



SAS Group

# SAS Group

Year-end Report January-December 2011

## Positive income before impairment charges of SEK 1.7 billion attributable to Spanair

- Greater challenges in 2012
- 4Excellence strategy accelerated, measures totaling SEK 5 billion in 2012-2013

### Key ratios October-December 2011

- Revenue: MSEK 10,164 (10,653)
- Number of passengers: increased by 0.2 million (3.5%)
- Income before tax and nonrecurring items: MSEK -61 (259)
- EBT margin before nonrecurring items: -0.6% (2.4%)
- Income before tax: MSEK -2,077 (-463)
- Net income for the period: MSEK -2,079 (47)
- Earnings per share: SEK -6.32 (0.14) SEK

### Key ratios January-December 2011

- Revenue: MSEK 41,412 (41,070)
- Number of passengers: increased by 2.0 million (7.8%)
- Income before tax and nonrecurring items: MSEK 94 (-444)
- EBT margin before nonrecurring items: 0.2% (-1.1%)
- Income before tax: MSEK -1,629 (-3,069)
- Net income for the period: MSEK -1,687 (-2,218)
- Earnings per share: SEK -5,13 (-7,79)
- SAS Group's financial preparedness at December 31, 2011, amounted to SEK 8.9 billion (10.2)
- The Board proposes that the Annual General Shareholders' Meeting resolve that no dividend be paid for the 2011 fiscal year

### Important events during the fourth quarter 2011

- In 2011, SAS was named Europe's most punctual major airline for the third consecutive year according to research company FlightStats
- SAS launched on-board Internet and GSM access through an Internet service that is provided free of charge to all passengers
- SAS entered an agreement for a loan facility for finance leases in an amount of MSEK 500 for four existing A321 aircraft
- SAS announced the opening of 21 new routes in March 2012, when the SAS summer schedule becomes effective
- The Board of Spanair filed for bankruptcy – SAS recognized an impairment totaling SEK 1.7 billion

### Greater challenges in 2012 – measures totaling SEK 5 billion

Assessment of the situation we are faced with in 2012 is challenging due to developments in the global economic climate. Jet-fuel prices and additional capacity in the market present additional challenges. Accordingly, as a result of the weaker economic trends, implementation of the measures contained in the 4Excellence strategy is being accelerated. In total, measures corresponding to SEK 5 billion are being implemented in the period 2012-2013. These include a reduction in administration staff by 300 FTEs and the SAS trade unions have committed to contributing savings corresponding to SEK 1 billion for the period 2012-2013. In 2012, the earnings effect of the combined measures is estimated at approximately SEK 2 billion. 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 be weak in 2012.

### Income and key ratios

	Oct-Dec 2011	Oct-Dec 2010	Jan-Dec 2011	Jan-Dec 2010
<b>Earnings-based key ratios (MSEK)</b>				
Revenue	10,164	10,653	41,412	41,070
EBITDAR before nonrecurring items	981	1,219	4,089	3,858
Income before tax and nonrecurring items	-61	259	94	-444
Income before tax, EBT	-2,077	-463	-1,629	-3,069
Net income for the period	-2,079	47	-1,687	-2,218
EBT margin before nonrecurring items (target 7%)	-0.6%	2.4%	0.2%	-1.1%
Cash flow from operations	42	513	734	232
Cash flow from operating activities	-878	-218	-482	-155
<b>Financial key ratios</b>				
CFROI, 12-month rolling (target 25%)	17%	6%	1%	5%
Financial preparedness (target >20% of annual revenue)	21%	25%	17%	17%
Shareholders' equity per share, SEK	37.79	43.88	4.62	44.45

## Comments by the CEO

“Positive income before nonrecurring items for the full-year 2011 but greater challenges in 2012 – Spanair’s bankruptcy implies an impairment charge of SEK 1.7 billion.”

We were unable to deliver marginally positive earnings for the full-year 2011 as previously communicated due to Spanair filing for bankruptcy and the subsequent requisite impairment corresponding to SEK 1.7 billion. As dissatisfactory as it may be, after adjustments for the effects of Spanair, we delivered marginally positive earnings. All in all, income before tax and nonrecurring items was MSEK 94 for the full-year 2011, an increase of MSEK 538 year-on-year.

The trend in 2011 was escalating competition in parallel with such factors as weakening economic trends and continued high fuel prices. Despite these increased challenges, we have noted healthy growth during the year with record cabin load factors in the summer and the highest customer satisfaction ratings for 11 years. It is pleasing to confirm that SAS’s customer offering continues to be attractive, principally due to our continuous improvement initiatives throughout the organization. Another result of this is our exceptional punctuality, which was confirmed when, for the third year in succession, Scandinavian Airlines was named Europe’s most punctual airline for 2011, by the research company FlightStats.

We continued to invest in our market and over the past year launched 22 new routes including Oslo-New York, which achieved exceptionally high load factors. Furthermore, SAS aims to remain at the forefront as regards electronic solutions that deliver added value to customers and in autumn 2011 was awarded a prize by IATA for our electronic travel solutions. We are now taking the next step and at the end of the 2011 launched on-board WiFi and new technology including NFC (Near Field Communication) to optimize the efficiency of and facilitate passengers’ passage through airports. In January 2012, free coffee and tea will be introduced for all levels of service. This is a step toward an improved product offering that we believe will see our record customer satisfaction ratings climb even higher. Much work is ongoing with the harmonization of the aircraft fleet and we look forward to taking delivery to our fleet of the world’s most efficient aircraft, the Airbus A320 neo. Both of these activities will increase cost-efficiency and decrease carbon emissions. In 2011, we decreased unit cost by 3.7% adjusted for jet-fuel costs and will intensify the focus on our costs in the future.

Our largest business segment, Scandinavian Airlines, reported positive income before tax and nonrecurring items, principally due to substantial savings from Core SAS. At the same time, Widerøe posted a historically strong result. Widerøe’s successes are gratifying and the operations comprise a key complement to the SAS Group’s extensive coverage in Norway. Unfortunately, Blue1 performed below expectations and posted a very negative operating income.

A number of measures are being implemented to turn around the negative trend in earnings for Blue1. At an operations level, Blue1 is reducing its capacity on European routes and its operations are being integrated with Scandinavian Airlines to increase synergies.

### Stable liquidity

SAS had a financial preparedness of SEK 9 billion corresponding to 21% of annual revenue at December 31. Of this amount, SEK 3.8 billion comprised cash and cash equivalents.

### 4Excellence – under implementation

In September, we launched the new 4Excellence strategy with the aim of achieving, Excellence in four core areas – Commercial Excellence, Sales Excellence, Operational Excellence and People Excellence. At the start of 2012, two new Group employees join the Group Management, Joakim Landholm with responsibility for Commercial and Eivind Roald with responsibility for Sales & Marketing. SAS’s new Group Management is thus complete after its reorganization in September.

