



# SAS Group

Interim Report January-September 2011

## Positive earnings, but greater challenges

### Key ratios July-September 2011

- Revenue: MSEK 10,616 (10,776)
- Number of passengers: up 0.3 million (4.1%)
- Income before nonrecurring items in continuing operations: MSEK 298 (384)
- EBT margin before nonrecurring items in continuing operations: 2.8% (3.6%)
- Cash flow from operating activities: MSEK 232 (-470)
- Income before tax: MSEK 276 (-1,027)
- Net income for the period: MSEK 214 (-1,051)
- Earnings per share: SEK 0.65 (-3.19)

### Key ratios January-September 2011

- Revenue: MSEK 31,248 (30,417)
- Number of passengers: up 1.7 million (9.4%)
- Income before nonrecurring items in continuing operations: MSEK 155 (-703)
- EBT margin before nonrecurring items in continuing operations: 0.5% (-2.3%)
- Cash flow from operating activities: MSEK 396 (63)
- Income before tax: MSEK 448 (-2,606)
- Net income for the period: MSEK 392 (-2,265)
- Earnings per share: SEK 1.19 (-8.40)

### Important events during the quarter

- To strengthen the SAS Group's long-term position in Finland and to enhance profitability, Blue1 implemented changes to its fleet and route network
- SAS launched its new 4Excellence strategy with the aim of achieving excellence in four core areas by 2015 – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence
- New Group Management, which will be broader and have a firm responsible for the strategy's four excellence areas

### Forecast for 2011 stands firm, but with deteriorating conditions

- While our earlier forecast for full-year 2011 stands firm, the conditions for fulfilling the forecast have deteriorated. Jet-fuel prices, additional capacity in the market, global economic developments and the uncertainty regarding Spanair result in greater challenges. Provided that no unexpected events occur, the potential remains for the SAS Group to achieve marginally positive income before tax for full-year 2011

### Income and key ratios

	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Oct-Sep 2010-11	Oct-Sep 2009-10
<b>Earnings-related key ratios (MSEK)</b>						
Revenue	10,616	10,776	31,248	30,417	41,901	40,828
EBITDAR before nonrecurring items	1,311	1,490	3,108	2,639	4,327	2,858
Income before nonrecurring items in continuing operations	298	384	155	-703	414	-1,645
Income before tax, EBT	276	-1,027	448	-2,606	-15	-4,135
Net income for the period	214	-1,051	392	-2,265	439	-3,569
EBT margin before nonrecurring items (target 7%)	2.8%	3.6%	0.5%	-2.3%	1.0%	-4.0%
Cash flow from operating activities	232	-470	396	63	178	-1,003
			<b>Sep 30, 2011</b>	Dec 31, 2010	Sep 30, 2010	Sep 30, 2009
CFROI, 12-month rolling (target 25%)			19%	6%	2%	1%
Financial preparedness (target >20% of annual revenue)			25%	25%	27%	21%
Shareholders' equity per share, SEK			44.39	43.88	42.67	5.00

## Comments by the CEO

“Positive earnings and favorable traffic growth despite continued intense competition – however, greater challenges ahead.”

I am now into my third quarter as President and CEO of SAS. I am pleased that SAS's customer offering has received such a positive reaction, which is confirmed by favorable growth and a record-high customer satisfaction rating – all in the face of an increasingly intense competitive situation. Although major capacity increases have been implemented in several of our principal markets, SAS succeeded in raising the number of passengers on many routes. This confirms that we have strengthened our competitiveness and that our product stands up well against the competition. Our focus on the leisure travel segment has proven to be successful and this was reflected in the record-high load factor during the summer. SAS's customer satisfaction continued to improve and the index has already reached 72, which is the goal for full-year 2011. We continued to deliver world-class punctuality and, during the summer, SAS was ranked the world's most punctual airline.

A number of actions are being taken to reverse the negative earnings trend in Blue1. In operational terms, these involved reducing capacity primarily on Blue1's European routes and adapting costs by way of cost-reducing programs. Widerøe's successes are gratifying and the business represents an important complement to the SAS Group's broad coverage in Norway. Much work is currently under way in relation to the harmonization of the aircraft fleet. We are also looking forward to the delivery to our fleet of the market's most efficient aircraft, the Airbus A320 neo, and both of these activities will yield enhanced cost effectiveness and lower CO<sub>2</sub> emissions.

Overall, income before nonrecurring items amounted to MSEK 298 for the quarter, which is encouraging but not satisfactory.

### **Stable liquidity**

SAS has good financial preparedness, which in September amounted to MSEK 10,630 or 25% of annual revenue. This comprises MSEK 5,122 in cash and cash equivalents. We recorded a positive cash flow from continuing operations during the quarter, up MSEK 333 compared with the preceding year despite being charged with a negative nonrecurring effect of MSEK 660 during the first quarter relating to the payment of SAS Cargo's fine.

### **Forecast stands firm, but with deteriorating conditions**

Increased pressure on yield and RASK is expected during the fourth quarter due to uncertainty regarding global economic developments. The unit cost for the quarter is on a par with the year-earlier period, but is now faced with difficult comparative figures. Jet-fuel prices remain at a high level of approximately USD 1,000 per MT.

While the assessment we made in conjunction with the report for the first quarter of 2011 remains valid, it should be noted that the risks involved with fulfilling this forecast have increased. On condition that nothing unexpected occurs, it is our opinion that there is still the potential for SAS to achieve marginally positive income before tax for full-year 2011. Against the backdrop of the difficult economic situation in the Spanish market, the risks related to the financial exposure in Spanair have increased.

### **New strategic focus**

Core SAS has yielded cost reductions of 23% since 2008 and an entirely new platform for profitable growth has been created. During the quarter, the Group launched the new strategic focus 4Excellence, with the aim of achieving excellence in four core areas by 2015 – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence. SAS shall 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 has a continued strong focus on unit cost, with the goal of reducing the unit cost by 3-5% on an annual basis. This will be completed with a focus on both productivity and cost reductions. Through the 4Excellence strategy, we now want to continue our positive development and show continued leadership in the Nordic aviation industry.

Rickard Gustafson  
President and CEO

## Market and income

### Market and traffic trend

#### Aviation market in Europe

The year began with increasing capacity that exceeded demand, which led to demanding conditions and lower load factors for many airlines in Europe. The situation stabilized slightly from the second quarter, although most markets remained characterized by high capacity additions. The greatest capacity increase was seen on intercontinental routes to/from North American and on short-haul routes in Europe, mainly 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 2010 levels. SAS's load factor fell a total of 0.5 percentage points to 74.1% during the first nine months of the year. The load factor was unchanged in the third quarter of 2011. The 2011 yield trend gradually improved, but declined again in the latter part of the third quarter.

For further industry statistics, refer to page 16

#### Scandinavian Airlines' traffic trend

Traffic for Scandinavian Airlines (RPK) rose 6.8% during the January–September period, partly positively affected by weak comparative figures for April 2010 caused by the volcanic ash cloud. The number of passengers increased 7.1%. Growth was mainly favorable on the more short-haul intra-Scandinavian routes, boosted by strong demand. The trend for the intercontinental routes to/from the US was weak at the beginning of the year, but improved and was favorable during the third quarter. Scandinavian Airlines increased its total capacity by 7.2%. The load factor increased 0.4 of a percentage point in the third quarter, due to such events as a record-high load factor in July.

The currency-adjusted total unit revenue, RASK, for Scandinavian Airlines in the January–September period was 0.7% higher compared with the preceding year and the currency-adjusted yield declined 1.3%.

#### Traffic trend for Scandinavian Airlines

Change in relation to year-earlier period	Jul-Sep	Jan-Sep
Load factor (p.p.)	+0.4 p.p.	-0.3 p.p.
Yield (currency-adjusted, %)	-2.8 %	-1.3 %
<b>Total unit revenue, RASK (currency-adjusted, %)</b>	<b>-2.1 %</b>	<b>+0.7 %</b>
<b>Total unit cost (currency-adjusted, %)</b>	<b>+5.9 %</b>	<b>+2.4 %</b>
<b>Total unit cost excluding jet fuel (currency-adjusted, %)</b>	<b>+0.9 %</b>	<b>-3.8 %</b>

For detailed traffic data information – refer to page 16

For definitions – refer to [www.sasgroup.net](http://www.sasgroup.net)

### Earnings analysis, January–September 2011

The SAS Group's income before capital gains and nonrecurring items amounted to MSEK 155 (-703) and income after tax was MSEK 392 (-2,265).

