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Financial calendar 2011

Monthly traffic and capacity data is issued the fifth working day of every month. The detailed financial calendar is available at www.sasgroup.net under Investor Relations.

2011	Mar	
	Apr	← April 11 • Annual General Shareholders' Meeting
	May	← Q1 2011: May 10 • Interim Report 1 (Jan-Mar)
	Jun	
	Jul	
	Aug	← Q2 2011: August 17 • Interim Report 2 (Jan-Jun)
	Sep	
	Oct	
	Nov	← Q3 2011: November 8 • Interim Report 3 (Jan-Sep)
	Dec	
2012	Jan	
	Feb	← February 2012 • Year-end Report 2011
	Mar	← March • Annual Report & Sustainability Report 2011

Annual General Shareholders' Meeting

The SAS Group's Annual General Shareholders' Meeting will be held on April 11 at 2:00 p.m. Venues:
 Copenhagen: Bella Center, Copenhagen Congress Center.
 Stockholm: Berns Salonger, Berzelii Park.
 Oslo: Radisson BLU Plaza Hotel, Sonja Henies Plass 3.
 For more detailed information, see [page 101](#).

Distribution policy

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

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

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Scandinavian Airlines was Europe's most punctual airline in 2009 and 2010. To offer more frequencies and connections, SAS is launching an additional 150 new departures per week in the spring of 2011. With well-filled aircraft and a positive trend in the Scandinavian market, the SAS Group is on its way to reaching its goals along with profitable growth in line with the market.



Quick guide to the Annual Report



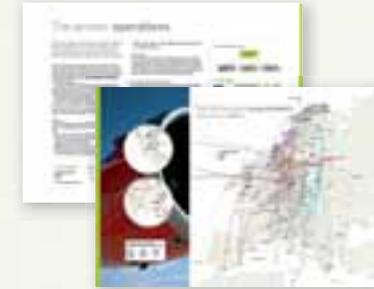
Introduction pp. 3-7

SAS's new President and CEO Rickard Gustafson will continue efforts to create a profitable SAS. In these pages, the Group is presented in brief together with SAS's conditions and opportunities. The earlier Acting President and the Group's new President comment on performance.



Strategy, market, offerings pp. 8-29

SAS's offerings are based on business travelers' needs for service and simplicity. The Group's improved cost position through the Core SAS Strategy increases competitiveness and SAS's ambition now is to grow profitably in line with the market.



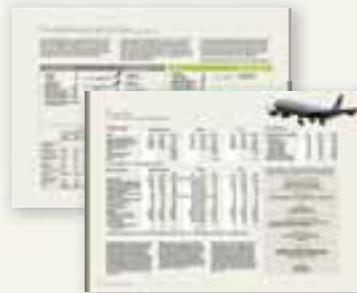
The airlines' operations pp. 30-37

The airline operations comprise Scandinavian Airlines, Blue1 and Widerøe. With well-filled aircraft, price pressure is offset and unit revenue stabilized. The Group transported 25.2 million passengers in 2010 and passenger revenues from airline operations amounted to SEK 29.9 billion.



The Capital Market pp. 39-52

In 2010, the cash balance was strengthened with new financing in the form of a rights issue, among others. The SAS share has during the year had a weaker development than the stock market in general.



Facts, key figures, traffic data and fleet pp. 54-59

The capacity reduction during the first part of the year is reflected in the traffic-related key figures and also in other data such as the number of employees. Employees' productivity has increased and the passenger load factor has improved. The overview of the key figures shows that the passenger load factor is at a record level.



Annual Report & Corporate Governance pp. 60-111

Group Annual Report, Notes and Corporate Governance Report. Corporate Governance describes the approach and regulations relating to ownership and control of the company. Corporate Governance in the SAS Group is based on Swedish legislation.



Sustainability Report pp. 113-135

Progress in sustainability issues contributes in various ways to increased value growth and competitiveness. Sustainability aspects are increasingly important, for customers, the capital market and investors, who follow the Group's sustainability efforts closely.

Important events quarterly

First quarter 2010

- SAS was the most punctual airline in Europe in 2009 in terms of arrivals in the "major airline" category according to the independent research company FlightStats.
- The SAS Group's Board of Directors resolved to implement a rights issue of approximately SEK 5 billion, with preferential rights for the Group's shareholders, which was approved by the Annual General Shareholders' Meeting held on April 7, 2010.
- The Core SAS cost savings program was strengthened by an additional SEK 2.5 billion and now totals SEK 7.8 billion.
- The two main conditions for the participation of the four principal owners in the rights issue were satisfied:
 - Agreements signed with pilot and cabin crew unions covering annual cost savings of MSEK 500.
 - Refinancing by securing a convertible bond of SEK 1.6 billion and other bonds totaling SEK 1.6 billion.
- SAS's stake in Skyways Holding AB was diluted to 19.9%.
- SAS divested the subsidiary Air Maintenance Estonia to the private equity and venture capital investor BaltCap.

Second quarter 2010

- On April 15, Scandinavian airspace closed due to the ash from the Eyjafjallajökull volcano in Iceland. The total negative earnings effect for SAS was approximately MSEK -700.
- SAS's Annual General Shareholders' Meeting was held on April 7.
 - Two new Board members, Monica Caneman and Gry Mølleskog, were elected after Berit Kjöll and Anitra Steen declined re-election to the Board.
 - The rights issue, reverse split and convertible bonds were approved.
 - The Meeting decided that no dividend would be paid for the 2009 fiscal year.
- SAS's rights issue valued at approximately SEK 5 billion was oversubscribed by 50%.

- SAS implemented a 1:30 reverse split of shares.
- The conversion price of the Group's convertible bonds was adjusted to SEK 46.50.
- The subsidiary SGS UK was outsourced.
- On June 9, SAS pilots participated in an eight-hour sympathy strike linked to a conflict between the Swedish regional airline AVIA and its pilots.

Third quarter 2010

- SAS Cargo entered a settlement agreement concerning disputes in the US, which had a negative impact of MSEK 104 on Group earnings.
- SAS launched its largest low-price campaign ever.
- SAS deployed an additional long-haul aircraft to meet the increased demand for intercontinental travel.
- SAS was denied leave to appeal to Norway's Supreme Court regarding the ruling to pay damages and legal costs to Norwegian Air Shuttle, resulting in a negative effect of MSEK 218 on the Group's earnings.
- During the quarter, SAS was the world's most punctual major airline
- The Danish National Audit Office issued a report relating to the Civil Aviation Administration's review of SAS. The report criticized SAS for overdue ADs (airworthiness directive). The National Audit Office found that the initiatives taken by SAS to avoid future infringements are satisfactory.
- SAS became the first airline in the world to obtain ISO 14001 and EMAS environmental certification.
- The SAS Group entered a leasing agreement relating to its eight MD-90s and, as a result, the aircraft type will be phased out of SAS's operational fleet.
- The SAS Group simplified its company structure by divesting its remaining shareholding in the regional airline Skyways Holding AB.

Fourth quarter 2010

- Mats Jansson, President and CEO, left his position on October 1, 2010, John Dueholm was appointed Acting President and CEO.
- On November 9, the EU Commission fined SAS Cargo MSEK 660 in the air freight investigation that has been underway since 2006.
- In conjunction with the initiative to simplify the aircraft fleet, SAS impaired the carrying amount of its MD-90s by MSEK 200.
- Extreme weather conditions in November and December had less of an impact on air travel than on other modes of transport. SAS's costs for the disruption to traffic are estimated at between MSEK 70 and 80.
- SAS decided to expand its route network by adding new intercontinental routes. Among others, the Oslo-New York route will be opened at the end of March 2011 and the Copenhagen-Shanghai route is expected to open during the winter of 2011/2012.
- SAS completed the relocation of its head office from Frösundavik, Solna, to Arlanda Airport.