One of the strategic targets in the 4Excellence strategy is to lower the unit cost by 3-5% per year. Due to the downturn in market conditions with weaker economic growth, we are accelerating the plan in 2012 and 2013. This includes a reduction of 300 FTEs within administration and the SAS trade unions have committed to contributing savings corresponding to SEK 1 billion for the period 2012-2013.

### Future outlook

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.

Rickard Gustafson  
President and CEO

# Market and income

## Market and traffic trend

### Aviation market in Europe

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.

For further industry statistics, refer to page 16

In 2011, the number of passengers carried by the SAS Group increased by 2 million and totaled 27 million.

### Scandinavian Airlines' traffic trend

Traffic for Scandinavian Airlines (RPK) rose 5.7% in 2011. In the fourth quarter, the increase in traffic was 2.5%. The number of passengers increased 6.4% and growth was principally favorable on routes in Scandinavia. 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. In the fourth quarter, demand was primarily weaker on the Asian routes.

Scandinavian Airlines increased its total capacity by 6.6% to which the launch of Oslo-New York contributed about 1.5% in increased capacity. The load factor declined by 0.6 percentage points over the year and by 1.6 percentage points in the fourth quarter. The currency-adjusted total unit revenue, RASK, for Scandinavian Airlines was 1.3% lower year-on-year and the currency-adjusted yield declined 2.0%.

### Traffic trend for Scandinavian Airlines

Change in relation to year-earlier period	Oct-Dec	Jan-Dec
Load factor (p.p.)	-1.6 p.p.	-0.6 p.p.
Passenger yield (currency-adjusted, %)	-4.0%	-2.0%
<b>Total unit revenue, RASK (currency-adjusted, %)</b>	<b>-6.7%</b>	<b>-1.3%</b>
<b>Total unit cost (currency-adjusted, %)</b>	<b>1.0%</b>	<b>2.0%</b>
<b>Total unit cost excluding jet fuel (currency-adjusted, %)</b>	<b>-3.5%</b>	<b>-3.7%</b>

For detailed traffic data information, refer to page 1.

For definitions, refer to the 2010 Annual Report or [www.sasgroup.net](http://www.sasgroup.net)

## Earnings analysis January-December 2011

The SAS Group's income before tax and nonrecurring items and capital gains/losses in continuing operations 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 load factor for the SAS Group

developed somewhat negatively and amounted to 73.4%, down 0.7% p.p. year-on-year.

Operating expenses including payroll 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.

EBITDAR before nonrecurring items amounted to MSEK 4,089 (3,858).

Leasing costs totaled MSEK -1,560 (-1,815) which was 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 MD80/90 and A340 aircraft of MSEK -725, which was performed in the second quarter due to the declining market value of aircraft. In the fourth quarter of 2010 an impairment of MD90 aircraft in an amount of MSEK 200 was made.

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).

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 -18 (-47) leasing costs, MSEK -120 (-257) rental expenses, MSEK 0 (-200) pertained to impairment of MD90 aircraft and MSEK -61 (-73) to other restructuring costs.

Other nonrecurring items and impairment amounted to MSEK -1,378 (-1,220). Subsequent to the Board of Spanair filing for bankruptcy, 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. Other nonrecurring items pertained to impairment of aircraft in an amount of MSEK -725, revaluation of the EuroBonus points liability MSEK 380, which was recognized as revenue, settlement of a legal dispute in Cargo of MSEK -31 and the dissolution of USD hedges for aircraft totaling MSEK 729 recognized in other operating expenses.

Of the capital gain totaling MSEK 12 (-352), MSEK 11 (-270) pertains to aircraft transactions, MSEK 1 (31) to property transactions and MSEK 0 (-113) to the sale of shares in subsidiaries and affiliated companies.

## Analysis of fourth-quarter 2011 earnings

The SAS Group's income before tax and nonrecurring items was MSEK -61 (259) and income after tax totaled MSEK -2,079 (47).

The SAS Group's revenue amounted to MSEK 10,164 (10,653). Adjusted for currency effects, revenue decreased by MSEK -580 or 5.4%, principally attributable to a decline in the currency-adjusted unit revenue (RASK) and the currency-adjusted yield for Scandinavian Airlines of 6.7% and 4.0% respectively. The load factor for the SAS Group declined by 1.5 p.p. and totaled 71.5% but capacity (ASK) increased by 2.9%.

Operating expenses including payroll expenses amounted to MSEK -9,682 (-9,671). Adjusted for nonrecurring items and currency effects, operating expenses were MSEK 46 lower, but fuel costs increased by MSEK 348, up 20.6%. Adjusted for fuel costs, the unit cost was reduced by 3.5% year-on-year, primarily attributable to reduced payroll expenses as well as catering and selling expenses.

EBITDAR before nonrecurring items amounted to MSEK 981 (1,219).

Leasing costs totaled MSEK -408 (-431), which was a currency-adjusted decrease of 4.0% compared with the preceding year.

Depreciation and impairment amounted to MSEK -412 (-612). In the corresponding period the preceding year, an impairment of MSEK 200 was recognized pertaining to MD90 aircraft.

The Group's net financial items amounted to MSEK -243 (-130), of which the net interest expense accounted for MSEK -193 (-114), exchange-rate differences MSEK -32 (16) and other financial items MSEK -18 (-32).

Restructuring costs relating to the implementation of Core SAS amounted to MSEK -230 (-434), of which MSEK -44 (-91) pertained to payroll expenses, MSEK -11 (-6) to leasing costs, MSEK -120 (-82) to rental expenses, MSEK 0 (-200) pertained to impairment of MD90 aircraft and MSEK -55 (-55) to other restructuring costs.

Other nonrecurring items and impairment amounted to MSEK -1,762 (-9). Subsequent to the Board of Spanair filing for bankruptcy, 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. Other nonrecurring items pertained to settlement of a legal dispute in Cargo of MSEK -31, which was recognized in other operating expenses.

Of the capital gain totaling MSEK -24 (-279), MSEK -23 (-246) pertains to aircraft transactions, MSEK -1 (0) to buildings and MSEK 0 (-33) to the sale of shares in subsidiaries and affiliated companies.

## Financial position

– Financial preparedness of SEK 8.9 billion

On December 31, 2011, the SAS Group's cash and cash equivalents amounted to MSEK 3,808 (5,043). In addition to cash and cash equivalents, the SAS Group has unutilized credit facilities amounting to MSEK 5,093 (5,146). The SAS Group has total financial preparedness (cash and cash equivalents and unutilized credit facilities) corresponding to MSEK 8,901 (10,189) or 21% (25%) of the Group's annual revenues.

The funds are invested in instruments with good liquidity and short maturities with a credit rating not lower than A3/P-1 according to the rating agency Moody's or alternatively A-/A-1 according to Standard & Poor's. Cash and cash equivalents is defined as funds that are not held as deposits and which are not blocked funds.