The Group's revenue amounted to MSEK 31,248 (30,417). Taking into account nonrecurring costs and currency effects, revenue rose MSEK 2,023 or 7.0%, mainly due to a 8% rise in capacity (ASK). In relation to Scandinavian Airlines, the currency-adjusted total unit revenue (RASK) increased 0.7% and the currency-adjusted yield declined 1.3%. RASK and yield were adjusted for revaluation regarding the EuroBonus points liability, which had a positive earnings impact of MSEK 380 and reduced the EuroBonus liability, which was recognized among provisions in the corresponding amount. The preceding year's revenue was negatively affected by the volcanic eruption in Iceland (about MSEK 700). The load factor for the SAS Group developed somewhat negatively and amounted to 74.1%.

Operating expenses including payroll expenses amounted to MSEK -27,151 (-29,338). Taking into account nonrecurring costs and exchange-rate effects, operating expenses increased 8.6%, of which the jet-fuel expenses represented MSEK 1,530 of the increase, which corresponds to 36.4%. Other cost increases were mainly attributable to the rise in production volume. Adjusted for exchange-rate effects, jet-fuel expenses, volume and nonrecurring items, the unit cost for Scandinavian Airlines was 3.8% lower than in the year-earlier period.

EBITDAR before nonrecurring items amounted to MSEK 3,108 (2,639).

Leasing costs amounted to MSEK -1,152 (-1,384), which is a currency-adjusted reduction of 3.7% compared with the preceding year.

Depreciation amounted to MSEK -2,001 (-1,273). The period's expenses include impairment relating to MD80/90 and A340 aircraft of MSEK -725, which is attributable to the declining market value of aircraft.

The Group's net financial items amounted to MSEK -563 (-737), of which the net interest expense accounted for MSEK -528 (-644), exchange-rate differences MSEK 32 (-32) and other financial items MSEK -67 (-61).

Restructuring costs relating to the implementation of Core SAS amounted to MSEK -127 (-619), of which MSEK -114 (-385) pertained to payroll expenses, MSEK -7 (-41) to leasing costs, MSEK 0 (-175) to rental expenses and MSEK -6 (-18) to other restructuring costs.

Other nonrecurring items pertained to the impairment of aircraft of MSEK -725, revaluation of the EuroBonus points liability of MSEK 380 and the dissolution of USD hedges for aircraft totaling MSEK 729. More detailed information concerning the revaluation of the EuroBonus points liability and the dissolution of the US hedges is presented in the "Income before nonrecurring items" note.

Of the capital gain totaling MSEK 36 (-33), MSEK 34 (-23) is attributable to aircraft transactions, MSEK 2 (30) to buildings and MSEK 0 (-40) to the divestment of shares in subsidiaries and affiliated companies.

### Earnings analysis, third quarter 2011

The SAS Group's income before capital gains and nonrecurring items amounted to MSEK 298 (384) and income after tax was MSEK 214 (-1,051).

The Group's revenue amounted to MSEK 10,616 (10,776). Taking into consideration exchange-rate effects, revenue increased MSEK 144 or 1.4%, mainly because capacity (ASK) rose 4.7%. However, the currency-adjusted total unit revenue (RASK) and the currency-adjusted yield for Scandinavian Airlines declined 2.1% and 2.8%, respectively. The load factor for the SAS Group was in line with the year-earlier period and amounted to 78.9%.

Operating expenses including payroll expenses amounted to MSEK -9,348 (-10,423).

Adjusted for nonrecurring items and exchange-rate effects, operating expenses increased 7.9%, of which jet-fuel expenses represented MSEK 424 of the increase, which corresponds to 27.3%. Other cost increases are mainly attributable to the increased production volume.

EBITDAR before nonrecurring items amounted to MSEK 1,311 (1,490).

Leasing costs amounted to MSEK -388 (-435), which is a currency-adjusted increase of 4.6% compared with the preceding year.

Depreciation amounted to MSEK -434 (-429).

The Group's net financial items amounted to MSEK -224 (-270), of which the net interest expense accounted for MSEK -213 (-204), exchange-rate differences MSEK 13 (-42) and other financial items MSEK -24 (-24).

Restructuring costs relating to the implementation of Core SAS amounted to MSEK -46 (-146), of which MSEK -41 (-152) pertained to payroll expenses, MSEK -3 (9) to leasing costs and MSEK -2 (-3) to other restructuring costs.

Of the capital gain totaling MSEK 24 (-14), MSEK 22 (0) is attributable to aircraft transactions, MSEK 2 (0) to buildings and MSEK 0 (-14) to the divestment of shares in subsidiaries and affiliated companies.

## Financial position

– Financial preparedness of SEK 10.6 billion

At September 30, 2011, the SAS Group had cash and cash equivalents amounting to MSEK 5,122 (5,427). Cash and cash equivalents have risen MSEK 79 since the start of the year. In addition to cash and cash equivalents, the SAS Group has unutilized credit facilities of MSEK 5,508 (5,507). The SAS Group has total financial preparedness (cash and cash equivalents and unutilized credit facilities) corresponding to MSEK 10,630 (10,934) or 25% (27%) of the Group's annual revenue.

The SAS Group's interest-bearing liabilities rose MSEK 1,030 compared with the beginning of the year. New loans raised during this period amounted to MSEK 2,800 and repayments amounted to MSEK 1,900. In February, a EMTN of MEUR 40 maturing in 2017 was issued at a floating rate, currently 4.90%. In March, two bond loans were issued totaling approximately SEK 2 billion, comprising a loan of MSEK 1,300 with a coupon rate of interest of 10.5% and a loan of MEUR 75 with a coupon rate of interest of 9.65%, both with maturity dates in 2014. At September 30, 2011, the value of the debt and equity share (conversion option and repurchase rights) relating to the convertible bond loan was set at MSEK 1,442 and MSEK 226, respectively. At the date of issue, these amounts were MSEK 1,374 and MSEK 226, respectively, and at December 31, 2010, they were MSEK 1,408 and MSEK 226, respectively. The value of the equity share was included in shareholders' equity, following a deduction for deferred tax.

During the year, financial net debt rose MSEK 833 and amounted to MSEK 3,695 on the balance-sheet date. The increase is mainly attributable to cash flow from operations of MSEK 396 and investments and sales of fixed assets of net MSEK -891.

At September 30, 2011, the adjusted equity/assets ratio amounted to 29% (26%). The adjusted debt/equity ratio amounted to 0.88 (0.94). The adjusted amounts take into account leasing costs.

*For the balance sheet, refer to page 10*

## Cash-flow statement

– SAS's accumulated cash flow from operating activities amounted to MSEK 396.

Cash flow from operating activities for the first nine months amounted to MSEK 396 (63). Adjustments for items not included in cash flow, etc., amounted to MSEK -1,719 (981) as a result of the dissolution of USD hedges and payment of SAS Cargo's fine.

Investments amounted to MSEK 1,380 (1,857), of which MSEK 888 (1,472) related to aircraft, other flight equipment and prepayments. This figure included a Bombardier Q100 and three Bombardier Q200 aircraft for Widerøe. In addition, a Boeing 737 was purchased that was formerly on operational lease.

In March, a Bombardier Q300 was divested and, in September, a Boeing 737 and an MD87 were divested. In addition, a Boeing 737 was divested through sale and leaseback.

Cash flow before financing activities amounted to MSEK -495 (-1,276).

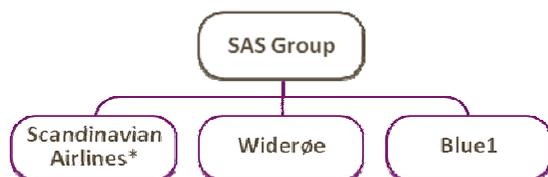
Cash and cash equivalents amounted to MSEK 5,122 according to the balance sheet, compared with MSEK 5,043 at December 31, 2010.

*For the cash-flow statement, refer to page 11*

## SAS business concept and strategies

SAS is the leading airline in Northern Europe. Some 27 million passengers flew with SAS over the past 12 months to more than 120 destinations. As a member of the Star Alliance, SAS offers a global network that exceeds 1,160 destinations. In 2010, SAS was Europe's most punctual major airline. Airline operations comprise the three business segments Scandinavian Airlines, Widerøe and Blue1. Individual Holdings includes operations in the process of being divested.

Furthermore, the Group will reduce unit costs by 3-5% per year and employee satisfaction is to be within the top 5 in the Nordic transportation industry. Total CO<sub>2</sub> emissions will be reduced by 20%.



\* Includes airline operations in the consortium of Scandinavian Airlines System, SAS Ground Services, SAS Tech and SAS Cargo.

