**329,000,000**	**100.0%**

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

Distribution of shares

Dec. 31, 2011	No. of share-holders	No. of votes	% of share capital	% of all share-holders
1–1,000	54,404	12,551,330	3.8%	81.3%
1,001–5,000	9,805	22,341,589	6.8%	14.7%
5,001–10,000	1,446	10,775,429	3.3%	2.2%
10,001–100,000	1,151	29,397,218	8.9%	1.7%
100,001–1,000,000	95	26,511,393	8.1%	0.1%
1,000,001–	16	220,618,732	67.1%	0.0%
Unknown owners		6,804,309	2.1%	
Total	**66,917**	**329,000,000**	**100.0%**	**100.0%**

Shares traded per exchange

	Value, MSEK			Number, millions		
	2011	2010	Change	2011	2010	Change
Stockholm	3,946	7,558	–48%	248.9	215.4	16%
Copenhagen	745	1,522	–51%	47.5	42.9	11%
Oslo	208	460	–55%	13.4	13	4%
Total	**4,900**	**9,540**	**–49%**	**309.8**	**271.2**	**14%**

Change in share capital[1]

Share related key figures	Event	No. of new shares	Total no. of shares	Nominal value/ share, SEK	Nominal share capital
May 2001	Company registration	50,000	50,000	10	500,000
July 2001	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
August 2001	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
May 2005[2]	New share issue	2,683,604	164,500,000	10	1,645,000,000
April 2009	Rights issue	2,303,000,000	2,467,500,000	2.5	6,168,750,000
April 2010	Rights issue	7,402,500,000	9,870,000,000	0.67	6,612,900,000
June 2010	Reverse split	-	329,000,000	20.1	6,612,900,000

1 Before SAS AB was formed in May 2001 the SAS Group was listed through SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.
2 Technical change in connection with consolidation to one common share.

Shareholders per exchange

	2011	2010	2009
Stockholm	24,358	25,291	18,152
Copenhagen	39,416	40,585	35,840
Oslo	3,143	3,128	2,470
Total	**66,917**	**69,004**	**56,462**

Trading codes – share distribution, ISIN code SE0003366871

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

Capital market activities

	2011	2010	2009
Analyst meetings	12	11	9
Teleconferences	16	14	11
Group presentations	32	31	27
Personal meetings	153	145	120

Analysts who monitor SAS

Scandinavian equity analysts	Contact
ABG Sundal Collier	Lars Heindorff
Enskilda Securities	Lars-Tore Turtveit
First Securities	Hans Erik Jacobsen
Handelsbanken	Dan Togo Jensen
Danske Bank	Brian Börsting
Nordea	Finn Bjarke Petersen
Terra Markets	Vilis Eizentas
Sydbank	Jacob Pedersen
International equity analysts	**Contact**
Citi	Andrew Light
Goldman Sachs	Hugo Scott Gall
Morgan Stanley	Penelope Butcher
RBS	Andrew Lobbenberg