Events after the end of the year

- Rickard Gustafson took office as President and CEO on February 1, 2011.
- Scandinavian Airlines was officially named Europe's most punctual airline in 2010 by the independent research company FlightStats.
- SAS decided to expand its route network by 150 additional frequencies per week in the spring of 2011, including the Oslo-Moscow route.
- SAS won first prize in three categories at the Grand Travel Awards.
- Göran Jansson was appointed CFO and Deputy President on March 1, 2011.



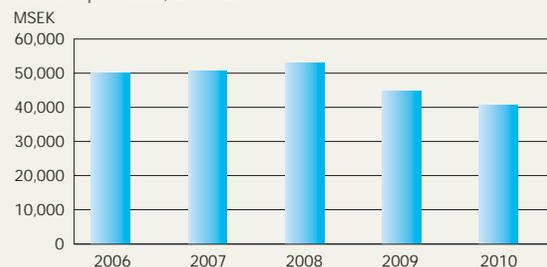
The SAS Group's airlines, Scandinavian Airlines, Widerøe and Blue1 transported 25.2 million passengers to 127 destinations in 2010. The Group's home market is the Nordic Region. The Group also comprises of operations for aircraft maintenance, ground handling and air freight.

The SAS Group in brief

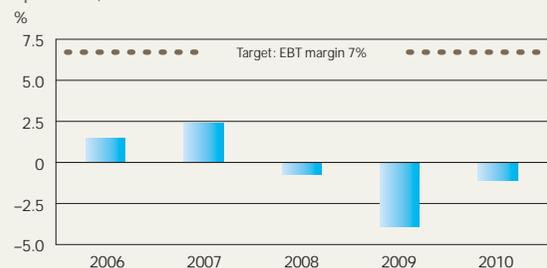
Result for the year

- Revenue for the year amounted to MSEK 40,723 (44,918), (-9.3%).
- Currency-adjusted, the Group's revenue was 5.9% lower, mainly due to reduced volume and yield.
- The number of passengers totaled 25.2 million (+1.3%).
- Income before nonrecurring items in continuing operations was MSEK -435 (-1,754). Adjusted for the effects of the ash cloud, income was positive and totaled 265 MSEK.
- EBT margin before nonrecurring items in continuing operations amounted to -1.1% (-3.9%).
- Cash flow from operating activities was MSEK -155 (-3,414).
- Nonrecurring effects were MSEK 2,625, of which restructuring costs were MSEK 1,053, legal disputes MSEK 991, impairments MSEK 229 as well as capital losses of MSEK 352.
- Income before tax was MSEK -3,060 (-3,423).
- Net income for the year was MSEK -2,218 (-2,947).
- Improved environmental performance, lowest CO₂/passenger kilometer ever.

SAS Group revenue, 2006-2010



EBT margin before tax and nonrecurring items in continuing operations, 2006-2010



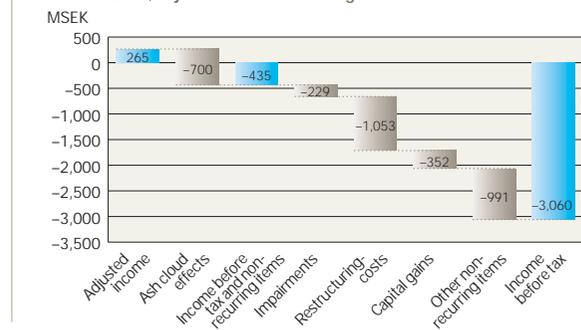
SAS Group, net income for the year, 2006-2010



Group Key figures

	2010	2009	Change
Number of passengers, millions	25.2	24.9	+1.3%
Adjusted equity/assets ratio	28%	21%	+7 pts.
Adjusted debt/equity ratio	0.89	1.70	-48%
Financial preparedness, % of operating revenue	25%	17%	+8 pts.
Financial net debt, MSEK	2,862	6,504	-56%
Investment, continuing operations, MSEK	2,459	4,521	-46%

Income 2010, adjusted for nonrecurring items



Group Income

	2010	2009	Change
Revenue, MSEK	40,723	44,918	-9.3%
EBITDAR before nonrecurring items, MSEK	3,837	2,626	+46.1%
EBT before nonrecurring items, MSEK	-435	-1,754	+1,319
EBT margin before nonrecurring items	-1.1%	-3.9%	+2.8 pts.
Cash flow from operating activities, MSEK	-155	-3,414	+3,259
Income before tax, EBT, MSEK	-3,060	-3,423	+363
Net income for the period, MSEK	-2,218	-2,947	+729
CFROI	6%	1%	+5 pts.
Earnings per share, SEK	-7.79	-18.20	+10.41
Market price at year-end, SEK	22.50	30.23	-25.6%
Dividend (proposed for 2010), SEK	0.0	0.0	-
<i>Excluding ash cloud effects</i>			
Income before tax, EBT	265	-1,754	2,019

Group Targets

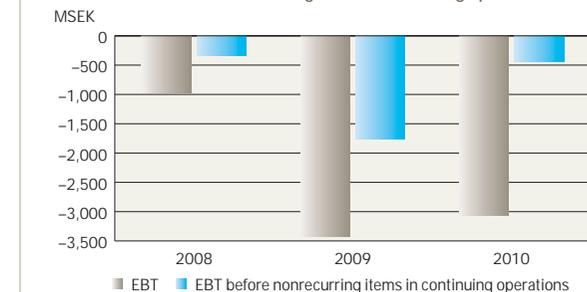
	Target
EBT margin	7%
Adjusted equity/assets ratio	>35%
Adjusted debt/equity ratio	<100% = <1.0
Financial preparedness, % of operating revenue	>20%

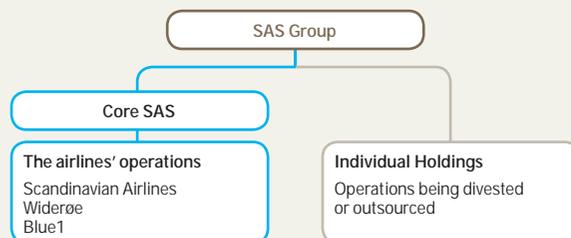
Group Sustainability

	2010	2009	Change
Average number of employees, continuing operations	14,862	17,371	-14%
of which women	44%	45%	-3 pts.
Sick leave	7.1% ¹	6.9%	0.2 pts.
Carbon dioxide (CO ₂), 000 tonnes	3,654	3,793	-3.7%
Nitrogen oxides (NO _x), 000 tonnes	14.8	15.4	-3.9%
Climate index	90	94	-4 pts.

¹ Change of method, pertains only to Scandinavian Airlines p. 114.

EBT and EBT before nonrecurring items in continuing operations





Operations in brief

The SAS Group's home market is the Nordic Region, with around 91 million passengers in 2010. The value of completed air travel in the region totaled approximately SEK 100 billion. The Group's market share for the year measured in passengers amounted to approximately 36% and increased at the end of the year.



Full-year 2011

The macroeconomic recovery is expected to continue in 2011, particularly in the SAS Group's home market. Growth is expected to be strongest in Sweden and Norway, but lower in the eurozone.

IATA (International Air Transport Association) assesses that passenger growth in the airline industry will increase globally by slightly more than 5% in 2011, but higher jet-fuel prices and new taxes will have a negative impact on the industry.