### 4Excellence

Through the implementation of Core SAS, the Group has reduced unit costs by 23% since 2008, at the same time as it achieved the highest customer satisfaction rating in 11 years and positioned itself as Europe's most punctual airline. This has provided SAS with a platform upon which it can build. In September, SAS launched its new 4Excellence strategy, which aims to achieve excellence in four core areas by 2015: Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence.

SAS will maintain its position as the preferred choice for business travelers, but will expand its offering to strengthen its market share within the leisure travel segment. The Group will also create a more efficient sales model and ensure that its frequent flyer program is the most attractive loyalty program in the market. SAS will retain its position as Europe's most punctual airline and deliver quality and service that provide customers with the most value both in terms of time and money. SAS's new goal to lower unit costs by 3-5% annually until 2015 comprises an integral part of efforts to achieve sustainable profitability. This will be realized by continuing cost-saving measures and by strengthened focus on productivity improvements, a key part of which includes the roll-out of the Lean quality and efficiency program across all parts of the organization. With the 4Excellence strategy, SAS shows continued leadership in the Nordic aviation industry.

SAS's new vision: "To be valued for Excellence by all stakeholders." (Stakeholders: customers, employees, owners and society in general)

SAS's new mission: "We provide best value for time and money to Nordic travelers whatever the purpose of their journey."

SAS's new 4Excellence strategy comprises:

- Commercial Excellence – harmonized and improved customer offering
- Sales Excellence – efficient sales and rewarding loyalty
- Operational Excellence – high quality and productivity
- People Excellence – full use of leaders and employees' potential
- SAS's goal is to achieve sustainable profitability to generate sufficient return to our owners. This will be achieved by:
  - Being number 1 – the Nordic region's preferred airline by reaching new levels of customer satisfaction.

## Segment reporting

The business segments are reported as Scandinavian Airlines, Blue1 and Widerøe. The SAS Ground Services, SAS Tech and SAS Cargo units are integrated with Scandinavian Airlines.

In total, these segments comprise more than 95% of the Group's annual revenue.

Scandinavian Airlines' income before nonrecurring items was MSEK 565 (675) for the third quarter of 2011. Widerøe's income before nonrecurring items amounted to MSEK 87 (50) and Blue1's income before nonrecurring items amounted to MSEK -119 (-44) for the third quarter of 2011.

### Scandinavian Airlines

(MSEK)	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
Passenger revenue	6,684	6,715	19,778	19,378
Other revenue	2,790	2,957	7,929	7,743
Revenue	9,474	9,672	27,707	27,121
EBITDAR	1,293	347	4,119	1,052
EBIT before nonrecurring items	565	675	865	186
EBIT margin before nonrecurring items	6.0%	7.0%	3.1%	0.7%
EBT before nonrecurring items	399	476	488	-376



Scandinavian Airlines' earnings for the third quarter were slightly down on the third quarter in the preceding year. Other revenue was lower than in the year-earlier period primarily due to reduced cargo revenues. Scandinavian Airlines was also adversely impacted by significantly higher fuel costs in 2011.

Capacity (ASK) increased 4.8% during the period, compared with the year-earlier period. The bulk of this increase was attributable to the intercontinental routes, with the new route between Oslo and New York being the principal contributor. Otherwise, the capacity increase is mainly related to production between the Scandinavian countries and on European routes to/from Norway and Sweden. Traffic (RPK) rose 5.3% during the quarter. The load factor increased 0.4 percentage point and amounted to 80.3%.

Passenger revenues during the period were on a par with the year-earlier period, despite a negative currency impact and continued yield pressure. The currency-adjusted passenger yield declined 2.8% and unit revenue (RASK) was 2.1% lower than in 2010. The average flight distance increased during the period, negatively impacting both yield and unit revenue.

Fuel costs rose, primarily as a result of higher global market prices, but also due to higher volume. Fuel futures and currency offset cost increases during the period. Payroll expenses were in line with the preceding year, despite a clear increase in production.

The currency-adjusted unit cost deteriorated primarily as a result of higher fuel prices and was 5.9% higher than in the year-earlier quarter. Excluding fuel, the unit cost increased 0.9% in the same period. Lower other operating income contributed to an increase in the unit cost excluding fuel compared with 2010.

Customer satisfaction at Scandinavian Airlines continued to rise, which was confirmed by a high customer satisfaction index of 72 – the index target for 2011. Punctuality is one of the factors that contributes to the excellent rating from customers.

For Scandinavian Airlines' income statement – refer to page 13

### Widerøe

(MSEK)	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
Passenger revenue	673	591	2,056	1,781
Other revenue	263	257	730	742
Revenue	936	848	2,786	2,522
EBITDAR	155	116	503	331
EBIT before nonrecurring items	87	50	307	132
EBIT margin before nonrecurring items	9.3%	5.9%	11.0%	5.2%
EBT before nonrecurring items	87	44	299	120



The third quarter demonstrated a continued favorable trend, with EBIT of MSEK 87, compared with MSEK 50 in the year-earlier period. During the first nine months, EBIT totaled MSEK 307, up MSEK 175 compared with the corresponding period in 2010. The improvement compared with the preceding year is significant, even adjusted for the ash cloud in Iceland in April 2010. The improvement is a combination of a healthy market trend, the take-over of new routes previously operated by Scandinavian Airlines using Fokker 50 aircraft and continued cost reductions. Widerøe's markets demonstrate a continued positive trend. During the third quarter, production (ASK) rose 14.0%, primarily due to the take-over of the above-mentioned routes. The number of RPK during the same period rose 15.5%. Consequently, the load factor rose 0.8 percentage points.

### Blue1

(MSEK)	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
Passenger revenue	356	379	1,183	1,163
Other revenue	44	52	137	139
Revenue	400	431	1,321	1,302
EBITDAR	-98	-15	-264	-62
EBIT before nonrecurring items	-119	-44	-338	-144
EBIT margin before nonrecurring items	-29.9%	-10.3%	-25.6%	-11.0%
EBT before nonrecurring items	-120	-46	-345	-145



The EBIT of MSEK -119 for the third quarter was MSEK 75 less than in the year-earlier period, largely due to lower revenues as a result of intense competition with yield pressure on all route sectors. EBIT includes MSEK 5 in establishment costs connected to the ongoing standardization of the aircraft fleet, which included the phasing-out of Avro aircraft in early September 2011. As part of this, the traffic program was restructured with a new focus on domestic and Scandinavian route sectors. Trade union negotiations in connection with the production cuts were concluded in August and as a result of these, the number of FTEs was reduced by 16% compared with the corresponding period in 2010. The restructuring of the product platform will continue in the next few months as one of several measures aimed at improving profitability.

## Risk and uncertainties

The SAS Group works strategically to refine and improve its risk management. Risk management includes identifying both new risks and known risks, such as changes in oil prices or exchange rates. The Group monitors the comprehensive risks centrally, while portions of risk management are situated out in operations and include identification, action plans and policies. For further information about risk management in the SAS Group, refer to the most recently published annual report.

### Currency and jet-fuel hedging

The SAS Group hedged 56% of its anticipated fuel consumption for the period October 2011 – September 2012. The market value of the hedges at September 30, 2011 was MUSD 39. Hedging is achieved using call options and swaps, with most of the hedging in 2012 in call options. This strategy allows the SAS Group to take advantage of the lower price of jet fuel, while the hedging means that exposure to higher prices is limited. Under current plans for seat capacity, the cost of jet fuel in 2011 is expected to be in line with the table below, taking into account different prices and USD rates. The SAS Group's financial policy is to handle changes in jet-fuel costs primarily through hedging of jet fuel, price adjustments and yield management. The policy for jet-fuel hedging states that this can be conducted up to 18 months ahead and that the interval for the 12-month hedging level is 40-80% of anticipated volumes.

For foreign currency, the policy is to hedge 40-80%. In September 2011, the SAS Group had hedged 73% of its anticipated USD deficit for the next 12 months. A specification of hedging on a quarterly basis is provided below. The SAS Group has hedged its USD deficit using a combination of forward contracts and call options. Other currencies have been hedged at a rate of 40-80% in accordance with the financial policy.

#### Currency hedging

	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Hedging of USD (coverage)	81%	75%	69%	43%

#### Hedging of jet fuel

	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Hedging of jet fuel	61%	60%	52%	52%

#### Vulnerability matrix, jet-fuel expense 2011, SEK billion

Market price	Exchange rate SEK/USD			
	5.00	6.00	7.00	8.00
USD 800 per ton	7.0	7.2	7.5	7.7
USD 1,000 per ton	7.1	7.4	7.7	7.9
USD 1,200 per ton	7.2	7.5	7.8	8.1
USD 1,400 per ton	7.3	7.7	8.0	8.3

The SAS Group's current hedging contracts for jet fuel and reported jet-fuel expense at September 30, 2011 were taken into account.