The SAS Group's interest-bearing liabilities rose MSEK 1,441 compared with the beginning of the year. New loans raised during this period amounted to MSEK 3,440 and repayments amounted to MSEK 2,570. 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 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.

During the final quarter of the year, aircraft were financed in a total amount of about MUS\$ 91 primarily through replacement finance.

At December 31, 2011, the value of the debt and equity share (conversion option and repurchase right) relating to the convertible bond loan was set at MSEK 1,453 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. 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 4,155 and amounted to MSEK 7,017 on the closing date. 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.

As of December 31, 2011, the adjusted equity/assets ratio amounted to 26% (28%). The adjusted debt/equity ratio was 1.33 (0.89). The adjusted expenses take into account leasing costs.

*For the balance sheet, refer to page 10*

## Cash-flow statement

– SAS Cash flow from operations amounted to MSEK 734

Adjustments for items not included in 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 dissolution 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.

For the full year, cash flow from operating activities amounted to MSEK -482 (-155).

Investments amounted to MSEK 2,041 (2,493), of which MSEK 1,359 (1,924) related to aircraft, other flight equipment and prepayments. This included one Bombardier Q100, three Bombardier Q200s and one Bombardier Q400 NG for Widerøe. Additionally, two Boeing 737s, which were previously on operating lease, were acquired for MSEK 121 and sold during the year for MSEK 136.

During the year, one Bombardier Q300, one Boeing 737, two MD87s and two Q400s were sold. In addition, one Boeing 737 was divested through sale and leaseback.

Cash flow before financing activities amounted to MSEK -2,006 (-1,951).

Cash and cash equivalents amounted to MSEK 3,808 according to the balance sheet, compared with MSEK 5,043 at December 31, 2010.

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

## About the SAS Group

The SAS Group is the largest airline group in Northern Europe and transported approximately 27 million passengers in 2011 to 128 destinations worldwide. The SAS Group comprises three airlines; Scandinavian Airlines, Widerøe, Blue1 and SAS Cargo. As a member of Star Alliance, SAS offers a global network that covers 1,185 destinations across the globe and transports more than 600 million passengers. SAS is Europe's most punctual major airline and has been for three years in succession from 2009-2011, according to the independent source FlightStats. Sustainability comprises a key element and the SAS Group's airlines are the only airlines in the world to be certified in line with ISO 14001 and EMAS for all operations.

## 4Excellence

In September 2011, SAS 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.

This will be realized by continuing cost-saving measures and by strengthened focus on productivity and product 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 airline industry.

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

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

## 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 by 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.

## 4Excellence comes together in four areas to achieve the targets

### *Commercial Excellence*

Do the right things that customers are willing to pay for and make us the natural choice for Nordic travelers.

### *Sales Excellence*

Increase cost-efficiency and achieve higher levels of loyalty among both companies and travelers. Sales are about relationships, not only transactions.

### *Operational Excellence*

Ensure that we deliver the highest quality and cost-efficiency based on customer value.

### *People Excellence*

Realize the full potential of employees through strong leadership and cooperation on shared goals.

## Accelerated action plan

As part of 4Excellence, a number of measures are ongoing in a total of 40 main areas that will deliver revenue and cost measures in a total of SEK 5 billion, of which, SEK 3.5 billion involves cost measures and SEK 1.5 billion revenue measures. Cost measures mean streamlining such as within administration (300 FTEs), savings in the area of collective agreements (corresponding to SEK 1 billion), reduction in property expenses and purchasing.

## 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 tax and nonrecurring items was MSEK 543 (-33) for the full-year 2011. Widerøe's income before tax and nonrecurring items amounted to MSEK 430 (192) and Blue1's operating income (EBIT) before nonrecurring items totaled MSEK -482 (-197) for the full-year 2011.

### Scandinavian Airlines

(MSEK)	Oct-Dec 2011	Oct-Dec 2010	Jan-Dec 2011	Jan-Dec 2010
Passenger revenue	6,401	6,455	26,179	25,833
Other revenue	2,627	2,948	10,556	10,691
Revenue	9,028	9,403	36,735	36,524
EBITDAR	651	963	4,771	2,016
EBIT before nonrecurring items	86	408	952	595
EBIT margin before nonrecurring items	0.9%	4.3%	2.6%	1.6%
EBT before nonrecurring items	55	342	543	-33



Scandinavian Airlines' earnings for the fourth quarter were weaker compared with the preceding year, primarily due to the decline in other revenue compared with the year-earlier period. This decline is mainly attributable to the positive effects on revenue in 2010. Scandinavian Airlines was also adversely impacted by significantly higher fuel costs for 2011, although the higher jet-fuel costs were partly offset by the positive effects of fuel hedges.

Capacity (ASK) rose 4.7% during the quarter, compared with the year-earlier period. Capacity increases were relatively evenly distributed throughout the traffic system. Capacity between the three Scandinavian countries increased the most, where Scandinavian Airlines is further strengthening its commercial concept. However, charter capacity was slightly lower than in the preceding year, which is related to developments in North Africa. Traffic (RPK) rose 2.5% during the quarter. Accordingly, the load factor fell 1.6 percentage points to 72.6%.

Passenger revenues during the period were on a par with the preceding year. Capacity increases had a positive impact on revenues, while continued pressure on yield had an adverse effect. The currency-adjusted passenger yield declined 4.0% and unit revenue (RASK) was 6.7% lower than in 2010.

Fuel costs rose during the quarter compared with 2010, primarily as the result of higher global market prices, but also due to higher volume. Fuel hedges mainly offset the cost increase during the period.

The currency-adjusted unit cost deteriorated as a result of high fuel prices and was 1.0% higher than in the year-earlier period. Excluding fuel, the unit cost declined 3.5% in the same period. The main drivers behind the improved unit cost excluding fuel are payroll expenses (pensions) and selling costs.

Customer satisfaction at Scandinavian Airlines was positive in 2011, which was confirmed by the high customer satisfaction index of 72 – the index target for 2011. Scandinavian Airlines' high level of punctuality was widely appreciated by customers and in 2011, the company was named the most punctual airline in Europe for the third consecutive year.

For Scandinavian Airlines' statement of income – refer to page 13

### Widerøe

(MSEK)	Oct-Dec 2011	Oct-Dec 2010	Jan-Dec 2011	Jan-Dec 2010
Passenger revenue	741	719	2,796	2,499
Other revenue	249	232	979	973
Revenue	989	950	3,775	3,473
EBITDAR	201	151	704	482
EBIT before nonrecurring items	128	78	435	210
EBIT margin before nonrecurring items	12.9%	8.3%	11.5%	6.0%
EBT before nonrecurring items	130	72	430	192



2011 was an excellent year for Widerøe. Widerøe's EBT before nonrecurring items of MSEK 430 was the best in the company's history and corresponded to a margin of 11.5%. The most recent quarter also displayed a positive trend with an EBT before nonrecurring items of MSEK 130 compared with MSEK 72 for the year-earlier period.