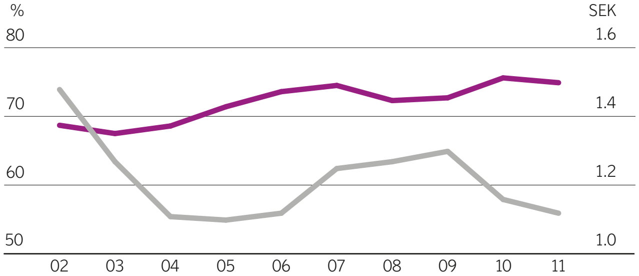
The Group's operational key figures

Passenger traffic-related key figures	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Number of destinations served, scheduled	128	127	134	157	158	164	147	146	130	123
Number of flights, scheduled	396,134	367,817	380,470	427,201	423,807	552,899	554,838	530,597	502,145	536,768
Number of passengers, total (000)[1]	28,990	27,096	26,967	30,936	31,381	43,138	41,033	38,253	36,399	38,775
Number of passengers, scheduled (000)	27,206	25,228	24,898	29,000	29,164	39,059	36,312	34,250	31,005	32,562
Available seat kilometers, total (mill.)[1]	40,953	38,851	39,934	45,764	44,433	63,555	62,445	60,173	54,800	54,235
Available seat kilometers, scheduled (mill.)	37,003	34,660	35,571	41,993	40,019	54,907	53,689	51,478	47,634	47,079
Revenue passenger kilometers, total (mill.)[1]	30,668	29,391	29,025	33,097	33,082	46,770	44,566	41,287	36,985	37,237
Revenue passenger kilometers, scheduled (mill.)	27,174	25,711	25,228	29,916	29,365	39,247	35,864	33,312	30,403	30,882
Passenger load factor, total (%)[1]	74.9	75.6	72.7	72.3	74.5	73.6	71.4	68.6	67.5	68.7
Average passenger distance, total (km)	1,058	1,085	1,076	1,070	1,054	1,084	1,086	1,079	1,016	960
Weight-related key figures[2]										
Available tonne kilometers, ATK, total (mill. tonne km)	5,089	4,835	5,052	5,991	5,812	7,775	7,614	7,302	6,227	6,084
Available tonne kilometers, scheduled (mill. tonne km)	4,604	4,318	4,463	5,291	4,987	6,461	6,376	6,068	5,201	5,171
Available tonne kilometers, other (mill. tonne km)	485	517	589	700	827	1,314	1,238	1,233	1,026	914
Revenue tonne kilometers, RTK, total (mill. tonne km)	3,555	3,448	3,327	4,136	4,210	5,496	5,299	4,629	4,133	4,191
Passengers and excess baggage (mill. tonne km)	3,018	2,897	2,863	3,268	3,265	4,489	4,298	3,844	3,234	3,312
Total load factor, scheduled (%)	69.9	71.3	65.9	69.0	72.4	70.7	69.6	63.4	66.4	68.9
Traffic revenue/revenue tonne kilometers (SEK)	10.23	10.42	11.34	10.12	9.72	9.46	8.80	9.39	10.89	12.31
Key figures for costs and efficiency										
Total unit cost[5]	0.86	0.95	1.02	0.96	0.87	0.78	0.73	0.74	0.84	0.92
Jet fuel price paid incl. hedging, average (USD/tonne)	970	773	831	1,120	786	707	564	434	314	268
Revenue-related key figures										
Passenger revenue/revenue passenger km, scheduled, yield (SEK)	1.12	1.16	1.3	1.27	1.25	1.12	1.10	1.11	1.27	1.48
Passenger revenue/available seat km, scheduled, (SEK)	0.82	0.86	0.92	0.91	0.92	0.80	0.73	0.72	0.81	0.97
Environmental key figures										
CO_2, gram/passenger km[6]	122	121	127	131	130	131	136	154	158	159
Climate index[3] (Environmental index[4] until 2004)	91	90	94	98	96	95	100	76	78	78

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 2002–2004 and Braathens in 2002–2003.
3 Adjusted from 2005 to reflect the current Group's climate impact.
4 Refers to Scandinavian Airlines.
5 Only includes aircraft depreciation for the years 2002–2007.
6 Carbon dioxide per passenger kilometer comprising all passengers onboard all flights (scheduled, charter, etc.).

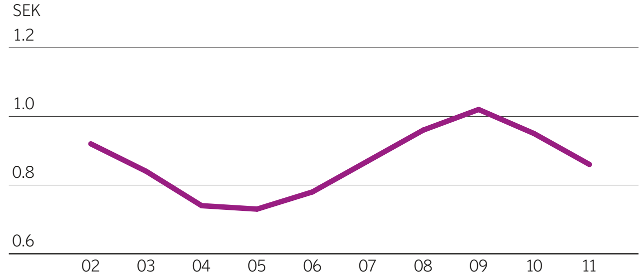
Definitions and concepts see page 107.

Load factor and yield, 2002–2011



Load factor, total (%)
Passenger revenue/revenue passenger km, scheduled, yield (SEK)