### Remaining commitments

Following the divestment of 80.1% in Spanair at the beginning of 2009, SAS had an interest-bearing receivable from Spanair of MEUR 149, which falls due on January 30, 2014. In addition, SAS has leased out a total of five aircraft to Spanair on market terms and remains as a guarantor of certain operational commitments within Spanair's operation amounting to a maximum of MEUR 24 for the period extending no longer than to January 30, 2014. SAS also has an outstanding bridging loan of MEUR 27 to the buyers of Spanair, which falls due on December 31, 2011. The SAS Group's shareholding in Spanair was impaired by MSEK 229 to MSEK 0 in the third quarter of 2010.

Following the most recent injection of capital from Spanair's principal owner, SAS's ownership share has decreased to 10.9%.

In the event of Spanair going into liquidation, SAS's total exposure is SEK 1.8 billion, albeit with a limited negative liquidity effect of MSEK 200-300. If such an event were to occur, it would mean that SAS would still be able to meet its financial preparedness target with a good margin. Discussions are currently under way concerning various structural solutions for Spanair.

SAS has receivables due from Estonian Air and these amounted to MEUR 7.6 at September 30, 2011.

The IASB (International Accounting Standards Board) published amendments to IAS 19 Employee Benefits in June 2011. The amendments to the recognition of defined-benefit pension plans are to be applied retroactively from January 1, 2013. The revised IAS 19 no longer permits the deferral of the recognition of certain deviations in estimates (the 'corridor method' has been eliminated). Instead, all deviations in estimates are to be recognized immediately in other comprehensive income. As a result of the amendments, the accumulated unrecognized deviations at January 1, 2012 will be recognized in their entirety against shareholders' equity, which will probably have a significantly negative effect on consolidated shareholders' equity.

### Legal issues

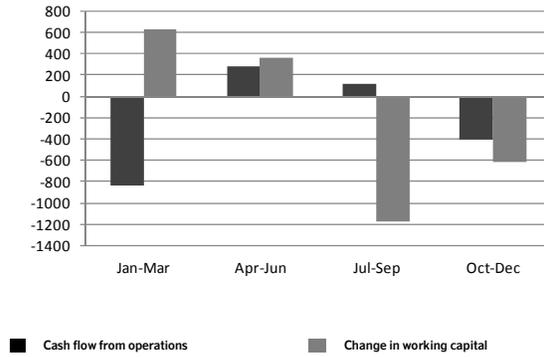
In November 2010, the European Commission decided to order SAS to pay fines of MEUR 70.2 for SAS Cargo. The fines were charged to Group earnings for the third quarter of 2010 in the amount of MSEK 660 and impacted the Group's liquidity in the first quarter of 2011. As a consequence of the European Commission's 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.

SAS and certain other European airlines have been added as defendants in a pending class-action lawsuit in California alleging price-fixing of air passenger fares on Trans-Pacific routes. SAS, which does not operate these routes, disputes the claim.

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.

## Seasonal effects

Demand in SAS's markets is seasonally low in December-February, relatively high in September-November and highest in April-June. This is due to variations in demand in the business market. Demand may deviate from the normal seasonal pattern and develop in different ways in the Group's markets. SAS has gradually developed sophisticated methods for dynamically adapting capacity to demand on a monthly and weekly basis, such as in conjunction with major holidays.



Based on reported cash flow 2008 - 2011

## Full-year 2011

Growth was generally favorable during the first nine months of the year. The load factors were stable and we achieved our customer satisfaction target for the full-year 2011 already during the third quarter. In addition, SAS became the most punctual airline in the world in the summer. Competitors made major capacity expansions in certain markets, particularly on European routes from Denmark and in the Swedish market. Despite this, SAS succeeded in increasing its load factors in key markets. The outcome for the first nine months of 2011 was significantly better than in the year-earlier period and resulted in positive income before nonrecurring items of MSEK 155.

Increased pressure on yield and RASK is expected in the fourth quarter due to the uncertainty related to global economic developments. Jet-fuel prices remain at a high level of about USD 1,000 per MT. Uncertainty surrounding the global economy, jet-fuel prices and additional capacity in the market result in greater challenges. Our assessment made in conjunction with the report for the first quarter of 2011 remains valid, but it should be noted that the conditions for fulfilling this forecast have deteriorated. On condition that nothing unexpected occurs, it is our opinion that there is still the potential for SAS to achieve marginally positive income before tax for full-year 2011. The risk in SAS's exposure in Spanair has also increased due to the difficult economic situation in Spain.

# SAS Group

## Statement of income including statement of other comprehensive income

(MSEK)	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Oct-Sep 2010-11	Oct-Sep 2009-10
Revenue	10,616	10,776	31,248	30,417	41,901	40,828
Payroll expenses <sup>1</sup>	-3,213	-3,292	-9,874	-10,520	-13,248	-14,770
Other operating expenses <sup>2</sup>	-6,135	-7,131	-17,277	-18,818	-23,574	-25,159
Leasing costs for aircraft <sup>3</sup>	-388	-435	-1,152	-1,384	-1,583	-1,860
Depreciation and impairment <sup>4</sup>	-434	-429	-2,001	-1,273	-2,613	-1,763
Share of income of affiliated companies	30	37	23	11	24	-218
Income from sale of shares in subsidiaries and affiliated companies	0	-14	0	-40	-33	-41
Income from sale of aircraft and buildings	24	0	36	7	-210	-40
<b>Operating income</b>	<b>500</b>	<b>-488</b>	<b>1,003</b>	<b>-1,600</b>	<b>664</b>	<b>-3,023</b>
Income from other securities holdings	0	-269	8	-269	14	-269
Financial revenue	49	36	162	112	224	164
Financial expenses	-273	-306	-725	-849	-917	-1,007
<b>Income before tax</b>	<b>276</b>	<b>-1,027</b>	<b>448</b>	<b>-2,606</b>	<b>-15</b>	<b>-4,135</b>
Tax	-62	-24	-56	341	454	699
<b>Net income from continuing operations</b>	<b>214</b>	<b>-1,051</b>	<b>392</b>	<b>-2,265</b>	<b>439</b>	<b>-3,436</b>
Income from discontinued operations	0	0	0	0	0	-133
<b>Net income for the period</b>	<b>214</b>	<b>-1,051</b>	<b>392</b>	<b>-2,265</b>	<b>439</b>	<b>-3,569</b>
Other comprehensive income:						
Exchange-rate difference in translation of foreign operations	-10	-27	169	-40	88	4
Cash-flow hedges – hedging reserve	-60	481	-535	47	54	254
Tax attributable to other components relating to other comprehensive income	16	-126	141	-12	-14	-67
Total other comprehensive income after tax for the year	-54	328	-225	-5	128	191
Total comprehensive income	160	-723	167	-2,270	567	-3,378
Net income for the period attributable to:						
Parent Company shareholders	214	-1,051	392	-2,265	439	-3,569
Total comprehensive income attributable to:						
Parent Company shareholders	160	-723	167	-2,270	567	-3,378
Earnings per share (SEK) <sup>5</sup>	0.65	-3.19	1.19	-8.40	1.33	-14.21
Earnings per share (SEK) from continuing operations <sup>5</sup>	0.65	-3.19	1.19	-8.40	1.33	-13.68
Earnings per share (SEK) from discontinued operations <sup>5</sup>	0.00	0.00	0.00	0.00	0.00	-0.53

1 Includes restructuring costs of MSEK 41 (152) during the period July-September, MSEK 114 (385) during the period January-September and MSEK 205 (649) during the period October-September.

2 Includes restructuring costs of MSEK 2 (3) during the period July-September, MSEK 6 (193) during the period January-September and MSEK 143 (275) during the period October-September.

3 Includes restructuring costs of MSEK 3 (-9) during the period July-September, MSEK 7 (41) during the period January-September and MSEK 13 (61) during the period October-September.

4 Includes restructuring costs of MSEK - (-) during the period July-September, MSEK - (-) during the period January-September and MSEK 200 (-43) during the period October-September.

5 Earnings per share is based on 329,000,000 (329,000,000) outstanding shares for the period July-September, 329,000,000 (269 743 444) outstanding shares for the period January-September and 329,000,000 (251 225 771) outstanding shares for the period October-September. The number of outstanding shares until April 15, 2009 and May 1, 2010 has been adjusted for a bonus element in the rights issue to existing shareholders of 6,123 and 2,379, respectively, in addition to a reverse 1:30 split.