For the SAS Group, growth was favorable in the second half of 2010. This trend is expected to continue during the first half of 2011, particularly on the Asian routes, but also on domestic and intra-Scandinavian routes. Conditions are also favorable for continued growth in the second half of 2011. Overcapacity is expected to remain in certain markets, primarily Danish European operations. In total, the market is expected to grow by 4-6% in 2011 and SAS plans to expand capacity by about 6% during the year, which is in line with the market.

The trend for yield and jet-fuel prices is uncertain. However, the rising jet-fuel prices are expected to have a positive impact on the yield as of spring 2011, but are also expected to have a negative effect on the cost base.

Core SAS will be concluded in 2011 and continues to contribute to strengthening SAS's competitiveness. The remaining earnings impact of the Core SAS savings program is expected to be SEK 1.5 billion in 2011. Restructuring costs are expected to decline to MSEK 400-600 in 2011. During the year, SAS will work on further cost improvements as part of its regular operations.

Seasonally, the first quarter is the weakest for SAS. Combined with overcapacity, mainly in January and February, earnings are also expected to be negative for the first quarter of 2011, but at the same time, better than for the corresponding quarter in 2010. Given continued recovery in the home market, as described above, and that no unexpected events occur, the prospects are favorable for the SAS Group being able to achieve positive income before tax for full-year 2011.

Scandinavian Airlines

	2010	2009
<i>Operating revenue, excluding related Group expenses</i>		
Revenue, MSEK	35,676	39,696
of which, passenger revenue	25,833	28,613
EBIT before nonrecurring items, MSEK	1,422	-1,094
EBIT margin before nonrecurring items, %	4.0%	-2.8%
EBT before nonrecurring items, MSEK	806	-1,522
Full EBT before nonrecurring items, MSEK¹	-24	-1,288
Number of passengers, mill.	21.5	21.4
Average number of employees	12,883	14,438
of which women, %	44%	44%
Carbon dioxide (CO ₂), 000 tonnes	3,280	3,454
Nitrogen oxides (NO _x), 000 tonnes	13.5	14.2

Scandinavian Airlines is the Nordic Region's largest airline and transported 21.5 million passengers to 93 destinations in more than 30 countries in 2010. The airline showed improved income before non-recurring items, mainly due to implemented cost reductions within Core SAS. Unit costs fell 7.8%. Business travel had positive growth during the year, especially on intercontinental routes and important business destinations. Pressure on prices was relatively strong in 2010, particularly within the leisure segment. See pp. 31-34.

¹ Includes certain pension costs, property costs and currency forward contracts for Scandinavian Airlines, which in 2010 totaled approximately MSEK 830.

Widerøe

	2010	2009
Revenue, MSEK	3,473	3,329
of which, passenger revenue	2,499	2,403
EBIT before nonrecurring items, MSEK	210	34
EBIT margin before nonrecurring items, %	6.0%	1.0%
EBT before nonrecurring items, MSEK	192	57
Number of passengers, mill.	2.1	2.1
Average number of employees	1,186	1,203
of which women, %	31%	33%
Carbon dioxide (CO ₂), 000 tonnes	143	129
Nitrogen oxides (NO _x), 000 tonnes	0.5	0.4

Widerøe is the Nordic Region's largest regional airline, with its base in Norway and carried 2.1 million passengers to 40 domestic and seven international destinations in 2010. Widerøe's income improved and the company recorded its best result ever. The improvement was primarily achieved through cost reductions, which contributed to reducing unit costs by 7.7%. At the same time, the number of passengers increased by 3.7%. During the year, Widerøe took over certain routes that had previously been flown by Scandinavian Airlines. See pp. 31 and 35.

Blue1

	2010	2009
Revenue, MSEK	1,792	1,819
of which, passenger revenue	1,606	1,658
EBIT before nonrecurring items, MSEK	-197	-198
EBIT margin before nonrecurring items, %	-11.0%	-10.9%
EBT before nonrecurring items, MSEK	-194	-200
Number of passengers, mill.	1.6	1.5
Average number of employees	416	430
of which women, %	47%	52%
Carbon dioxide (CO ₂), 000 tonnes	231	210
Nitrogen oxides (NO _x), 000 tonnes	0.8	0.7

Blue1 is Finland's second largest airline and carried 1.6 million passengers to 9 domestic and 20 international destinations in 2010. Blue1 reported a negative result, which was primarily due to a pressure on yield, mainly as a result of strong competition and overcapacity. A higher passenger load factor, more passengers and lower unit costs contributed to improved income during the second half-year. In the coming years, Blue1 will convert to a unit fleet of Boeing 717s, primarily to reduce costs and increase efficiency. See pp. 31 and 36.



Strong underlying income improvement as a result of Core SAS



2010 was an eventful year, major challenges were addressed and were overcome with support from our owners, with customer confidence and thanks to the efforts and loyalty of our employees. The Core SAS strategy efforts have enabled improved profitability. There is still a pressure on prices in the Group's home markets, and competition is intense, but SAS is now well equipped to continue to develop the Group's competitiveness and commercial platform.

The year in brief

The Group's performance was positive and income before tax and nonrecurring items, adjusted for the ash cloud, was MSEK 265, where net income for the year was MSEK -2,218. Significant nonrecurring items charged to income during the year were mainly expected events. By leaving these nonrecurring items behind us, we can now look forward and focus on core operations, that show a stable positive trend.

Positive trend despite major challenges

2009 was considerably tougher for the airline industry than predicted, which meant that in early 2010, we expanded savings to SEK 7.8 billion. To ensure the completion of Core SAS, thereby strengthening our financial and commercial platform, we implemented a rights issue of SEK 5 billion in the spring. During this process, the dramatic volcanic eruption in Iceland led civil aviation authorities to close air space and air traffic was completely suspended in most parts of Europe for several days, negatively impacting earnings by MSEK 700. The Core SAS strategy, however, was implemented with military precision and with precision. During the year, several important key figures have turned from negative to positive.

This was confirmed by aircraft that are more well-filled than ever, more and more passengers, and surveys showing that customers perceive steady improvement in our services. Maybe most important of all, cost savings have affected unit costs, which were reduced by approximately 8% compared with 2009. The price or yield level on short-haul routes has had the slowest recovery and has been pressured by overcapacity in the market. Thanks to better load factors, we have been able to counter the effect of the pressure on prices better than competitors. During the second half of the year, our improved passenger load factor completely offset the low prices, generating a positive unit revenue trend. In short, we have strengthened our competitiveness.

The Group is now showing a profitability that is not only driven by lower costs, but also by higher revenue. The divestment of non-core businesses, mainly in 2009 reduced the Group's exposure to risk.

Commercial activities

For SAS, with business travelers as a primary target group, work with product and service improvements is absolutely critical. We must be punctual, which we proved that we are, with the independent research company FlightStats naming Scandinavian Airlines the most punctual airline in Europe in 2010.

SAS's extensive network is an important strength. In the second half of 2010, we continued to upgrade the network by expanding by 150 new frequencies per week. We have also decided



We have implemented 86% of the measures in the Core SAS cost program and reduced unit costs by approximately 8% in 2010.

to reinstate the Oslo-New York route, and in the winter season 2011/2012 the Copenhagen to Shanghai route will be opened. At the same time, our pre-flight ground services have been a major success, and for example a total of 70% of our passengers now use our SMS check-in, self-service check-in or Internet check-in.

Our employees

In the implementation of Core SAS, 4,000 employees (FTEs) had to leave us, and even more accepted revised employment terms, measures that were absolutely necessary to make us competitive and were implemented without labour disputes.