Total unit cost, 2002–2011



Total unit cost

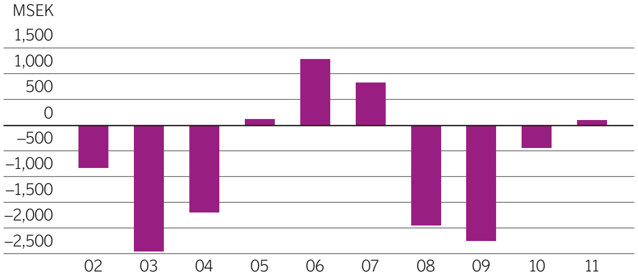
Ten-year financial overview

Statements of income, MSEK	2011	2010	2009	2008	2007	2006	2005	2004[1]	2003[1,3]	2002[1,3]
Revenue	41,412	41,070	44,918	52,870	50,598	50,152	55,501	58,093	57,655	64,906
Operating income before depreciation	3,019	246	–1,311	997	2,677	2,618	2,548	1,779	597	3,463
Depreciation, amortization and impairment	–2,413	–1,885	–1,845	–1,550	–1,457	1,757	–2,170	–2,846	–3,046	–2,953
Share of income in affiliated companies	28	12	–258	–147	32	59	76	157	39	–409
Income from sale of shares in subsidiaries and affiliated companies	-	–73	429	-	-	-	41	5	651	817
Income from the sale of aircraft and buildings	12	–239	–97	4	41	85	182	113	649	–320
Income before tax, EBT	–1,629	–3,069	–3,423	–969	1,044	177	–246	–1,833	–1,699	–543
Income from discontinued operations	-	-	–327	–5,395	–135	4,528	577	-	-	-
Income, EBT, before capital gains and nonrecurring items in continuing and discontinued operations	94	–444	–2,247	–1,947	824	1,279	114	–1,701	–2,450	–829
Income, EBT, before capital gains and non-recurring items in continuing operations	94	–444	–1,754	–339	1,234	727	–106	-	-	-
Balance sheets, MSEK										
Fixed assets	29,883	30,591	29,636	26,840	26,663	31,189	36,439	38,458	42,768	46,845
Current assets, excluding cash and cash equivalents	5,494	6,191	8,670	10,741	13,216	9,172	12,893	10,748	9,441	9,244
Cash and cash equivalents	3,808	5,043	4,189	5,783	8,891	10,803	8,684	8,595	9,066	10,721
Total shareholders' equity	12,433	14,438	11,389	7,312	17,149	16,388	12,081	11,044	12,926	15,261
Long-term liabilities	13,889	13,932	13,069	19,160	11,274	17,847	23,608	25,193	25,633	27,096
Current liabilities	12,863	13,455	18,037	16,892	20,347	16,929	22,327	21,564	22,716	24,453
Total assets	39,185	41,825	42,495	43,364	48,770	51,164	58,016	57,801	61,275	66,810
Cash-flow statements, MSEK										
Cash-flow from operating activities	–482	–155	–3,414	–2,651	2,866	2,102	1,507	–1,440	–1,167	2,138
Investments	–2,041	–2,493	–4,661	–4,448	–2,908	–2,299	–1,827	–3,865	–4,488	–9,919
Sales of non-current assets, etc.	517	697	2,050	1,535	2,695	9,784	2,797	6,853	5,535	6,055
Cash flow before financing activities	–2,006	–1,951	–6,025	–5,564	2,653	9,587	2,477	1,548	–120	–1,726
Rights issue	-	4,678	5,808	-	-	-	-	-	-	197
Dividend	-	-	-	-	-	-	-	-	-	-
External financing, net	763	–1,859	–1,524	2,480	–4,492	–7,438	–2,426	–2,016	–1,480	588
Cash flow for the year	–1,243	868	–1,741	–3,084	–1,839	2,149	51	–468	–1,600	–941
Key figures										
Gross profit margin, %	7.3	0.6	–2.9	1.9	5.3	5.2	4.6	3.1	1.0	5.3
EBT margin, before nonrecurring items in continuing operations, %	0.2	–1.1	–3.9	–0.6	2.4	1.4	–0.2	-	-	-
Return on capital employed (ROCE), %[2]	–2.2	–7.6	–11.7	–19.6	6.7	18.2	5.0	–1.1	0.0	3.5
Return on book equity after tax, %[2]	–12.0	–17.0	–26.8	–47.6	3.8	37.8	1.4	–14.9	–11.7	–1.4
Adjusted equity/assets ratio, %[4]	26	28	21	13	27	22	15	15	16	17

1 Comparative figures for 2004 have been restated according to IFRS. Errors relating to Spanair's accounts have been corrected for 2002–2004.
2 Includes results from discontinued operations.
3 For 2003 and earlier years, SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations. For differences between IFRS and earlier accounting policies see the SAS Group's 2005 Annual Report.
4 Estimated starting 2007 with leasing costs of continuing operations. Earlier years' key figures also include leasing costs of discontinued operations.

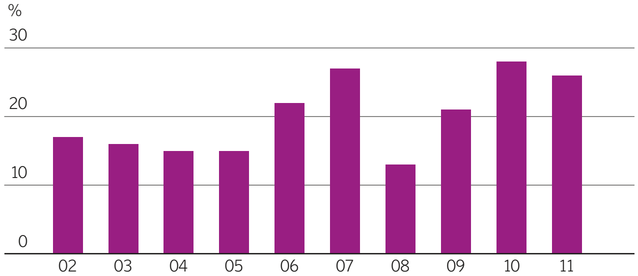
Definitions and concepts see page 107.