For the year as a whole, the improvement in EBT was very clear, even adjusted for the ash cloud in Iceland in April 2010. The reason for this improvement, other than the effects of the volcanic ash cloud, was a combination of a healthy market and commercial measures to capitalize on this market. Another reason was the launch of new routes that the Group previously operated using Fokker 50, as well as continued cost reductions.

Widerøe's market was generally positive. Production rose 17%, while traffic (RPK) increased 22%. Consequently, the load factor rose 2.4 percentage points, while the yield increased 3.8%.

### Blue1

(MSEK)	Oct-Dec 2011	Oct-Dec 2010	Jan-Dec 2011	Jan-Dec 2010
Passenger revenue	338	444	1,522	1,606
Other revenue	-1	47	136	186
Revenue	337	490	1,658	1,792
EBITDAR	-176	-47	-441	-109
EBIT before nonrecurring items	-144	-53	-482	-197
EBIT margin before nonrecurring items	-42.7%	-10.9%	-29.1%	-11.0%



A large number of Blue1's European routes were closed at the end of October, which led to capacity (ASK) in the final quarter declining 22.5%, compared with the year-earlier period. Traffic (RPK) fell 24.9% and the load factor fell slightly to 62%. The unit cost in for the fourth quarter increased due to significantly lower production in the European route network. Revenue for the October-December period amounted to MSEK 337, down MSEK 153 compared with the same period in 2010. The primary reason for the decline in revenue was lower yield levels on comparable routes and fewer passengers in the European route network. EBIT includes MSEK 32 in establishment costs connected to the ongoing standardization of the aircraft fleet.

During the autumn of 2011, it was announced that a number of structural changes had been initiated to reduce the negative earnings in Blue1. In conjunction with this, Blue 1 discontinued several European routes and shifted focus to the Nordic market. The airline will move over to a standardized fleet of Boeing 717 aircraft, adjusted for the alterations to the route network. From March 2012, Blue1 will serve as a production company for Scandinavian Airlines to further realize synergies. This means that from the first quarter of 2012, Blue1 will no longer be reported as a separate operating segment and, instead, will be included in Scandinavian Airlines' earnings.

## Risks 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 52% of its anticipated fuel consumption for 2012. The market value of the hedges at December 31, 2011 was MUSD 22. 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 2012 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 December 2011, the SAS Group had hedged 62% 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

	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Hedging of USD (coverage)	64%	62%	61%	64%

#### Hedging of jet fuel

	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Hedging of jet fuel	60%	51%	51%	47%

#### Vulnerability matrix, jet-fuel expense 2012, SEK billion

Market price	Exchange rate SEK/USD			
	5.00	6.00	7.00	8.00
USD 600 per ton	4.5	5.4	6.3	7.2
USD 800 per ton	5.5	6.6	7.7	8.8
USD 1,000 per ton	6.6	8.0	9.3	10.6
USD 1,200 per ton	7.4	8.9	10.4	11.9
USD 1,400 per ton	8.2	9.9	11.5	13.0

The SAS Group's current hedging contracts for jet fuel and reported jet-fuel expense at December 31, 2011 were taken into account.

### Spanair

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, 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 already been written down to SEK 0.

### Emissions Trading System

Effective January 1, 2012, all airline traffic to/from and within the EU will be encompassed by the European Union Emissions Trading System (EU ETS). About 85% of the emission allowances have been allocated free of charge to the EU Member States, and 15% are to be purchased on the open market. The current price is EUR 9 per ton of Co<sub>2</sub>. The SAS Group's expense for 2012 amounts to MSEK 130. A certain portion of the allowances have also been hedged at a predetermined price in the event of a sharp increase in the price of Co<sub>2</sub>. Since SAS is in the process of replacing parts of its fleet, the number of emissions allowances required by each production unit will gradually decrease.

A number of political risks are currently associated with the system. We have noted extensive protests against the system from the governments of many non-EU countries, particularly the US, Russia, China, India and Brazil. Accordingly, there is the risk of reprisals against EU airlines in the form of, for example, limitation to traffic rights or new taxes and charges, unless the deadlock can be resolved through negotiations within the ICAO. Secondly, initiatives have been put forward by various stakeholders, such as within the European Parliament, regarding a reduction in the number of allowances that are allotted to the airline industry.

### Remaining commitments

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

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 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 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 falling interest rates, the deviations in estimates will be higher in 2011 than in 2010.

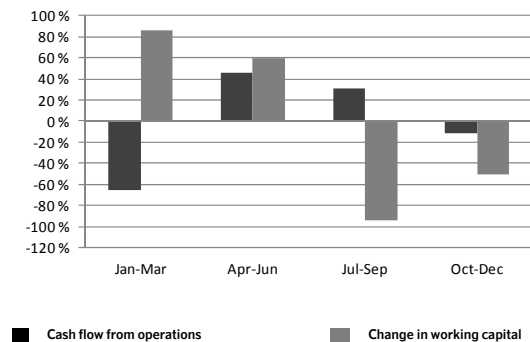
### Legal issues

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.

## 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.



The diagram shows the proportional profile of the cash flow in 2008-2011.

## Full-year 2012

Assessment of the situation we are faced with in 2012 is challenging 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 be weak in 2012. Bookings continue to be 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.



# SAS Group

## Statement of income including statement of other comprehensive income

(MSEK)	Oct-Dec 2011	Oct-Dec 2010	Jan-Dec 2011	Jan-Dec 2010
Revenue	10,164	10,653	41,412	41,070
Payroll expenses <sup>1</sup>	-3,218	-3,374	-13,092	-13,894
Other operating expenses <sup>2</sup>	-6,464	-6,297	-23,741	-25,115
Leasing costs for aircraft <sup>3</sup>	-408	-431	-1,560	-1,815
Depreciation and impairment <sup>4</sup>	-412	-612	-2,413	-1,885
Share of income of affiliated companies	5	1	28	12
Income from sale of shares in subsidiaries and affiliated companies	0	-33	0	-73
Income from sale of aircraft and buildings	-24	-246	12	-239
<b>Operating income</b>	<b>-357</b>	<b>-339</b>	<b>646</b>	<b>-1,939</b>
Income from other securities holdings	-1,477	6	-1,469	-263
Financial revenue	62	62	224	174
Financial expenses	-305	-192	-1,030	-1,041
<b>Income before tax</b>	<b>-2,077</b>	<b>-463</b>	<b>-1,629</b>	<b>-3,069</b>
Tax	-2	510	-58	851
<b>Net income for the period</b>	<b>-2,079</b>	<b>47</b>	<b>-1,687</b>	<b>-2,218</b>
Comprehensive income:				
Exchange-rate differences in translation of foreign operations	-42	-81	127	-121
Cash-flow hedges – hedging reserve	-69	589	-604	636
Tax attributable to other components relating to comprehensive income	18	-155	159	-167
<b>Total other comprehensive income after tax for the year</b>	<b>-93</b>	<b>353</b>	<b>-318</b>	<b>348</b>
<b>Total comprehensive income</b>	<b>-2,172</b>	<b>400</b>	<b>-2,005</b>	<b>-1,870</b>
Net income for the period attributable to:				
Parent Company shareholders	-2,079	47	-1,687	-2,218
Total comprehensive income attributable to:				
Parent Company shareholders	-2,172	400	-2,005	-1,870
Earnings per share (SEK) <sup>5</sup>	-6.32	0.14	-5.13	-7.79

1 Includes restructuring costs of MSEK 44 (91) during the period October-December and MSEK 158 (476) during the period January-December.