The SAS Group had no option or share program. The convertible bond totaling approximately MSEK 1,600 comprising 34,408,602 shares does not entail any dilution effect, since the interest on the ordinary share that may be received in connection with conversion exceeds earnings per share before the dilution effect.

## EBITDAR before nonrecurring items

(MSEK)	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Oct-Sep 2010-11	Oct-Sep 2009-10
Revenue	10,616	10,776	31,248	30,417	41,901	40,828
Payroll expenses	-3,213	-3,292	-9,874	-10,520	-13,248	-14,770
Other operating expenses	-6,135	-7,131	-17,277	-18,818	-23,574	-25,159
<b>EBITDAR</b>	<b>1,268</b>	<b>353</b>	<b>4,097</b>	<b>1,079</b>	<b>5,079</b>	<b>899</b>
Restructuring costs	43	155	120	578	348	924
Other nonrecurring items	0	982	-1,109	982	-1,100	1,035
<b>EBITDAR before nonrecurring items in continuing operations</b>	<b>1,311</b>	<b>1,490</b>	<b>3,108</b>	<b>2,639</b>	<b>4,327</b>	<b>2,858</b>

## Income before nonrecurring items

(MSEK)	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010	Oct-Sep 2010-11	Oct-Sep 2009-10
Income before tax in continuing operations	276	-1,027	448	-2,606	-15	-4,135
Impairment losses <sup>2</sup>	0	229	725	229	725	444
Restructuring costs	46	146	127	619	561	942
Capital gains/losses	-24	54	-36	73	243	121
Other nonrecurring items <sup>1</sup>	0	982	-1,109	982	-1,100	983
<b>Income before tax and nonrecurring items in continuing operations</b>	<b>298</b>	<b>384</b>	<b>155</b>	<b>-703</b>	<b>414</b>	<b>-1,645</b>

1 Other nonrecurring items comprise a MSEK 729 dissolution of USD hedges for aircraft and a MSEK 380 revaluation of the EuroBonus liability.

SAS updated its aircraft fleet strategy in June 2011 and it 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 second quarter of 2011. The dissolution of these hedges is recognized prospectively from June 2011, 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.

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. The EuroBonus liability at September 30, 2011 amounted to MSEK 1,379 (1,800).

2 Pertains to impairment of the carrying amount of aircraft.

## Condensed balance sheet

(MSEK)	Sep 30, 2011	Dec 31, 2010	Sep 30, 2010	Sep 30, 2009
Intangible assets	1,623	1,414	1,353	1,217
Tangible fixed assets	14,159	14,782	15,316	15,767
Financial fixed assets	15,110	14,395	14,502	12,557
<b>Total fixed assets</b>	<b>30,892</b>	<b>30,591</b>	<b>31,171</b>	<b>29,541</b>
Current assets	565	679	620	726
Current receivables	5,378	5,019	5,727	7,254
Cash and cash equivalents	5,122	5,043	5,427	5,481
Assets held for sale	0	493	435	382
<b>Total current assets</b>	<b>11,065</b>	<b>11,234</b>	<b>12,209</b>	<b>13,843</b>
<b>Total assets</b>	<b>41,957</b>	<b>41,825</b>	<b>43,380</b>	<b>43,384</b>
Shareholders' equity <sup>1</sup>	14,605	14,438	14,037	12,343
Long-term liabilities	13,948	13,932	14,777	15,450
Short-term liabilities	13,404	13,323	14,430	15,137
Liabilities attributable to assets held for sale	0	132	136	454
<b>Total shareholders' equity and liabilities</b>	<b>41,957</b>	<b>41,825</b>	<b>43,380</b>	<b>43,384</b>
Shareholders' equity per share <sup>2</sup>	44,39	43,88	42,67	5,00
Interest-bearing assets	20,226	19,579	19,808	18,830
Interest-bearing liabilities	12,927	11,897	12,173	14,003

1 Including non-controlling interests.

2 Calculated on 329,000,000 outstanding shares as per September 30, 2011, per December 31, 2010 and per September 30, 2010. In September 2009, the number of outstanding shares was 2,467,500,000. The SAS Group has not carried out any buyback programs

## Condensed change in consolidated shareholders' equity

(MSEK)	Share capital <sup>1</sup>	Other contributed capital <sup>2</sup>	Hedge reserve	Translation reserve	Retained earnings <sup>3</sup>	Total shareholders' equity attributable to Parent Company owners	Total equity
Opening shareholders' equity in accordance with approved balances sheet, January 1, 2010	6,168	170	227	52	4,772	11,389	11,389
Reduction in share capital	-4,516				4,516	0	0
Rights issue	4,960					4,960	4,960
Net costs for rights issue					-209	-209	-209
Other contributed capital		167				167	167
Comprehensive income			35	-40	-2,265	-2,270	-2,270
Closing balance, September 30, 2010	6,612	337	262	12	6,814	14,037	14,037
Net costs for rights issue					1	1	1
Comprehensive income			434	-81	47	400	400
Closing balance, December 31, 2010	6,612	337	696	-69	6,862	14,438	14,438
Comprehensive income			-394	169	392	167	167
Closing balance, September 30, 2011	6,612	337	302	100	7,254	14,605	14,605

1 The share capital in SAS AB is distributed as follows: opening balance on January 1, 2010 of 2,467,500,000 shares with a quota value of SEK 2.5 per share and a closing balance on September 30, 2011 of 329,000,000 shares with a quota value of SEK 20.1.

2 The entire amount comprises share premium reserves and the equity share of convertible loans.

3 No dividends were paid in 2009 and 2010.

## Financial key ratios

	Sep 30, 2011	Dec 31, 2010	Sep 30, 2010	Sep 30, 2009
CFROI	19%	6%	2%	1%
Financial preparedness (target >20% of annual revenue)	25%	25%	27%	21%
Equity/assets ratio	35%	35%	32%	28%
Adjusted equity/assets ratio (target > 35%)	29%	28%	26%	21%
Financial net debt, MSEK	3,695	2,862	2,783	5,219
Debt/equity ratio	0.25	0.20	0.20	0.42
Adjusted debt/equity ratio (target <1.00)	0.88	0.89	0.94	1.57
Interest ratio	1.0	-1.9	-3.2	-5.0

## Condensed cash-flow statement

(MSEK)	July-September		January-September		October-September	
	2011	2010	2011	2010	2010-11	2009-10
Income before tax	276	-1,027	448	-2,606	-15	-4,135
Depreciation and impairment	434	429	2,001	1,273	2,613	1,763
Income from sale of fixed assets	-24	54	-36	73	243	121
Adjustment for items not included in cash flow, etc.	-106	841	-1,719	981	-1,635	1,291
Tax paid	-1	-1	-2	-2	-1	-2
Cash flow from operations	579	296	692	-281	1,205	-962
Change in working capital	-347	-766	-296	344	-1,027	-41
Cash flow from operating activities	232	-470	396	63	178	-1,003
Investments including repayments to aircraft manufacturers	-376	-221	-1,380	-1,857	-2,016	-2,879
Sales of subsidiaries and affiliated companies	0	0	0	65	3	482
Sale of fixed assets, etc.	77	32	489	453	665	653
Cash flow before financing activities	-67	-659	-495	-1,276	-1,170	-2,747
Rights issue including issue costs	0	-53	0	4,677	1	4,677
External financing, net	-469	-1,004	565	-2,108	814	-1,928
Cash flow for the period	-536	-1,716	70	1,293	-355	2
Translation difference in cash and cash equivalents	0	-4	1	-12	-3	-3
Cash and cash equivalents transferred from/to assets held for sale	10	-4	8	-43	53	-53
Change in cash and cash equivalents according to the balance sheet	-526	-1,724	79	1,238	-305	-54

## SAS Group's investments

(MSEK)	July-September		January-September		October-September	
	2011	2010	2011	2010	2010-11	2009-10
Scandinavian Airlines	320	194	1,130	1,727	1,662	2,762
Other operations and eliminations	56	27	250	130	354	117
SAS Group	376	221	1,380	1,857	2,016	2,879

## Parent Company SAS AB

Income before tax for the period amounted MSEK -84 (-436).

Available liquidity for SAS AB at September 30, 2011 amounted to MSEK 0 compared with MSEK 1 at the beginning of year.

The number of shareholders in SAS AB amounted to 68,166 at September 30, 2011. The average number of employees in SAS AB amounted to 44 (56).