EBT[1]



1 Income, EBT, before capital gains and nonrecurring items in continuing and discontinued operations.

Adjusted equity/assets ratio, 2002–2011

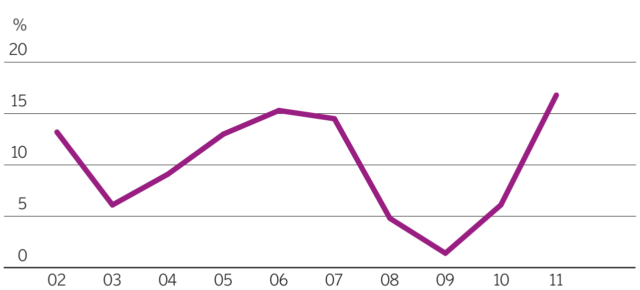


Financial key figures, MSEK	2011	2010	2009	2008	2007	2006	2005	2004[1]	2003[1,3]	2002[1,3]
Income and capital concepts included in CFROI										
Income before depreciation, EBITDA, in continuing and discontinued operations	3,019	246	–1,732	–1,232	2,646	3,663	2,984	1,779	597	3,463
+ Operating lease costs, aircraft	1,560	1,815	2,534	3,186	3,472	3,527	3,133	2,689	2,935	3,747
EBITDAR	4,579	2,061	802	1,954	6,118	7,190	6,117	4,468	3,532	7,210
– Operating lease revenue, aircraft	–199	–341	–312	–160	–174	–194	–155	–163	–145	–85
Adjusted EBITDAR in continuing and discontinued operations	4,380	1,720	490	1,794	5,944	6,996	5,962	4,305	3,387	7,125
Adjusted average capital employed[5]										
+ Total equity	14,087	13,045	11,014	13,224	16,687	12,706	11,921	11,823	13,655	14,914
+ Surplus value aircraft	–1,305	–1,037	193	–423	–208	371	–161	–674	167	1,318
+ Capitalized leasing costs, net (x 7)	9,706	11,984	19,502	22,016	23,191	22,567	18,967	18,130	22,844	21,766
– Equity in affiliated companies	–300	–300	–567	–755	–1,054	–1,132	–853	–676	–519	–803
+ Financial net debt	3,957	4,403	5,662	3,163	2,447	11,136	16,119	18,592	19,031	16,905
Adjusted capital employed	26,145	28,095	35,804	37,225	41,063	45,648	45,993	47,195	55,178	54,100
Cash Flow Return On Investments CFROI, %	16.8	6.1	1.4	4.8	14.5	15.3	13.0	9.1	6.1	13.2
Other financial data										
Financial income	224	174	304	660	787	585	492	357	1,096	1,150
Financial expenses	–1,030	–1,041	–645	–933	–1,041	–1,367	–1,465	–1,399	–1,684	–2,291
Interest-bearing liabilities	13,338	11,897	14,660	16,117	12,042	16,478	26,337	27,280	28,866	29,782
Operating leasing capital[4]	9,527	10,318	13,804	13,573	14,462	23,331	20,846	17,682	19,530	25,634
Financial net debt	7,017	2,862	6,504	8,912	1,231	4,134	14,228	17,377	18,122	17,872
Debt/equity ratio[2]	0.56	0.20	0.57	1.22	0.07	0.25	1.18	1.57	1.40	1.17
Adjusted financial net debt (NPV)/equity[4]	1.07	0.64	1.17	2.49	0.58	1.03	2.21	2.53	2.18	2.01
Adjusted financial net debt (x7)/equity[4]	1.33	0.89	1.70	3.08	0.92	1.68	2.90	3.17	2.91	2.85
Interest expenses/average gross debt, %	7.3	6.9	5.6	7.6	7.8	6.1	5.2	4.3	6.5	6.9
Interest-coverage ratio	–0.6	–1.9	–4.4	–5.3	1.8	4.4	1.3	–0.3	0.0	0.7

1 Comparative figures for 2004 have been restated according to IFRS. Errors relating to Spanair's accounts have been corrected for 2002–2004.
2 Calculated on financial net debt.
3 For 2003 and earlier years SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations. For differences between IFRS and earlier accounting policies see the SAS Group's 2005 Annual Report.
4 Estimated starting 2007 with NPV and leasing costs of continuing operations, respectively. Earlier years' key figures also include NPV and leasing costs of discontinued operations.
5 Includes continuing and discontinued operations.