2 Includes restructuring costs of MSEK 175 (137) during the period October-December and MSEK 181 (330) during the period January-December.

3 Includes restructuring costs of MSEK 11 (6) during the period October-December and MSEK 18 (47) during the period January-December.

4 Includes restructuring costs of MSEK - (200) during the period October-December and MSEK - (200) during the period January-December.

5 Earnings per share is based on 329,000,000 (329,000,000) outstanding shares for the period October-December and 329,000,000 (284,557,583) outstanding shares for the period January-

December. 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)	Oct-Dec 2011	Oct-Dec 2010	Jan-Dec 2011	Jan-Dec 2010
Revenue	10,164	10,653	41,412	41,070
Payroll expenses	-3,218	-3,374	-13,092	-13,894
Other operating expenses	-6,464	-6,297	-23,741	-25,115
<b>EBITDAR</b>	<b>482</b>	<b>982</b>	<b>4,579</b>	<b>2,061</b>
Restructuring costs	219	228	339	806
Other nonrecurring items	280	9	-829	991
<b>EBITDAR before nonrecurring items</b>	<b>981</b>	<b>1,219</b>	<b>4,089</b>	<b>3,858</b>

## Income before nonrecurring items

(MSEK)	Oct-Dec 2011	Oct-Dec 2010	Jan-Dec 2011	Jan-Dec 2010
Income before tax	-2,077	-463	-1,629	-3,069
Impairment losses <sup>1</sup>	1,482	0	2,207	229
Restructuring costs	230	434	357	1,053
Capital gains/losses	24	279	-12	352
Other nonrecurring items <sup>2</sup>	280	9	-829	991
<b>Income before tax and nonrecurring items</b>	<b>-61</b>	<b>259</b>	<b>94</b>	<b>-444</b>

<sup>1</sup> Pertains to a MSEK -1,482 (-229) impairment regarding Spanair and impairment of the carrying amount of aircraft of MSEK -725 (0).

<sup>2</sup> Other nonrecurring items 2011 comprise a MSEK 729 dissolution of USD hedges for aircraft, a MSEK 380 revaluation of the EuroBonus liability, MSEK -31 regarding legal settlement within cargo and a MSEK -249 provision pertaining to Spanair.

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.

## Condensed balance sheet

(MSEK)	Dec 31 2011	Dec 31 2010	Dec 31 2009	Dec 31 2008
Intangible assets	1,693	1,414	1,296	1,092
Tangible fixed assets	14,144	14,782	15,574	14,132
Financial fixed assets	14,046	14,395	12,766	11,616
<b>Total fixed assets</b>	<b>29,883</b>	<b>30,591</b>	<b>29,636</b>	<b>26,840</b>
Current assets	705	679	758	820
Current receivables	4,789	5,019	7,511	6,000
Cash and cash equivalents	3,808	5,043	4,189	5,783
Assets held for sale	-	493	401	3,921
<b>Total current assets</b>	<b>9,302</b>	<b>11,234</b>	<b>12,859</b>	<b>16,524</b>
<b>Total assets</b>	<b>39,185</b>	<b>41,825</b>	<b>42,495</b>	<b>43,364</b>
Shareholders' equity <sup>1</sup>	12,433	14,438	11,389	7,312
Long-term liabilities	13,889	13,932	13,069	19,160
Short-term liabilities	12,863	13,323	17,880	14,427
Liabilities attributable to assets held for sale	-	132	157	2,465
<b>Total shareholders' equity and liabilities</b>	<b>39,185</b>	<b>41,825</b>	<b>42,495</b>	<b>43,364</b>
Shareholders' equity per share <sup>2</sup>	37,79	43,88	4,62	44,45
Interest-bearing assets	17,676	19,579	18,448	16,863
Interest-bearing liabilities	13,338	11,897	14,660	16,117

<sup>1</sup> Including non-controlling interests.

<sup>2</sup> Calculated on 329,000,000 outstanding shares as per December 31, 2011 and per December 31, 2010. In December 2009 and 2008, the number of outstanding shares was 2,467,500,000 and 164,500,000, respectively. The SAS Group has not carried out any buyback programs.

## Specification of financial net debt, December 31 2011

	According to balance sheet	Of which, financial net debt
Financial fixed assets	14,046	808
Current receivables	4,789	1,705
Cash and cash equivalents	3,808	3,808
Long-term liabilities	13,889	10,031
Short-term liabilities	12,863	3,307
Financial net debt		7,017

## Condensed changes 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 balance 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				1	4,961	4,961
Net costs for rights issue					-209	-209	-209
Other contributed capital		167				167	167
Comprehensive income			469	-121	-2,218	-1,870	-1,870
Closing balance, December 31, 2010	6,612	337	696	-69	6,862	14,438	14,438
Comprehensive income			-445	127	-1,687	-2,005	-2,005
Closing balance, December 31, 2011	6,612	337	251	58	5,175	12,433	12,433

<sup>1</sup> 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 December 31, 2011 of 329,000,000 shares with a quota value of SEK 20.1.

<sup>2</sup> The entire amount comprises share premium reserves and the equity share of convertible loans.

<sup>3</sup> No dividends were paid in 2009 and 2010.