Motivated employees with great dedication for our commitment to service is one of our most important assets. After a couple of tough years, we now see improved employee motivation. This is confirmed by how customers experience our care for them, and shows the dedication to delivering world class service. Our improved competitiveness will help us achieve profitable growth in the future. I look forward to the boost of energy that it will bring, but a condition is that our operations continue to perform positively and that, also in the future, we must maintain focus on lowering our costs further.

Financial platform

The Group's financial position was considerably strengthened in 2010 by the rights issue and corporate bond loans. All together, the SAS Group had a financial preparedness of SEK 10.2 billion at year-end, a stable position that offers confidence to customers and investors and flexibility to handle unexpected events.

Sustainability

In September, after more than a year and a half of work, SAS received its ISO 14001 and EMAS certification. SAS is the first

A strong platform to take SAS into a new phase

airline in the world to hold both certificates. In 2010, we reduced our relative CO₂ emissions per passenger km by 5% to 121 grams. Restated in absolute terms, we reduced our total CO₂ emissions by 3.7% compared with the year before.

The challenges

After having greatly reduced capacity through the first six months of 2010, the Group is redirecting its focus to open new profitable routes and grow. It is pleasing to achieve a cost level where growth is profitable, while equally disciplined leadership and strict follow-ups are needed. Decisive for the Group's continued performance is the ability to continue lowering costs and streamlining production, also during an economic upswing.

A cost gap still remains if we compare with competitors in our home market. To achieve long-term profitability, we must close this gap completely and in full. The greatest difference is with regard to productivity and total level of compensation for flight personnel, but with renegotiated collective agreements, new recruitments are made on more market-based terms. As we are now gradually expanding operations, we will experience a new positive effect, as every new recruitment is made at comparable terms with our competitors.

Another challenge for SAS and the airline industry is to find a better balance in the value chain. In the implementation of Core SAS, air traffic charges are the only cost item that is not reduced. In an industry that has seen its worst crisis ever, with several bankruptcies, it is important that all participants in the value chain streamline operations and contribute to reducing costs.

Outlook

We have taken important steps in the right direction, but there is still potential to realize in the Group by continued the streamlining and development of our customer offerings. I now welcome Rickard Gustafson to lead this work as our new President and CEO.

Stockholm, March 2011

*John S. Dueholm
Acting President and CEO
(until January 31, 2011)*

I assumed office on February 1 this year, and thereby also the duty to generate sustainable profitability in the SAS Group. SAS has had some very demanding years, and, despite the economic turnaround, the situation for the entire airline industry remains challenging.

I am impressed by how the Core SAS cost program has been implemented and the results that have been achieved. Core SAS will be completed, and I will now start efforts to define the direction after Core SAS. We will certainly continue to develop the commercial offering and streamline operations to maintain and develop SAS's position as the Nordic region's leading airline.

The balance between supply and demand is improving, but there still remains an imbalance in certain markets, with surplus capacity and unstable pricing, with subsequent pressure on yields. During the financial crisis of recent years, we have witnessed a number of airlines with financial difficulties, and the industry has still not recovered completely.

We believe in continued tough competition, but competitors are now encountering a more efficient SAS, a SAS that will grow profitably in line with the market.

Continued optimization and customer focus

2010 had a strong negative earnings performance, mainly due to major nonrecurring items, but the SAS Group turned the trend and several key figures and the underlying earnings trend are now clearly heading in the right direction. Core SAS, with major cost-cuts and focus on core operations, has been the right strategy and crucial to the survival and competitiveness of the Group. In an industry that offers basically similar services, transporting people, punctuality, networks, service, quality, simplicity and availability are the factors that distinguish a carrier. SAS has a history of being among the best in the world in these areas. Our customer satisfaction is increasing and our punctuality is of world-class standard. We must utilize and further develop all this. I will work hard to create conditions for profitable growth. Efforts will be marked by cooperation and



communication, by focusing on employees and performance with passionate customer focus. Our long-term targets for earnings, the environment and sustainability remain firm.

Full-year 2011

I want to point out that seasonally, the first quarter is the weakest for SAS. Combined with overcapacity, mainly in January and February, earnings are also expected to be negative for the first quarter of 2011, but at the same time, better than for the corresponding quarter in 2010. Given continued recovery in the home market, and that no unexpected events occur, the prospects are favorable for the SAS Group being able to achieve positive income before tax for full-year 2011.

Stockholm, March 2011

*Rickard Gustafson
President and CEO*

SAS strengthens its strategic position

Within the frame of Core SAS, the SAS Group has worked with cost and capacity adjustments and implemented major savings through personnel cut-backs and other cost-reducing activities. In addition, the Group has adjusted and focused on core operations, thereby reducing risks and exposure. SAS has strongly improved its competitive situation following the implementation of Core SAS.



Savings measures and the completion of Core SAS will strengthen the Group's competitiveness and SAS has greatly improved its position compared with its most important competitors.

Stable financial platform

SAS's liquidity was strengthened in 2009-2010, through measures that included a rights issue totaling approximately SEK 11 billion. In 2010, cash flow significantly improved, which signifies a break from the previous years' negative trend. There are opportunities to further strengthen cash flow in the years ahead. At December 31, 2010, the Group had a financial preparedness of SEK 10.2 billion.

Strong brands – SAS, Widerøe and Blue1

The Group has strong brands that support the business strategy and contribute to achieving strategic business objectives. See page 13.

Unit cost on par with competitors

Scandinavian Airlines' total unit cost fell approximately 8% in 2010. Within the framework of Core SAS, the target is to reduce the unit cost level in line with the most important competitors in the market, taking into account that SAS provides a premium product. Once Core SAS is fully implemented, SAS will be very close to its target, although further measures will be undertaken.

Positive trend in payroll expenses

In 2010, agreements were reached with the unions on annual savings of MSEK 500. In total, collective agreements under Core SAS have been reached for approximately SEK 2 billion. In addition, collective agreements exist with a remaining cost gap for

SAS of approximately MSEK 700-800 in total compared with terms at competing airlines.

SAS personnel cutbacks have reduced average personnel employment time, which affects pay levels. Within the next ten years, one third of flight personnel will reach retirement age, generating future potential savings of approximately MSEK 400.

Decisions to modernize the fleet

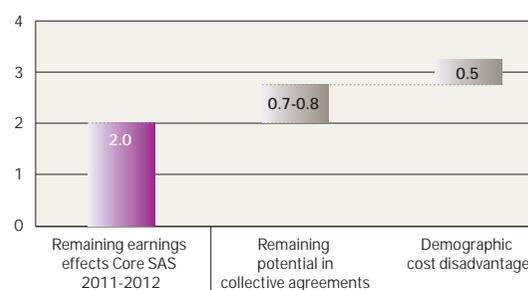
The SAS Group's aircraft fleet already consists 75% of "new generation" aircraft, with a useful economic life until 2018-2020. In connection with capacity reductions through Core SAS, a large number of older aircraft have been phased out.

SAS has decided to phase out Boeing 737 Classic in Oslo and MD-80 in Stockholm. Remaining older aircraft will gradually be phased out during 2011-2016, and SAS's fleet will, with few exceptions, consist of "new generation" aircraft. The modernization of the fleet will further reduce SAS's unit cost. More about the fleet, see pp. 46-47.