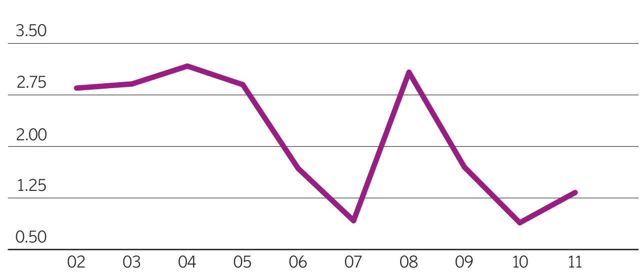
Definitions and concepts see page 107.

CFROI[1] 2002–2011



1 Cash Flow Return on Investments

Adjusted dept/equity ratio[1]



1 Adjusted financial net debt (x7)/Equity

Definitions & concepts

Adjusted capital employed (AV Asset value) Total 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 debt/equity ratio Financial net debt plus capitalized leasing costs (x7) in relation to equity and non-controlling interests.
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.
Block hours Refers to the time from when the aircraft leaves the departure gate until it arrives at the destination gate.
Book equity Total shareholders' capital attributable to Parent Company shareholders excluding non-controlling interests.
CAGR Compound annual growth rate.
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.
Debt/equity ratio Financial net debt in relation to equity and non-controlling interests.
Dividend yield, average price Dividend as a percentage of the average share price during the year.
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 non-controlling interests in relation to total assets.
EV, Enterprise value Market capitalization plus net debt and 7 times the net annual cost of operating leases for aircraft.
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 the present value of leasing costs for aircraft, NPV.
FTE Full-time equivalent.
Gross profit margin Operating income before depreciation (EBITDA) in relation to revenue.
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 revenue 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.
JAA Joint Aviation Authorities.
LCC Low Cost Carrier.
Market capitalization Share price multiplied by the number of shares outstanding.
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.
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/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.
RASK Total traffic revenue/Total ASK (scheduled+charter).
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 equity excluding non-controlling 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.
Sale and leaseback Sale of an asset (aircraft, building, etc.) that is then leased back.
Total load factor RTK divided by ATK.
Total return The sum of the change in share price including dividends.
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 and depreciation adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).
Unit revenue (RASK) Total traffic revenue/Total ASK (scheduled and charter).
WACC, Weighted average cost of capital includes the average cost of liabilities, equity and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of equity and liabilities and the capitalized present value of operating lease costs for aircraft.
Wet lease agreement Leasing in of aircraft including crew.
Yield Passenger revenue in relation to RPK (scheduled).

Annual General Shareholders' Meeting

The SAS Group's Annual General Shareholders' Meeting will be held on April 19, 2012 at 2:00 p.m.

Copenhagen: Radisson Blu, Scandinavian Hotel, Amager Boulevard 70.
Stockholm-Arlanda: Sky City.
Oslo: Radisson Blu Plaza Hotel, Sonja Henies Plass 3.

For more detailed information, see page 93.

Financial calendar 2012[1]

Monthly traffic data is issued on the fifth working day of every month. The detailed financial calendar is available at www.sasgroup.net under Investor Relations.

April 19, 2012	Annual General Shareholders' Meeting
May 3, 2012	Q1 Interim Report 1 (Jan-Mar)
August 8, 2012	Q2 Interim Report 2 (Jan-Jun)
November 8, 2012	Q3 Interim Report 3 (Jan-Sep)
February 2013	Year-end Report 2012
March 2013	Annual Report & Sustainability Report 2012

1 Propsal to the AGM 2012 regarding change of financial year

The Board's proposal on amendment to the articles of association
The Board proposes that §8 of the articles of association be amended so that the Company's financial year shall comprise the period 1 November – 31 October, instead of the calendar year, and that the current financial year be shortened and thus will comprise the period 1 January 2012 – 31 October 2012. The purpose of the change is for the financial year to follow the traffic program, in order to improve external reporting and to decrease internal administration. The resolution is contingent upon a permit from the Swedish Tax Agency. As a consequence of this change, SAS will apply the anticipated revised reporting rules regarding pensions (IAS19) for the financial year commencing 1 November 2013.

Consequently, the Board proposes that the annual general meeting approves an amendment to the consortium agreement regarding SCANDINAVIAN AIRLINES SYSTEM Denmark-Norway-Sweden, as restated on 8 May 2001, so that the consortium's financial year correspondingly shall comprise the period 1 November – 31 October, instead of the calendar year.

For more information www.sasgroup.net

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