## Financial key ratios

	Dec 31 2011	Dec 31 2010	Dec 31 2009	Dec 31 2008
CFROI	17%	6%	1%	5%
Financial preparedness (target >20% of annual revenue)	21%	25%	17%	17%
Equity/assets ratio	32%	35%	27%	17%
Adjusted equity/assets ratio (target > 35%)	26%	28%	21%	13%
Financial net debt, MSEK	7,017	2,862	6,504	8,912
Debt/equity ratio	0.56	0.20	0.57	1.22
Adjusted debt/equity ratio (target <1.00)	1.33	0.89	1.70	3.08
Interest ratio	-0.6	-1.9	-4.4	-5.3

**Condensed cash-flow statement**

(MSEK)	October-December		January-December	
	2011	2010	2011	2010
Income before tax	-2,077	-463	-1,629	-3,069
Depreciation and impairment	412	612	2,413	1,885
Income from sale of fixed assets	24	279	-12	352
Adjustment for items not included in cash flow, etc.	1,680	84	-39	1,065
Tax paid	3	1	1	-1
Cash flow from operations	42	513	734	232
Change in working capital	-920	-731	-1,216	-387
Cash flow from operating activities	-878	-218	-482	-155
Investments including repayments to aircraft manufacturers	-661	-636	-2,041	-2,493
Sales of subsidiaries and affiliated companies	0	3	0	68
Sale of fixed assets, etc.	28	176	517	629
Cash flow before financing activities	-1,511	-675	-2,006	-1,951
Rights issue including issue costs	0	1	0	4,678
External financing, net	198	249	763	-1,859
Cash flow for the period	-1,313	-425	-1,243	868
Translation difference in cash and cash equivalents	-1	-4	0	-16
Cash and cash equivalents transferred from assets held for sale	0	45	8	2
Change in cash and cash equivalents according to the balance sheet	-1,314	-384	-1,235	854

**SAS Group's investments**

(MSEK)	October-December		January-December	
	2011	2010	2011	2010
Scandinavian Airlines	558	532	1,688	2,259
Other operations and eliminations	103	104	353	234
SAS Group	661	636	2,041	2,493

**Parent Company SAS AB**

Income before tax for the period amounted to MSEK -2,554 (-478).

Available liquidity for SAS AB at December 31, 2011 amounted to MSEK 1 compared with MSEK 1 at the beginning of the year.

The number of shareholders in SAS AB amounted to 66,917 at December 31, 2011. The average number of employees in SAS AB amounted to 45 (55).

**Condensed statement of income**

(MSEK)	January-December	
	2011	2010
Revenue	19	40
Payroll expenses	-123	-145
Other operating expenses	-254	-83
Operating income before depreciation	-358	-188
Depreciation	0	0
Operating income	-358	-188
Share of income of Group companies	-894	-45
Income from other securities holdings	13	-267
Impairment, receivable	-1,395	-
Net financial items	80	22
Income before tax	-2,554	-478
Tax	49	40
Net income for the period	-2,505	-438
Net income for the period attributable to: Parent Company shareholders	-2,505	-438

Net income for the period also corresponds to total comprehensive income.

**Condensed balance sheet**

(MSEK)	Dec 31	Dec 31
	2011	2010
Fixed assets	6,899	7,697
Current assets	8,364	9,509
Total assets	15,263	17,206
Shareholders' equity	10,751	13,256
Long-term liabilities	4,265	3,834
Short-term liabilities	247	116
Total shareholders' equity and liabilities	15,263	17,206

**Change in shareholders' equity**

(MSEK)	Share	Restricted	Unrestricted	Total
	capital	reserves	equity	equity
Opening balance, Jan 1, 2011	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

## Notes

### Note 1 – Accounting policies and financial statements

The interim report for the SAS 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-December	Scandinavian Airlines <sup>1</sup>		Blue1		Widerøe		Reconciliation				SAS Group	
	2011	2010	2011	2010	2011	2010	Other		Eliminations		2011	2010
(MSEK)	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
<b>Revenue</b>	<b>36,735</b>	<b>36,524</b>	<b>1,658</b>	<b>1,792</b>	<b>3,775</b>	<b>3,473</b>	<b>12</b>	<b>129</b>	<b>-768</b>	<b>-848</b>	<b>41,412</b>	<b>41,070</b>
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
<b>Operating income before depreciation and leasing costs</b>	<b>4,771</b>	<b>2,016</b>	<b>-441</b>	<b>-109</b>	<b>704</b>	<b>482</b>	<b>-289</b>	<b>-191</b>	<b>-166</b>	<b>-137</b>	<b>4,579</b>	<b>2,061</b>
Leasing costs for aircraft	-1,491	-1,725	-112	-106	-123	-121	0	0	166	137	-1,560	-1,815
Depreciation and impairment	-2,256	-1,720	-9	-4	-146	-151	-2	-10	0	0	-2,413	-1,885
Share of income of 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
<b>Operating income</b>	<b>1,040</b>	<b>-1,698</b>	<b>-562</b>	<b>-219</b>	<b>435</b>	<b>210</b>	<b>-267</b>	<b>-232</b>	<b>0</b>	<b>0</b>	<b>646</b>	<b>-1,939</b>
Unallocated income items:												
Income from other securities holdings											-1,469	-263
Net financial items											-806	-867
Tax											-58	851
<b>Net income for the period</b>											<b>-1,687</b>	<b>-2,218</b>
<b>Income before nonrecurring items</b>	<b>543</b>	<b>-33</b>	<b>-667</b>	<b>-194</b>	<b>430</b>	<b>192</b>	<b>-212</b>	<b>-409</b>	<b>0</b>	<b>0</b>	<b>94</b>	<b>-444</b>

1 A detailed statement of income for Scandinavian Airlines is presented on page 13.

### Statement of income Scandinavian Airlines

(MSEK)	Oct-Dec 2011	Oct-Dec 2010	Jan-Dec 2011	Jan-Dec 2010
Passenger revenue	6,401	6,455	26,179	25,833
Charter revenue	365	367	1,845	1,888
Other traffic revenue	948	1,097	3,417	3,274
Other revenue	1,313	1,484	5,294	5,529
<b>Revenue</b>	<b>9,028</b>	<b>9,403</b>	<b>36,735</b>	<b>36,524</b>
Payroll expenses	-2,911	-2,908	-11,447	-12,094
Selling costs	-481	-563	-2,045	-2,115
Jet fuel	-1,856	-1,532	-6,961	-5,900
Government user fees	-906	-885	-3,535	-3,516
Catering costs	-166	-205	-733	-794
Handling costs	-360	-358	-1,451	-1,565
Technical aircraft maintenance	-501	-498	-2,035	-2,131
Computer and telecommunications costs	-277	-251	-1,025	-949
Other operating expenses	-919	-1,240	-2,733	-5,444
<b>Operating expenses</b>	<b>-8,377</b>	<b>-8,440</b>	<b>-31,964</b>	<b>-34,508</b>
Income before depreciation and leasing costs, EBITDAR	651	963	4,771	2,016
Leasing costs, aircraft	-391	-413	-1,491	-1,725
<b>Income before depreciation, EBITDA</b>	<b>260</b>	<b>550</b>	<b>3,280</b>	<b>291</b>
Depreciation	-368	-566	-2,256	-1,720
Share of income of affiliated companies	0	1	4	2
Capital gains/losses	-22	-246	12	-271
<b>Operating income, EBIT</b>	<b>-130</b>	<b>-260</b>	<b>1,040</b>	<b>-1,698</b>
EBIT before nonrecurring items	86	408	952	595
<b>EBT before nonrecurring items</b>	<b>55</b>	<b>342</b>	<b>543</b>	<b>-33</b>