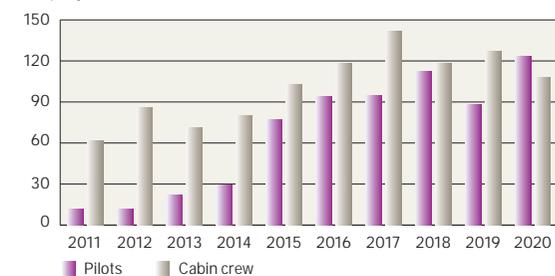
Other measures taken with regard to SAS financial plan

A majority of the Group's pension plans are defined-benefit plans managed by insurance companies. At year-end, the Group had a positive difference between funded assets and liabilities amounting to approximately MSEK 300 and unrecognized actuarial losses and plan amendments totaling approximately SEK 10.2 billion, amortized over the average remaining period of employment. The proposed changes regarding accounting policies will probably come into effect on January 1, 2013 at the earliest. As a result of this change, accumulated actuarial losses existing on the effective date must then be recognized in their entirety in shareholders' equity. The change in the accounting policies will not have any effect on SAS's liquidity. SAS has an exposure totaling SEK 1.9 billion in capital lent to former subsidiaries, see table below.

Remaining earnings effects and cost gap
SEK billion



Scandinavian Airlines expected retirements
No. per year



Retirements are based on retirement at 60 years, and retirement for current personnel older than 60 years at 65 years.



The SAS Group's **Business concept**

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

The SAS Group's **Commercial focus**

- Maximized customer value with new services.
- Competitive prices with more bonus programs.
- Flexible and cost-effective business travel.
- Committed and responsible environmental effort.
- The Nordic region's largest route network with attractive departure times, the highest frequencies and best punctuality.

The SAS Group's **Vision**

The obvious choice.

The SAS Group's **Objectives**

The SAS Group's overall goal is to create value for its owners. One of the Group's profitability targets is an EBT margin of 7%.

Value-driving main factors

- Economic activity: GDP, export development and subsequent demand for business travel.
- The capacity offering from the market and SAS in the future - degree of market balance and overcapacity.
- Price adaptation of the market and SAS.
- SAS commercial platform, Added Value Services.
- Fuel, currency and degree of hedging.



SAS's strategic focus - Core SAS

Core SAS was launched in February 2009 and is expected to be fully implemented in 2011, but also with earnings effects during 2012. Core SAS is based on five pillars and shall ensure a more effective, profitable and competitive SAS.



Important milestones in Core SAS

- New, streamlined organization.
- Cost initiatives of SEK 7.8 billion
 - 86% implemented.
 - SEK 2 billion in remaining earnings effects 2011-2012.
- Stronger capital structure and reinforced financial preparedness.
 - Rights issue completed.
 - Additional financing of SEK 3.2 billion assured.
- Capacity and fleet reductions completed.
- Reinforced customer offerings provide increased customer satisfaction.
- Improved cash flow.

→ Pillar 1

Focus on the Nordic home market

Core SAS focuses more clearly on core operations and the Nordic home market. The Group companies that are not included in core operations are primarily sold or outsourced. See Individual Holdings page 37.

Market conditions have gradually improved and SAS is now seeing increased business travel, which is contributing to the platform SAS needs for profitable growth. The SAS Group transported a total of 25.2 million regular passengers in 2010. SAS's target is to grow at the same rate or faster than the market. The Group's passenger load factor increased 3.3 pts. to 74.2%, see page 56.

→ Pillar 2

Focus on business travelers and strengthened commercial offering

Following the launch of Core SAS, SAS's commercial model was re-inforced and the "Service And Simplicity" concept was launched to further maximize customer value. Within the framework of this, for example, an expanded EuroBonus program was introduced with many new offerings. Service And Simplicity means:

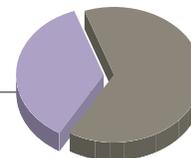
- being punctual
- flying where customers want to fly
- minimizing travel time
- maximizing the customer-experienced value during the flight
- making it easy to travel

Service And Simplicity has contributed to improved customer satisfaction and in 2010, customer satisfaction for Scandinavian Airlines totaled 69. The focus on business travelers involves the shutdown of unprofitable routes, especially to leisure destinations, and that capacity was reduced by 21 aircraft starting with the winter program 2010. With a better cost base, there are now conditions for profitable growth and expanded capacity. A higher frequency of flights, a broader network and better punctuality will mean greater competitive advantages. The SAS Group's commercial offering is described in detail on pp. 16-17.

Status Core SAS	Target	Implementation	Potential och result
Capacity change adaption	-20%	Complete	Fully implemented
Number of employees	-4,600	According to plan	600 FTEs remain to be implemented by 2012
Cost program, SEK billion	7.8	According to plan	Remaining effect on earnings, SEK 2 billion
Divestments/outsourcing	The majority of the planned divestments of non-core businesses have been implemented		

SAS Group's market share, Nordic Region

SAS Group's share of the Nordic market 36%



Source: Aviation statistics.

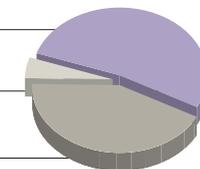
SAS is the leading airline company in the Nordic market, which has a population of 25 million.

Breakdown of SAS customer categories 2010

Business travelers 50-55%

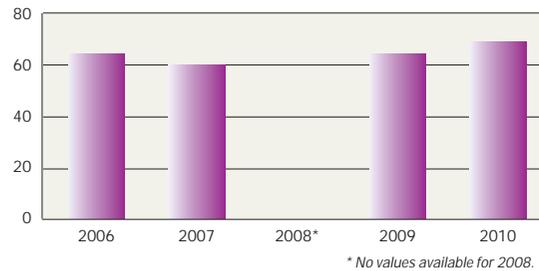
Charter 5%

Leisure 40-45%



SAS focuses on having a strong commercial offering that is adapted to the needs of business travelers that represent a larger percentage of revenue than other categories. At the end of 2010, the market improved, which brought a stronger demand for business and leisure travel.

Scandinavian Airlines customer satisfaction
Customer Satisfaction Index (CSI)



Attracting both business and leisure travelers

SAS and its partners offer flights to a very large number of destinations, primarily from and to hub airports, and have more departures than competitors at convenient times, with a price model attractive to both business and leisure travelers.

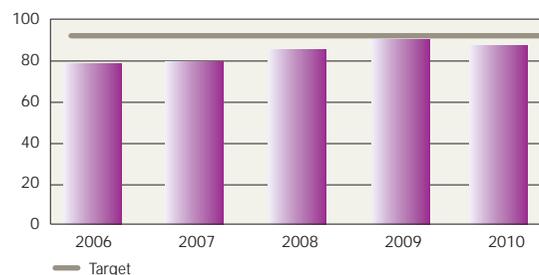
For example, customers who choose to travel in Business/Economy Extra are offered separate check-in and Fast Track. Business and gold customers are also offered access to lounges. While there are offerings on all departures for those who prioritize low fares, the number of low-fare seats can differ depending on when travelers book. Pricing is governed by demand.

→ Pillar 3

Improved cost base

An important part of Core SAS is the cost program whose purpose is to improve SAS's profitability. When the cost program was

Scandinavian Airlines punctuality
% within 15 minutes



Implementation of the cost program*

MSEK	Implemented as of Nov. 30, 2009	Implemented as of Dec. 31, 2010	Total potential 2009-2012
Flight operations	900	1,900	1,900
Ground	400	550	900
SAS Tech	600	1,350	1,800
Sales and market	350	650	700
Purchasing	300	400	400
Blue1/Widerøe/Cargo	400	550	600
Administration	550	1,250	1,400
Other	0	50	100
Total	3,500	6,700	7,800

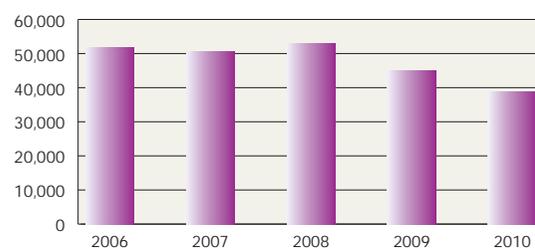
* The program has expanded since 2009, which makes comparison indicative.

launched in February 2009, it included savings of SEK 4 billion. The cost measures have constantly been adjusted to meet receding demand and increased competition and in December 2010, the program included cost-reduction activities totaling SEK 7.8 billion.