## Condensed statement of income

(MSEK)	January-September	
	2011	2010
Revenue	15	8
Payroll expenses	-90	-108
Other operating expenses	-48	-68
Operating income before depreciation	-123	-168
Depreciation	0	0
Operating income	-123	-168
Income from divestment of shares	-	-58
Impairment of shares	-	-229
Income from other securities holdings	8	-
Net financial items	31	19
Income before tax	-84	-436
Tax	48	39
Net income for the period	-36	-397
Net income for the period attributable to: Parent Company shareholders	-36	-397

## Condensed balance sheet

(MSEK)	Sep 30, 2011	Dec 31, 2010	Sep 30, 2010
Fixed assets	7,735	7,697	7,707
Current assets	9,823	9,509	9,500
Total assets	17,558	17,206	17,207
Shareholders' equity	13,220	13,256	13,294
Long-term liabilities	4,227	3,834	3,739
Short-term liabilities	111	116	174
Total shareholders' equity and liabilities	17,558	17,206	17,207

## Change in shareholders' equity

(MSEK)	Share capital	Restricted reserves	Unrestricted equity	Total equity
Opening balance, Jan 1, 2011	6,612	473	6,171	13,256
Net income for the period	-	-	-35	-36
Shareholders' equity, Sep 30, 2011	6,612	473	6,136	13,220

## Notes

### Note 1 – Accounting policies and financial statements

The interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with the Annual Accounts Act.

A number of amendments of standards, new interpretations and new standards took effect for fiscal years beginning January 1, 2011 that are not deemed to have material relevance in the preparation of this financial report, meaning that the SAS Group continued to apply the same accounting policies as in its Annual Report for 2010.

### Note 2 – Segment information

The Group's operations are governed and reported in three business segments: Scandinavian Airlines, Widerøe and Blue1. Scandinavian Airlines includes airline operations in the consortium of Scandinavian Airlines System, SAS Ground Services in Sweden, Norway and Denmark, SAS Tech and the Group's traffic operations. Widerøe is an independent regional airline based in Norway. Blue1 is an independent airline based in Finland.

Other operations include the Parent Company SAS AB (Group functions) and other non-reportable segments.

January-September (MSEK)	Scandinavian Airlines <sup>1</sup>		Blue1		Widerøe		Reconciliation				SAS Group	
	2011	2010	2011	2010	2011	2010	Other		Eliminations		2011	2010
External revenue	27,178	26,577	1,303	1,283	2,766	2,519	1	38	0	0	31,248	30,417
Sales between segments	529	544	18	19	20	3	9	84	-576	-650	0	0
<b>Revenue</b>	<b>27,707</b>	<b>27,121</b>	<b>1,321</b>	<b>1,302</b>	<b>2,786</b>	<b>2,522</b>	<b>10</b>	<b>122</b>	<b>-576</b>	<b>-650</b>	<b>31,248</b>	<b>30,417</b>
Payroll expenses	-8,535	-9,185	-257	-248	-992	-915	-90	-172	0	0	-9,874	-10,520
Other operating expenses	-15,053	-16,884	-1,328	-1,116	-1,291	-1,276	-62	-91	457	549	-17,277	-18,818
<b>Operating income before depreciation and leasing costs</b>	<b>4,119</b>	<b>1,052</b>	<b>-264</b>	<b>-62</b>	<b>503</b>	<b>331</b>	<b>-142</b>	<b>-141</b>	<b>-119</b>	<b>-101</b>	<b>4,097</b>	<b>1,079</b>
Leasing costs for aircraft	-1,100	-1,312	-80	-81	-91	-92	0	0	119	101	-1,152	-1,384
Depreciation and impairment	-1,888	-1,154	-6	-3	-106	-107	-1	-9	0	0	-2,001	-1,273
Share of income of affiliated companies	3	1	0	0	0	0	20	10	0	0	23	11
Capital gains/losses	34	-25	0	0	2	0	0	-8	0	0	36	-33
<b>Operating income</b>	<b>1,168</b>	<b>-1,438</b>	<b>-350</b>	<b>-146</b>	<b>308</b>	<b>132</b>	<b>-123</b>	<b>-148</b>	<b>0</b>	<b>0</b>	<b>1,003</b>	<b>-1,600</b>
Unallocated income items:												
Income from other securities holdings											8	-269
Net financial items											-563	-737
Tax											-56	341
<b>Net income for the period from continuing operations</b>											<b>392</b>	<b>-2,265</b>
<b>Income before nonrecurring items in continuing operations</b>	<b>488</b>	<b>-376</b>	<b>-345</b>	<b>-145</b>	<b>299</b>	<b>120</b>	<b>-287</b>	<b>-302</b>	<b>0</b>	<b>0</b>	<b>155</b>	<b>-703</b>

<sup>1</sup> A detailed statement of income for Scandinavian Airlines is presented on page 13.

### Statement of income Scandinavian Airlines

(MSEK)	Jul-Sep 2011	Jul-Sep 2010	Jan-Sep 2011	Jan-Sep 2010
Passenger revenue	6,684	6,715	19,778	19,378
Charter revenue	679	695	1,480	1,521
Other traffic revenue	820	918	2,469	2,177
Other revenue	1,291	1,344	3,980	4,045
<b>Revenue</b>	<b>9,474</b>	<b>9,672</b>	<b>27,707</b>	<b>27,121</b>
Payroll expenses	-2,759	-2,864	-8,535	-9,185
Selling costs	-495	-530	-1,564	-1,552
Jet fuel	-1,778	-1,636	-5,105	-4,368
Government user fees	-906	-902	-2,630	-2,631
Catering costs	-201	-217	-567	-590
Handling costs	-378	-399	-1,091	-1,207
Technical aircraft maintenance	-521	-553	-1,534	-1,633
Computer and telecommunications costs	-284	-225	-748	-698
Other operating expenses	-861	-1,999	-1,814	-4,205
<b>Operating expenses</b>	<b>-8,182</b>	<b>-9,325</b>	<b>-23,588</b>	<b>-26,069</b>
Income before depreciation and leasing costs, EBITDAR	1,293	347	4,119	1,052
Leasing costs, aircraft	-370	-410	-1,100	-1,312
<b>Income before depreciation, EBITDA</b>	<b>922</b>	<b>-63</b>	<b>3,019</b>	<b>-260</b>
Depreciation	-393	-391	-1,888	-1,154
Share of income of affiliated companies	0	1	3	1
Capital gains/losses	23	0	34	-25
<b>Operating income, EBIT</b>	<b>553</b>	<b>-453</b>	<b>1,168</b>	<b>-1,438</b>
EBIT before nonrecurring items	565	675	865	186
<b>EBT before nonrecurring items</b>	<b>399</b>	<b>476</b>	<b>488</b>	<b>-376</b>

### Note 3 – Quarterly breakdown

#### Statement of income

(MSEK)	2009			2010			2011				
	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Revenue	11,134	10,411	45,183	9,576	10,065	10,776	10,653	41,070	9,313	11,319	10,616
Payroll expenses	-4,096	-4,250	-18,469	-3,652	-3,576	-3,292	-3,374	-13,894	-3,312	-3,349	-3,213
Other operating expenses	-6,232	-6,341	-25,788	-5,765	-5,922	-7,131	-6,297	-25,115	-5,590	-5,552	-6,135
Leasing costs for aircraft	-476	-476	-2,319	-462	-487	-435	-431	-1,815	-391	-373	-388
Depreciation and impairment	-501	-490	-1,862	-413	-431	-429	-612	-1,885	-414	-1,153	-434
Share of income of affiliated companies	-15	-229	-258	-30	4	37	1	12	-9	2	30
Income from sale of shares in subsidiaries and affiliated companies	423	-1	429	-1	-25	-14	-33	-73	0	0	0
Income from sale of aircraft and buildings	-1	-47	-97	-19	26	0	-246	-239	-5	17	24
<b>Operating income</b>	<b>236</b>	<b>-1,423</b>	<b>-3,181</b>	<b>-766</b>	<b>-346</b>	<b>-488</b>	<b>-339</b>	<b>-1,939</b>	<b>-408</b>	<b>911</b>	<b>500</b>
Income from other securities holdings	0	0	0	0	0	-269	6	-263	3	5	0
Financial revenue	84	52	295	38	38	36	62	174	57	56	49
Financial expenses	-231	-158	-645	-251	-292	-306	-192	-1,041	-210	-242	-273
<b>Income before tax</b>	<b>89</b>	<b>-1,529</b>	<b>-3,531</b>	<b>-979</b>	<b>-600</b>	<b>-1,027</b>	<b>-463</b>	<b>-3,069</b>	<b>-558</b>	<b>730</b>	<b>276</b>
Tax	149	358	803	267	98	-24	510	851	185	-179	-62
<b>Income from continuing operations</b>	<b>238</b>	<b>-1,171</b>	<b>-2,728</b>	<b>-712</b>	<b>-502</b>	<b>-1,051</b>	<b>47</b>	<b>-2,218</b>	<b>-373</b>	<b>551</b>	<b>214</b>
Income from discontinued operations	-86	-133	-219	0	0	0	0	0	0	0	0
<b>Net income for the period</b>	<b>152</b>	<b>-1,304</b>	<b>-2,947</b>	<b>-712</b>	<b>-502</b>	<b>-1,051</b>	<b>47</b>	<b>-2,218</b>	<b>-373</b>	<b>551</b>	<b>214</b>
Attributable to:											
Parent Company shareholders	152	-1,304	-2,947	-712	-502	-1,051	47	-2,218	-373	551	214