### Note 3 – Quarterly breakdown

#### Statement of income

(MSEK)	2009		2010			2011						
	Oct-Dec	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec
Revenue	10,411	45,183	9,576	10,065	10,776	10,653	41,070	9,313	11,319	10,616	10,164	41,412
Payroll expenses	-4,250	-18,469	-3,652	-3,576	-3,292	-3,374	-13,894	-3,312	-3,349	-3,213	-3,218	-13,092
Other operating expenses	-6,341	-25,788	-5,765	-5,922	-7,131	-6,297	-25,115	-5,590	-5,552	-6,135	-6,464	-23,741
Leasing costs for aircraft	-476	-2,319	-462	-487	-435	-431	-1,815	-391	-373	-388	-408	-1,560
Depreciation and impairment	-490	-1,862	-413	-431	-429	-612	-1,885	-414	-1,153	-434	-412	-2,413
Share of income of affiliated companies	-229	-258	-30	4	37	1	12	-9	2	30	5	28
Income from sale of shares in subsidiaries and affiliated companies	-1	429	-1	-25	-14	-33	-73	0	0	0	0	0
Income from sale of aircraft and buildings	-47	-97	-19	26	0	-246	-239	-5	17	24	-24	12
<b>Operating income</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>	<b>-357</b>	<b>646</b>
Income from other securities holdings	0	0	0	0	-269	6	-263	3	5	0	-1,477	-1,469
Financial revenue	52	295	38	38	36	62	174	57	56	49	62	224
Financial expenses	-158	-645	-251	-292	-306	-192	-1,041	-210	-242	-273	-305	-1,030
<b>Income before tax</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>	<b>-2,077</b>	<b>-1,629</b>
Tax	358	803	267	98	-24	510	851	185	-179	-62	-2	-58
<b>Income from continuing operations</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>	<b>-2,079</b>	<b>-1,687</b>
Income from discontinued operations	-133	-219	0	0	0	0	0	0	0	0	0	0
<b>Net income for the period</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>	<b>-2,079</b>	<b>-1,687</b>
Attributable to:												
Parent Company shareholders	-1,304	-2,947	-712	-502	-1,051	47	-2,218	-373	551	214	-2,079	-1,687

#### Earnings-related key ratios

(MSEK)	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec		Jan-Dec	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue	9,313	9,576	11,319	10,065	10,616	10,776	10,164	10,653	41,412	41,070
EBITDAR	411	159	2,418	567	1,268	353	482	982	4,579	2,061
EBITDAR margin	4.4%	1.7%	21.4%	5.6%	11.9%	3.3%	4.7%	9.2%	11.1%	5.0%
EBIT	-408	-766	911	-346	500	-488	-357	-339	646	-1,939
EBIT margin	-4.4%	-8.0%	8.0%	-3.4%	4.7%	-4.5%	-3.5%	-3.2%	1.6%	-4.7%
Income before nonrecurring items	-509	-851	366	-236	298	384	-61	259	94	-444
Income before tax	-558	-979	730	-600	276	-1,027	-2,077	-463	-1,629	-3,069
Net income for the period	-373	-712	551	-502	214	-1,051	-2,079	47	-1,687	-2,218
Earnings per share (SEK)	-1,13	-3,64	1,67	-1,76	0,65	-3,19	-6,32	0,14	-5,13	-7,79
Cash flow before financing activities	-675	-1,025	247	408	-67	-659	-1,511	-675	-2,006	-1,951

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

(FTE)	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
	2011	2010	2011	2010
Scandinavian Airlines	13,345	13,465	13,479	13,723
Widerøe	1,226	1,196	1,216	1,186
Blue1	341	408	402	416
Other operations	46	54	45	234
<b>SAS Group</b>	<b>14,958</b>	<b>15,123</b>	<b>15,142</b>	<b>15,559</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, February 8, 2012

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 Grøntvedt  
*Board Member*

Elisabeth Goffeng  
*Board Member*

Anna-Lena Gustafsson  
*Board Member*

Rickard Gustafson  
*President and CEO*

The Year-end Report is unaudited.

## Traffic data information

### SAS Group's scheduled passenger traffic

	Oct-Dec		Change	Jan-Dec		Change
	2011	2010		2011	2010	
Number of passengers (000)	6,788	6,557	3.4%	27,206	25,228	7.8%
RPK, Revenue Passenger Kilometers (mill)	6,446	6,389	0.9%	27,174	25,711	5.7%
ASK, Available Seat Kilometers (mill)	9,019	8,761	2.9%	37,003	34,660	6.8%
Load factor (%)	71.5%	72.9%	-1.5 p.p.	73.4%	74.2%	-0.7 p.p.

### SAS Group's quarterly traffic data

	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec		Jan-Dec	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Number of passengers (000)	6,093	5,735	7,397	6,282	6,928	6,655	6,788	6,557	27,206	25,228
RPK, Revenue Passenger Kilometers (mill)	5,655	5,471	7,494	6,612	7,579	7,239	6,446	6,389	27,174	25,711
ASK, Available Seat Kilometers (mill)	8,528	7,951	9,848	8,769	9,609	9,180	9,019	8,761	37,003	34,660
Load factor (%)	66.3%	68.8%	76.1%	75.4%	78.9%	78.9%	71.5%	72.9%	73.4%	74.2%

### SAS Group's charter traffic

	Oct-Dec		Change	Jan-Dec		Change
	2011	2010		2011	2010	
Number of passengers (000)	212	227	-6.7%	1 215	1 284	-5.3%
RPK, Revenue Passenger Kilometers (mill)	711	745	-4.5%	3 494	3 678	-5.0%
ASK, Available Seat Kilometers (mill)	816	870	-6.2%	3 954	4 196	-5.8%
Load factor (%)	87.2%	85.6%	+1.6 p.p.	88.4%	87.7%	+0.7 p.p.