Implementation of the cost savings within Core SAS have been carried out according to plan. In total, SEK 3.1 billion was implemented in 2010. The largest savings have occurred within the operative flight operation, SAS Tech and administration.

Of the total cost program of SEK 7.8 billion, 86% or SEK 6.7 billion has been implemented. The achieved earnings effect for 2010 was SEK 3.6 billion. Remaining earnings effects from the cost program are estimated to total around SEK 2 billion during 2011-2012, of which approximately SEK 1.5 billion is expected to affect the result in 2011.

SAS Group's operating expenses
MSEK



Investment highlights from Core SAS

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

- 127 destinations, 59 of which are within Scandinavia and 9 in Finland.
- Over 25 million passengers carried in 2010.
- Access to over 1,100 destinations and a global network through Star Alliance.

Operational quality

- Scandinavian Airlines was Europe's most punctual airline in 2010.

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

- SAS has attractive offerings to business travelers.
- SAS has the most frequencies to business destinations.
- A strong loyalty program, EuroBonus, with 2.7 million members.
- Many new products in the product range. SAS will be one of the world's first airlines to offer Internet connection onboard and mobile services on both short and long routes.
- Low-price offers/campaigns fill up available capacity, increase the passenger load factor and attract the leisure travel segment.

Successful implementation of Core SAS according to plan

- The measures in the Core SAS strategy are being carried out according to plan.
- Reduced risk through the sale of non-core holdings.
- Implemented capacity reduction by 20% of ASK, equivalent to 21 aircraft.

SAS is well-positioned for the macro-economic recovery

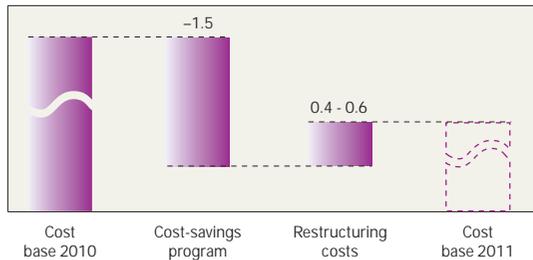
- The market is entering a recovery period, with greater demand and adjusted available capacity.
- Positive historical correlation between GDP growth and total traffic revenue.

Strengthened liquidity and capital structure

- Improved cash and financial position through rights issues in 2009 and 2010, positive cash flow and renegotiated loan conditions on credit facilities.



Core SAS cost-savings program - unit cost effects 2011
SEK billion



Estimated cost-base effect, excluding normal inflation och costs for increased capacity.

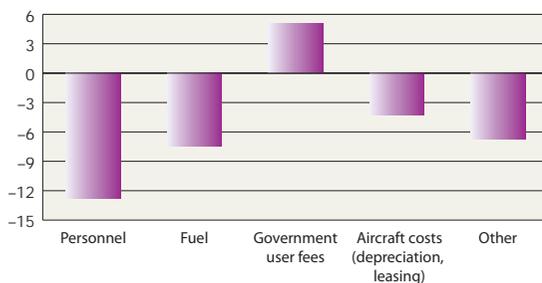
→ Pillar 4

Streamlined organization and customer-oriented culture

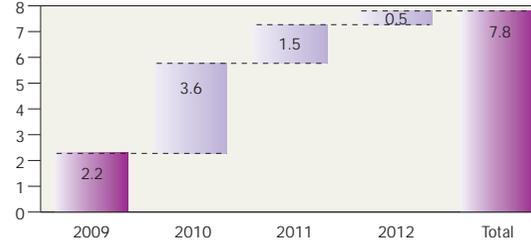
The Group's organization has been simplified, which has led to a much more efficient SAS with a stronger customer focus. The flight operation has been centralized within Scandinavian Airlines, and in addition to Scandinavian Airlines, consists of Blue1 and Widerøe. In 2010, further steps were taken to simplify and streamline the organization. The Commercial and Sales units have been combined and a simplified and centralized staff structure with shorter decision-making paths has been adopted to further centralize production and production management. The organization for technical maintenance has also been simplified, whereby SAS Tech has been integrated into Scandinavian Airlines.

Implemented measures within the Core SAS strategy have

Unit cost by area 2010
% compared with 2009



Core SAS breakdown of earnings effects 2009-2012
SEK billion



improved underlying profitability. There are more passengers and the aircraft are more full. Customer surveys also show that customer satisfaction with SAS service is increasing. Unit costs have been reduced by 7.8% compared with 2009.

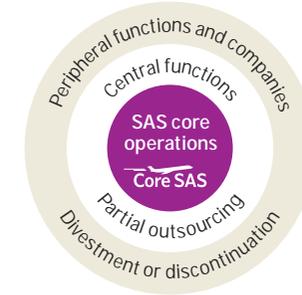
The Group's business model

The SAS Group carries out flight operations in Scandinavia under three brands:

- *Scandinavian Airlines*, comprises the flight operations, as well as aircraft maintenance, ground handling and air freight.
- *Blue1* is a wholly owned subsidiary based in Finland.
- *Widerøe* is a wholly owned subsidiary based in Norway.

Along with certain shared services and management functions, these three segments comprise Core SAS.

Business model with efficient decision-making organization



By focusing on the core operation in the Nordic Region and divesting unprofitable operations, the Group's risks have been reduced.

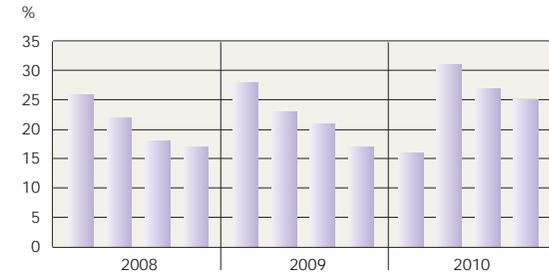
→ Pillar 5

Strengthened capital structure

SAS has strengthened its financial preparedness (cash and cash equivalents and unutilized lines of credit) to over SEK 10 billion in order to be able to handle unexpected situations and weakened macro-economic development. Support from owners and financiers remains strong. Two preferential rights issues totaling approximately SEK 11 billion were carried out in 2009 and 2010, and conditions for credit facilities of approximately SEK 5 billion were renegotiated in 2010.

The SAS rights issue for 2010, totaling approximately SEK 5 billion, was oversubscribed by 50%. In addition, bond loans and convertible bond loans at a nominal amount of approximately SEK 3.2 billion were issued in 2010.

SAS Group's financial preparedness



SAS – an attractive employer

SAS has had a tough journey and the Group is going through restructuring measures, tough savings programs and efficiency measures to create conditions for profitable growth. SAS has implemented major personnel cutbacks and focused intensely on responsibility in these change processes.