#### Earnings-related key ratios

(MSEK)	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec		Oct-Sep	
	2011	2010	2011	2010	2011	2010	2010	2009	2010-11	2009-10
Revenue	9,313	9,576	11,319	10,065	10,616	10,776	10,653	10,411	41,901	40,828
EBITDAR	411	159	2,418	567	1,268	353	982	-180	5,079	899
EBITDAR margin	4.4%	1.7%	21.4%	5.6%	11.9%	3.3%	9.2%	-1.7%	12.1%	2.2%
EBIT	-408	-766	911	-346	500	-488	-339	-1,423	664	-3,023
EBIT margin	-4.4%	-8.0%	8.0%	-3.4%	4.7%	-4.5%	-3.2%	-13.7%	1.6%	-7.4%
Income before nonrecurring items	-509	-851	366	-236	298	384	259	-942	414	-1,645
Income before tax	-558	-979	730	-600	276	-1,027	-463	-1,529	-15	-4,135
Net income for the period	-373	-712	551	-502	214	-1,051	47	-1,304	439	-3,569
Earnings per share (SEK)	-1.13	-3.64	1.67	-1.76	0.65	-3.19	0.14	-6.66	1.33	-14.21
Cash flow before financing activities	-675	-1,025	247	408	-67	-659	-675	-1,471	-1,170	-2,747

#### Note 4 - SAS Group's average number of employees

(FTE)	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep
	2011	2010	2011	2010
Scandinavian Airlines	13,677	13,896	13,524	13,809
Widerøe	1,226	1,190	1,213	1,183
Blue1	426	430	423	419
Other operations	46	54	44	294
<b>SAS Group</b>	<b>15,375</b>	<b>15,570</b>	<b>15,204</b>	<b>15,705</b>

The Board of Directors and President hereby assure that this interim report provides a true and fair overview of the performance of the Parent Company's and the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the Parent Company and the companies included in the Group are exposed.

Stockholm, November 8, 2011

Fritz H. Schur  
*Chairman of the Board*

Jacob Wallenberg  
*First Vice Chairman*

Dag Mejdell  
*Second Vice Chairman*

Monica Caneman  
*Board Member*

Jens Erik Christensen  
*Board Member*

Timo Peltola  
*Board Member*

Gry Mølleskog  
*Board Member*

Ulla Gröntvedt  
*Board Member*

Elisabeth Goffeng  
*Board Member*

Anna-Lena Gustafsson  
*Board Member*

Rickard Gustafson  
*President and CEO*

## REVIEW REPORT

### Introduction

We have conducted a review of the interim report for SAS AB (publ) at September 30, 2011 and of the nine-month period ending on that date. The Board of Directors and the President are responsible for correctly preparing and presenting this financial interim information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this financial interim information based on our review.

### Focus and scope of the review

We have conducted our review in accordance with the Standard on Review Engagements SÖG 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects, the accompanying financial interim information for the Group has not been prepared in accordance with IAS 34 and the Annual Accounts Act, and the interim report for the Parent Company has not been prepared in accordance with the Annual Accounts Act.

Stockholm, November 8, 2011  
Deloitte AB

Jan Palmqvist  
Authorized Public Accountant

## Traffic data information

### SAS Group's scheduled passenger traffic

	Jul-Sep		Change	Jan-Sep		Change
	2011	2010		2011	2010	
Number of passengers (000)	6,928	6,655	4.1%	20,419	18,671	9.4%
RPK, Revenue Passenger Kilometers (mill)	7,579	7,239	4.7%	20,728	19,322	7.3%
ASK, Available Seat Kilometers (mill)	9,609	9,180	4.7%	27,984	25,900	8.0%
Load factor (%)	78.9%	78.9%	+0.0 p.p.	74.1%	74.6%	-0.5 p.p.

### SAS Group's quarterly traffic data

	2011	Jan-Mar 2010	2011	Apr-Jun 2010	2011	Jul-Sep 2010	2010	Oct-Dec 2009	2010-2011	Oct-Sep 2009-2010
	Number of passengers (000)	6,093	5,735	7,397	6,282	6,928	6,655	6,557	6,055	26,976
RPK, Revenue Passenger Kilometers (mill)	5,655	5,471	7,494	6,612	7,579	7,239	6,389	5,764	27,117	25,086
ASK, Available Seat Kilometers (mill)	8,528	7,951	9,848	8,769	9,609	9,180	8,761	8,160	36,745	34,059
Load factor (%)	66.3%	68.8%	76.1%	75.4%	78.9%	78.9%	72.9%	70.6%	73.8%	73.7%

### SAS Group's charter traffic

	Jul-Sep		Change	Jan-Sep		Change
	2011	2010		2011	2010	
Number of passengers (000)	487	509	-4.4%	1,004	1,057	-5.0%
RPK, Revenue Passenger Kilometers (mill)	1,250	1,341	-6.7%	2,783	2,934	-5.1%
ASK, Available Seat Kilometers (mill)	1,359	1,470	-7.5%	3,138	3,326	-5.7%
Load factor (%)	92.0%	91.2%	+0.8 p.p.	88.7%	88.2%	+0.5 p.p.

### SAS Group traffic operation by route sector

	Jul-Sep 2011 vs. Jul-Sep 2010		Jan-Sep 2011 vs. Jan-Sep 2010	
	RPK	ASK	RPK	ASK
Intercontinental	5.5%	8.8%	4.2%	10.4%
Europe	3.3%	2.9%	7.2%	7.3%
Intra-Scandinavia	5.4%	6.4%	8.6%	10.6%
Denmark (domestic)	-12.7%	-2.8%	-9.7%	-7.0%
Norway (domestic)	8.6%	1.1%	13.8%	4.0%
Sweden (domestic)	2.1%	6.2%	11.5%	11.3%

### Traffic trend for European airlines<sup>1</sup>

	January-September 2011 vs. January-September 2010	
	RPK	ASK
Europe (excluding domestic)	10.4%	8.4%
North America	8.7%	11.1%
Asia	9.8%	14.7%
Total	8.5%	9.5%

<sup>1</sup> AEA (Association of European Airlines)

## Scheduled passenger traffic, yield, RASK and unit cost Scandinavian Airlines' traffic-related key ratios

	Jul-Sep		Jan-Sep	
	2011	Change	2011	Change
Number of passengers (000)	5,870	+3.0%	17,157	+7.1%
RPK, Revenue Passenger Kilometers (mill)	6,948	+5.3%	18,872	+6.8%
ASK, Available Seat Kilometers (mill)	8,654	+4.8%	25,086	+7.2%
Load factor (%)	80.3%	+0.4 p.p.	75.2%	-0.3 p.p.
Currency-adjusted yield trend <sup>1</sup>		-2.8%		-1.3%
Total unit revenue, RASK (currency-adjusted) <sup>2</sup>		-2.1%		0.7%
Total unit cost, including charter (currency-adjusted)		5.9%		2.4%

1 Adjusted for nonrecurring effect of revaluation of EuroBonus liability for the period January-September.

2 Adjusted for nonrecurring effect of revaluation of EuroBonus liability for the period January-September.

3 Excluding jet-fuel costs, the unit cost rose 0.9% for the period April-September 2011 compared with the year-earlier period.

4 Excluding jet-fuel costs, the unit cost fell 3.8% for the period January-September 2011 compared with the year-earlier period. The unit cost excludes the impairment of aircraft during the second quarter of 2011.