### SAS Group traffic operation by route sector

	Oct-Dec 2011 vs. Oct-Dec 2010		Jan-Dec 2011 vs. Jan-Dec 2010	
	RPK	ASK	RPK	ASK
Intercontinental	-1.8%	2.6%	2.7%	8.4%
Europe/Intra-Scandinavia	0.6%	1.9%	5.7%	6.3%
Domestic	6.0%	5.7%	10.8%	5.6%

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

	January-December 2011 vs. January-December 2010	
	RPK	ASK
Europe (excluding domestic)	9.7%	8.0%
North America	8.3%	10.1%
Asia	8.7%	13.7%
Total	8.0%	8.9%

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



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

	Oct-Dec		Jan-Dec	
	2011	Change	2011	Change
Number of passengers (000)	5,754	+4.3%	22,912	+6.4%
RPK, Revenue Passenger Kilometers (mill)	5,966	+2.5%	24,839	+5.7%
ASK, Available Seat Kilometers (mill)	8,220	+4.7%	33,306	+6.6%
Load factor (%)	72.6%	-1.6 p.p.	74.6%	-0.6 p.p.
Currency-adjusted yield trend <sup>1</sup>		-4.0%		-2.0%
Total unit revenue, RASK (currency-adjusted) <sup>2</sup>		-6.7%		-1.3%
Total unit cost, including charter (currency-adjusted)		1.0% <sup>3</sup>		2.0% <sup>4</sup>

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

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

3 Excluding jet-fuel costs, the unit cost fell 3.5% for the period October-December 2011 compared with the year-earlier period

4 Excluding jet-fuel costs, the unit cost fell 3.7% in 2011 compared with 2010. The unit cost excludes the impairment of aircraft during the second quarter of 2011.

## Scandinavian Airlines scheduled passenger traffic

	Oct-Dec		Change	Jan-Dec		Change
	2011	2010		2011	2010	
Number of destinations	85	89	-4.5%	90	93	-3.2%
Number of daily flights	693	666	4.1%	683	667	2.3%
Number of daily flights/destinations	8.2	7.5	9.0%	7.6	7.2	5.7%

## Other traffic and production

	Widerøe				Blue1			
	2011	Oct-Dec Change	2011	Jan-Dec Change	2011	Oct-Dec Change	2011	Jan-Dec Change
Scheduled traffic:								
Number of passengers (000)	640	6.1%	2 536	19.1%	393	-10.0%	1 758	12.2%
RPK, Revenue Passenger Kilometers (mill)	195	3.0%	811	17.4%	285	-24.9%	1 525	-0.1%
ASK, Available Seat Kilometers (mill)	339	6.8%	1 355	17.1%	459	-22.5%	2 343	4.1%
Load factor (%)	57.5%	-2.1 p.p.	59.8%	+0.2 p.p.	62.0%	-1.9 p.p.	65.1%	-2.8 p.p.
Yield (local currency)		-2.8%		-2.0%		2.5%		0.7%
Total unit cost, including charter (local currency)		-11.6%		-9.0%		23.8%		14.0%

## Detailed unit cost analysis – Scandinavian Airlines

Currency/volume adjusted (MSEK)	Jan-Dec 2011	Jan-Dec 2010 currency/capacity adjusted	Change %	Share of adjusted total change %
Payroll expenses	11,301	11,788	-4.1%	-1.6%
Jet fuel	6,961	5,463	27.4%	5.1%
Government user fees	3,535	3,513	0.6%	0.1%
Selling costs	2,045	2,096	-2.4%	-0.2%
Handling costs	1,451	1,577	-8.0%	-0.4%
Technical aircraft maintenance	2,031	2,072	-2.0%	-0.1%
Other operating expenses (net)	-187	-124	50.5%	-0.2%
Operating expenses	27,136	26,385	2.8%	2.5%
Leasing costs for aircraft	1,484	1,572	-5.6%	-0.3%
Depreciation	1,531	1,599	-4.3%	-0.2%
<b>Adjusted EBIT</b>	<b>30,152</b>	<b>29,556</b>	<b>2.0%</b>	<b>2.0%</b>

## Aircraft fleet

SAS Group's aircraft fleet, December 31, 2011 \*

	Age	Owned	Leased	Total	In service	Leased out	Order
Airbus A330/A340	9,6	5	6	11	10	1	
Airbus A319/A320/A321	8,5	4	10	14	12	2	30
Boeing 737 Classic	18,6	0	10	10	10	0	
Boeing 737 NG	10,7	23	44	67	67	0	
Boeing 717	11,3	0	9	9	9	0	
McDonnell Douglas MD-80 series	22,1	25	14	39	27	5	
McDonnell Douglas MD-90 series	0	8	0	8	0	8	
Avro RJ-85	0	0	5	5	0	0	
deHavilland Q series	14,0	30	10	40	35	0	
Bombardier CRJ900NG	2,6	12	0	12	12	0	
<b>Total</b>	<b>12,7</b>	<b>107</b>	<b>108</b>	<b>215</b>	<b>182</b>	<b>16</b>	<b>30</b>

\* In addition, the following aircraft are wetleased: four CRJ200s for SAS in Denmark and two ATRs and four Saab2000s for Blue1 in Finland.

### Aircraft in service distributed by airline

	Total	In service	Leased out	Order
SAS Scandinavian Airlines	147	138	16	30
Widerøe	38	35		
Blue1	14	9		
Leased aircraft	16			
<b>Total</b>	<b>215</b>	<b>182</b>	<b>16</b>	<b>30</b>



**Airbus A330/340-300**  
Scandinavian Airlines



**Airbus A319/A321**  
Scandinavian Airlines



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



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



**MD-82/87**  
Scandinavian Airlines



**Bombardier CRJ900**  
Scandinavian Airlines



**deHavilland Q 100/300/400NG**  
Widerøe



**Boeing 717**  
Blue1

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

## Important events

### Events after December 31, 2011

- SAS and Singapore Airlines expanded their partnership to strengthen flight connections between Scandinavia and Singapore.
- Eivind Roald was appointed the 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 gave approval for EuroBonus on domestic services in Norway, but only on travel between Oslo and Stavanger, Bergen and Trondheim.

### Fourth quarter 2011

- SAS further strengthened its long-term position in Finland by restructuring Blue1.
- 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 free of charge to all passengers
- Apple 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 frequent travelers in a survey.
- SAS ordered new, comfortable, lightweight and environmentally friendly short-haul seats that will provide additional legroom.
- SAS secured a financial lease facility of MSEK 500 for four existing A321 aircraft.
- SAS has helped lower travel expenses for more than 25,000 companies 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.
- Beginning in November, SAS has increased the number of departures to several Swedish domestic destinations, such as Luleå, Umeå, Malmö and Gothenburg.
- SAS became one of the first airlines in the world to accept payment in the form of bonus points when passengers make onboard purchases.
- SAS decided to launch 21 new routes from when the summer schedule comes into operation in March 2012.

### 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.
- 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.

### 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 2010
- 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.

## Financial calendar

Year-end Report 2011  
 Annual Report and Sustainability Report 2011  
 2012 Annual General Meeting  
 Interim Report 1, 2012  
 Interim Report 2, 2012  
 Interim Report 3, 2012

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

Press conference/media, Stockholm  
 Telephone conference, investors/analysts  
 Investor meetings, Stockholm

9:30 a.m., February 8, 2012  
 1:30 p.m., February 8, 2012  
 February 9, 2012

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 February 8, 2012 at 8:00 a.m.

## SAS Group's route network