SAS's culture – a customer-focused employment

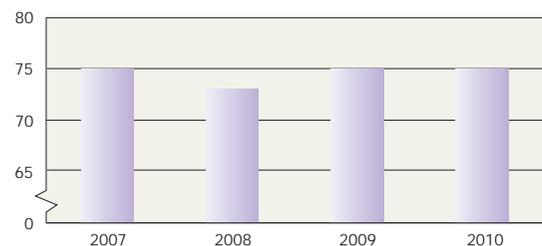
SAS is characterized by an international environment and has employees of many different nationalities. Most of SAS's employees meet customers every day, directly or indirectly. It is in this meeting with the customer that value is created. Everything that is done in SAS should focus on improving this meeting.

SAS works actively with health, occupational health and performance, in line with the Group's values: *Value creation, Reliability, Consideration and Openness*.

SAS's vision is to be *the obvious choice* - also from an employee's perspective.



Customer-experienced treatment
SAS personnel, index



Management for the development of SAS

Management development in the SAS Group is important, and despite cutbacks, SAS invests in the development of its managers. SAS has created a role model that clarifies the Group's needs and the leadership qualities needed to further develop SAS.

Consistent, honest and reliable. In other words, a manager who is self-aware and mature, and works on the basis of his/her best personal qualities. SAS managers deliver business-related results based on the customer's needs, with and through motivation and development of their co-workers. The three most important activities for management development in the SAS Group are as follows:

- Development seminars for Top 100 approx. twice a year.
- Nine-day management development program for all managers (about 1,100).
- Master's degrees in cooperation with BI Handelshøgskola in Oslo for about 50 selected managers per year.

On average, each employee of the SAS Group participates in about three days of skills development and takes three interactive courses per year.

Diversity and equality

The purpose of the SAS Group's social composition is to reflect society. The equal value of all people is the basis for all individual assessments, for each recruitment and other Human Resources purposes. The Group's work on equal treatment includes diversity and equality in all its forms. Every year, an equal treatment plan is drawn up based on analysis and mapping of everything from sick leave to harassment and bullying. More about employees and sustainability, see pp. 128-131.

The Group's brands

Strong brands

SAS's customer satisfaction and its brand continue to grow stronger due to the Group's professional personnel who receive high marks for customer relations and service and also due to Scandinavian Airlines' punctuality, which is the best in Europe.



SAS
Market leader in Sweden, Norway and Denmark.



Widerøe
The Nordic Region's largest regional airline.



Blue1
Strong second place in Finland.

The brand's promise - Service And Simplicity

Service And Simplicity is the SAS brand promise that is to characterize the SAS Group's culture. SAS will further enhance its customer offering by making the travel experience smoother, while at the same time maximizing value for the individual customer. The Service And Simplicity concept shall permeate the entire Group, management and employees alike.

Brand positioning: The Group's brand positioning is based on:

- What customers demand
- What we are best at
- Profitable positioning in line with our strategy, Core SAS.

Values

SAS's comprehensive shared values form the basis for our actions.

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

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

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

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

Cost awareness and competitiveness

The implementation of the Core SAS cost program will result in more efficient internal processes and lower unit costs, thus creating conditions for being able to offer tickets at competitive prices. SAS's innovative product concept, extensive network and partner cooperation gives the Group strategic advantages compared with competitors in the low-price segment.

SAS's strong offerings

- Largest number of frequencies.
- Alternative service classes.
- Expanded network with Star Alliance.
- Attractive landing and departure times at hub airports
- Smart and effective services such as e-mail check-in, Fast Track and lounges for business passengers.
- The Nordic Region's foremost loyalty program.
- Punctuality and minimized travel time.

Economies of scale

Within the Nordic Region, the SAS Group has additional competitive advantages in terms of the size of its network, established brand and economies of scale in production. SAS carried out capacity reductions between 2008 and June 2010, but in 2011 a



SAS has a tradition of being one of the world's most innovative airlines and is constantly developing its products in order to offer customers reasonably priced trips with smart and efficient services.

cautious capacity increase is planned. It will primarily be carried out with existing personnel and, accordingly, economies of scale and the Group's unit cost will be further improved.

Differences in products and concepts

SAS offers a premium product with a higher service level and larger product content and also has the largest network. For example, LCC companies charge baggage and check-in fees, etc. Based on this, SAS and other network companies can charge a somewhat higher price compared with LCC companies and hybrid airlines. SAS's customer satisfaction surveys show that the airline became stronger during the year within the parameter "value for money".

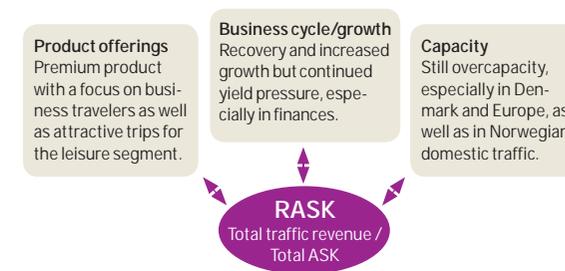
Price comparisons in SAS markets, with both low-price companies and network companies, show that the willingness to pay

is stable for a premium product with supplementary services on the ground and in the air and an extensive network.

Unit cost in comparison

Comparisons of unit costs between airlines are difficult and can be very misleading. For example, the number of employees per flight cannot be used due to differences in the percentage of outsourced personnel. An initial comparison of the unit cost between Scandinavian Airlines and Norwegian does not provide a correct picture. The operations differ significantly, which is why adjustments need to be made to achieve comparable figures.

Scandinavian Airlines RASK - value-driving factors



SAS cost-cutting measures 2001-2011

Program	Year	Scope ¹
Turnaround 2005	2001-05	SEK 14.2 billion ²
S11	2007-08	SEK 2.8 billion ³
P08	2008	SEK 1.5 billion ⁴
Core SAS	2009-2012	SEK 7.8 billion

¹ The cost programs cannot be totaled.

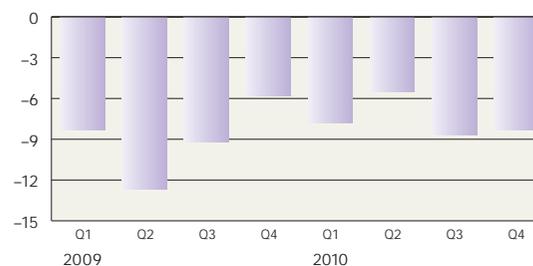
² Group programs also included the hotel business, Spanair, etc.

³ SEK 1 billion transferred to Core SAS.

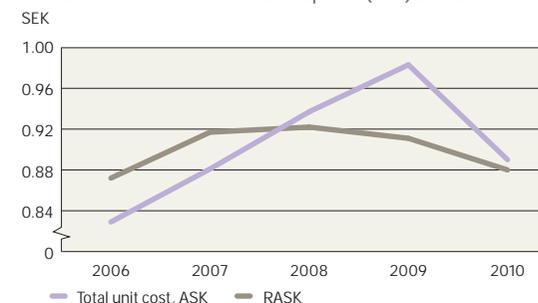
⁴ No unit cost-lowering effects in P08.

Scandinavian Airlines total unit cost 2009-2010

Quarterly growth, %



Scandinavian Airlines' unit cost development (ASK) and RASK



Scandinavian Airlines has extra revenue and costs for external ground handling, cargo and technical maintenance. The average flight length has a considerable impact on the unit cost. Norwegian has a longer flight distance and Scandinavian Airlines' unit cost has been adjusted to reflect this. The SAS Group has remaining earnings effects of SEK 2.0 billion that have been factored in to show future effects of these. The diagram below does not take into consideration possible efficiency measures at Norwegian since these are impossible to assess.

Unit cost versus cost per flight

Lower unit costs normally mean higher efficiency and increased competitiveness. In 2009 and 2010, Scandinavian Airlines' unit costs were reduced by 8.1% and 7.8% respectively.