## Scandinavian Airlines scheduled passenger traffic

	Jul-Sep			Jan-Sep		
	2011	2010	Change	2011	2010	Change
Number of destinations	86	87	-1.1%	92	92	0.0%
Number of daily flights	663	669	-0.9%	679	668	1.7%
Number of daily flights/destinations	7.7	7.7	0.3%	7.4	7.3	1.7%

## Other traffic and production

	Widerøe				Blue1			
	Jul-Sep 2011	Change	Jan-Sep 2011	Change	Jul-Sep 2011	Change	Jan-Sep 2011	Change
Scheduled traffic								
Number of passengers (000)	649	16.2%	1,896	24.2%	409	3.7%	1,365	20.8%
RPK, Revenue Passenger Kilometers (mill)	222	15.5%	616	22.8%	409	-8.8%	1,240	8.1%
ASK, Available Seat Kilometers (mill)	351	14.2%	1,016	20.9%	603	-1.7%	1,883	13.7%
Load factor (%)	63.3%	+0.7 p.p.	60.6%	+0.9 p.p.	67.8%	-5.3 p.p.	65.9%	-3.4 p.p.
Yield (local currency)		-1.0%		-1.2%		+6.5%		+1.9%
Total unit cost, including charter (local currency)		-3.7%		-7.9%		+22.6%		+12.8%

## Detailed unit cost analysis – Scandinavian Airlines

Currency/volume adjusted (MSEK)	Jan-Sep 2011	Jan-Sep 2010 currency/capacity adjusted	Change %	Share of adjusted total change %
Payroll expenses	8,429	8,840	-4.6%	-1.9%
Jet fuel	5,101	3,894	+31.1%	+5.5%
Government user fees	2,630	2,595	+1.3%	+0.2%
Selling costs	1,564	1,512	+3.4%	+0.2%
Handling costs	1,091	1,205	-9.5%	-0.5%
Technical aircraft maintenance	1,530	1,597	-4.2%	-0.3%
Other operating expenses (net)	-146	-88	-	-0.3%
Operating expenses	20,202	19,555	+3.3%	+3.0%
Leasing costs for aircraft	1,096	1,156	-5.1%	-0.3%
Depreciation	1,163	1,221	-4.7%	-0.3%
<b>Adjusted EBIT</b>	<b>22,462</b>	<b>21,931</b>	<b>+2.4%</b>	<b>+2.4%</b>

## Aircraft fleet

SAS Group's aircraft fleet, September 30, 2011

	Age	Owned	Leased	Wetleased	Total	In service	Leased out	Order
Airbus A330/A340	9.3	5	6	0	11	10	1	
Airbus A319/A320/A321	8.2	4	10	0	14	12	2	30
Boeing 737 Classic	18.5	0	11	0	11	11	0	
Boeing 737 NG	10.4	22	45	0	67	67	0	
Boeing 717	11.1	0	9	0	9	9	0	
McDonnell Douglas MD-80 series	21.5	26	14	0	40	26	7	
McDonnell Douglas MD-90 series	14.7	8	0	0	8	0	8	
Avro RJ-85	9.8	0	5	0	5	0	0	
ATR	1.0	0	0	2	2	2	0	
Fokker 50	21.4	0	1	0	1	0	0	
deHavilland Q series *	14.0	31	10	0	41	34	0	
SAAB2000	14.6	0	0	3	3	3	0	
Bombardier CRJ200	13.6	0	0	4	4	4	0	
Bombardier CRJ900NG	2.3	12	0	0	12	12	0	
<b>Total</b>	<b>13.0</b>	<b>108</b>	<b>111</b>	<b>9</b>	<b>228</b>	<b>190</b>	<b>18</b>	<b>30</b>

\* Including four Q400 aircraft being delivered.

### Aircraft in service distributed by airline

	Age	Total	In service	Leased out	Order
SAS Scandinavian Airlines	12.3	154	142	18	30
Widerøe	14.2	37	34		
Blue1	10.4	19	14		
Leased aircraft	16.5	18			
<b>Total</b>	<b>13.0</b>	<b>228</b>	<b>190</b>	<b>18</b>	<b>30</b>

A320neo deliveries	Total	2016	2017	2018	2019
Number of aircraft *	30	4	11	7	8

\* The list price before discounts for a A320neo is approximately MUSD 90.



**Airbus A340-300**  
Scandinavian Airlines



**Airbus A330-300**  
Scandinavian Airlines



**Airbus A321-200**  
Scandinavian Airlines



**Airbus A319**  
Scandinavian Airlines



**MD-81/82/87**  
Scandinavian Airlines



**Boeing 737-400/500**  
Scandinavian Airlines



**Boeing 737-600/700/800**  
Scandinavian Airlines



**Bombardier CRJ900**  
Scandinavian Airlines



**deHavilland Q100/300/400NG**  
Widerøe



**Boeing 717**  
Blue1



**Avro RJ-85/100**  
Blue1

For further information on each model of aircraft, refer to [www.sasgroup.net](http://www.sasgroup.net)

## Important events

### Events after September 30, 2011

- SAS launched 21 new routes from when the summer schedule comes into operation in March 2012.
- Joakim Landholm became a new member of SAS Group Management and was appointed the Head of Commercial, which is one of the four pillars of the new 4Excellence strategy.

### Third quarter 2011

- SAS set a punctuality record for the company in August and thereby 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.
- New Group Management, which will be broader and have a firm responsible for the strategy's four Excellence areas.
- SAS won the procurement of air travel for Swedish government employees on all Swedish domestic routes operated by SAS. The combined value of all of the domestic agreements is MSEK 340.

### Second quarter 2011

- SAS's traffic continued to grow and SAS noted its highest customer satisfaction in 11 years.
- Core SAS was completed according to plan. Cost reductions of approximately SEK 7.6 billion were implemented. Based on the Core SAS program, the unit cost was reduced by about 23%.
- SAS continued to streamline its aircraft fleet by placing an order for 30 Airbus A320neo aircraft, with the option of an additional 11 Airbus A320neo aircraft, with delivery scheduled to commence in the second half of 2016 and the final delivery in 2019.
- 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 state has continued confidence in SAS, which once again won the Swedish government's procurement of air travel.
- The SAS Annual General Meeting was held on April 11, 2011.
  - ✓ The Meeting resolved that no dividend would be paid to shareholders for the 2010 fiscal year.
  - ✓ All of the members of the Board of Directors were re-elected and all other issues were resolved in accordance with the proposals presented in the notice of the Meeting.
- SAS launched the Oslo-New York route, and will also start to operate the Stockholm-Gdansk and Copenhagen-Shanghai routes and double the number of departures on the Stockholm-Milan route.

### First quarter 2011

- Rickard Gustafson took office as President and CEO on February 1, 2011.
- SAS was named Travel Marketer of the Year by Hospitality Sales and Marketing Association International (HSMIA) in Norway.
- SAS was officially named Europe's most punctual airline by the independent research company FlightStats.
- Göran Jansson took office as the new CFO and Deputy President of SAS.
- SAS issued senior unsecured bonds totaling SEK 2 billion.

### Fourth quarter 2010

- In conjunction with the initiative to simplify the aircraft fleet, SAS impaired the carrying amount of its MD90s by MSEK 200.
- SAS was affected to a minor extent compared with other types of transportation by the extreme weather conditions in November and December. SAS's costs for the disruption to traffic are estimated at between MSEK 70 and 80.
- SAS completed the relocation of its head office from Frösundavik Solna to Arlanda Airport.

## Financial calendar

### SAS financial calendar

Year-end report 2011  
 Annual Report and Sustainability Report 2011  
 2012 Annual General Meeting  
 Interim Report 1, 2012

February 8, 2012  
 March 15, 2012  
 April 19, 2012  
 May 3, 2012

All reports are available in English and Swedish and can be ordered on the Internet [www.sasgroup.net](http://www.sasgroup.net) or from [investor.relations@sas.se](mailto:investor.relations@sas.se)

The SAS Group's monthly traffic data information is normally issued on the fifth business day of the following month. A complete financial calendar can be found at [www.sasgroup.net](http://www.sasgroup.net)

For definitions, refer to the Annual Report or [www.sasgroup.net](http://www.sasgroup.net) under Investor Relations / Reports and Presentations.

## Press/Investor Relations

Webcast  
 Capital market presentation, investors/analysts, Copenhagen

9:30 a.m., November 8, 2011  
 1:00 p.m., November 8, 2011

To participate in the above events, please contact Investor Relations.

Direct questions to Investor Relations SAS Group:  
 Vice President Sture Stølen, +46 8 797 14 51, e-mail: [investor.relations@sas.se](mailto:investor.relations@sas.se)

SAS discloses this information pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was provided for publication on November 8, 2011, 8:00 a.m.

## SAS Group's route network