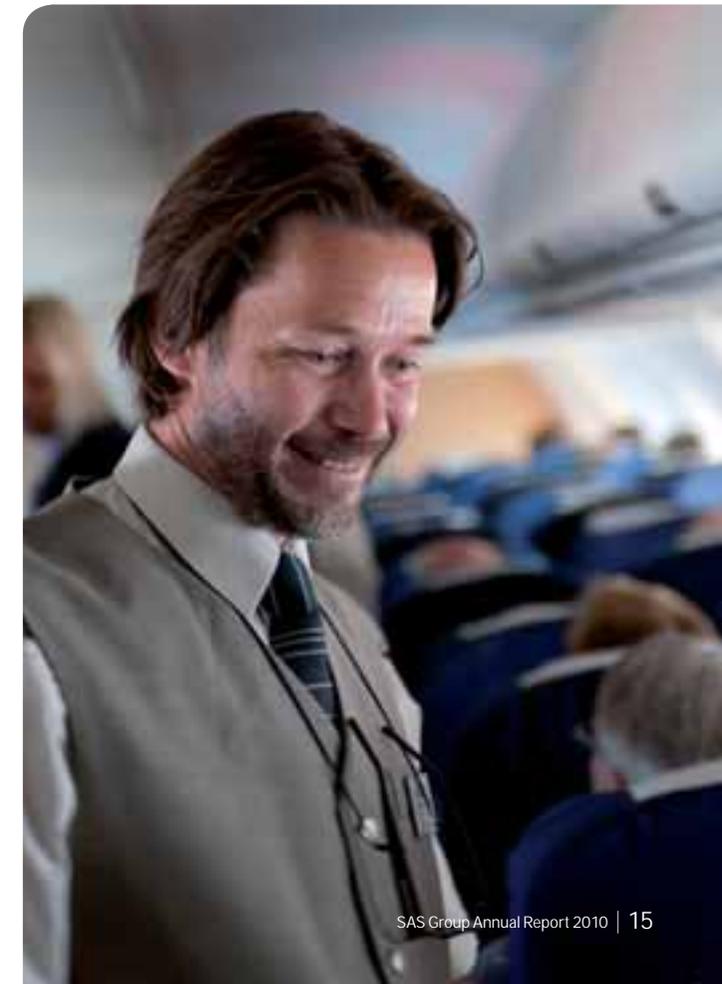
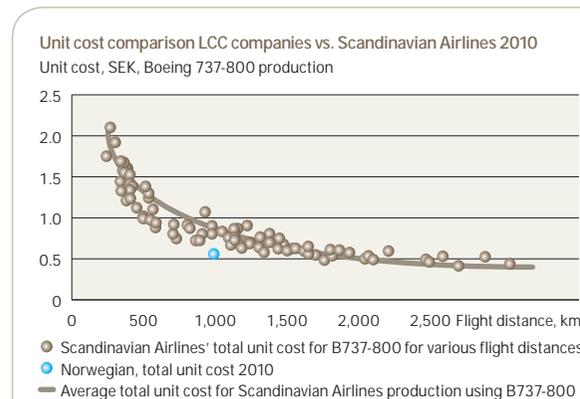
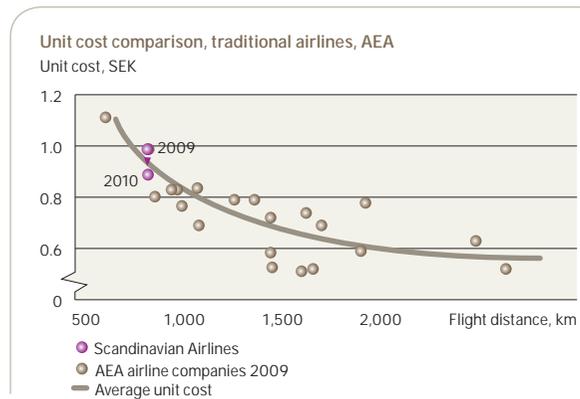
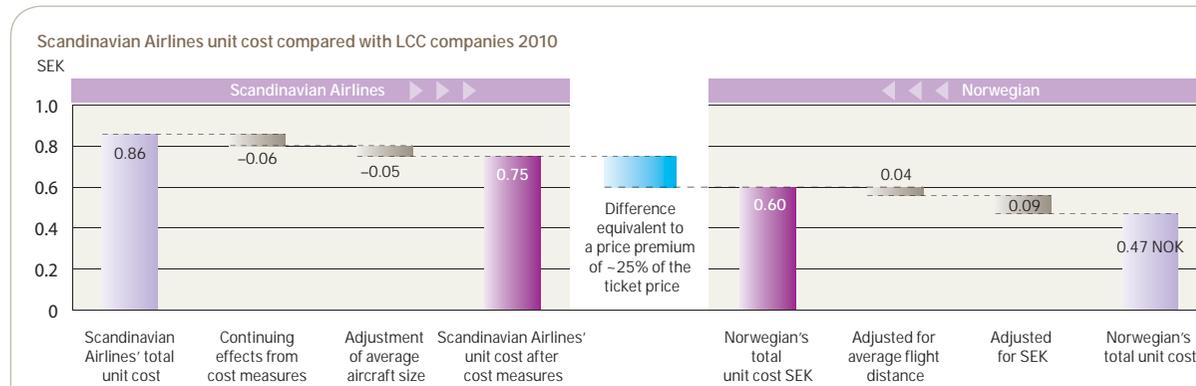
Unit cost reductions can be achieved through cost-efficiency measures, a changed business model, changes within frequencies, the network or adaptations to aircraft size. Several LCC companies reduce the unit cost by increasing the size of the aircraft. Larger aircraft often have lower costs per seat kilometer (ASK) but can be more difficult to fly profitably since it involves greater costs per trip and increased pressure on RASK.

Updated cost comparison 2010

Compared with SAS's key competitors, the unit cost difference improved in 2010. With comparable LCC's, the difference is currently approximately 25% based on the same aircraft type and flight distance. Given an average price premium of 15% due to difference in the service structure (food onboard, Fast track,

newspapers, lounges, network, EuroBonus, Star Alliance, etc.) then the remaining cost gap is around 10%. Approximately MSEK 700 of this refers to collective agreements and approximately MSEK 500 refers to demographic differences. Compared with traditional airlines such as Lufthansa, British Airways, etc., SAS's unit cost lies between 5% and 20% lower on comparable flight distances. Therefore, SAS has strongly improved its cost position through Core SAS. To close the cost gap after Core SAS, SAS needs to improve unit cost, and new measures will be initiated. For example, fleets in Oslo and Copenhagen will be harmonized to Boeing 737-700/800, which will provide additional effects on unit cost.

Definitions and concepts  see page 136.





The SAS Group's offering

SAS flies to over 100 cities in Scandinavia, Europe, North America and Asia. Service And Simplicity minimizes travel times and maximizes the customer-experienced value. With Europe's best punctuality and many new services, SAS has reached its highest customer satisfaction level ever.

The most destinations and convenient departure times

To provide greater freedom of choice, SAS cooperates with 27 airlines within Star Alliance™, which means that SAS travelers can travel to 1,160 airports in 181 countries around the world, primarily to and from major airports. SAS has a price model that attracts both business and private travelers.

Attractive offerings

SAS offers *Fast Track* with faster security controls for travelers in Business or Economy Extra as well as for EuroBonus Gold members. *Fast Track* is available at over 20 airports in Europe plus a number of intercontinental airports.

Travel Pass Individual is a prepaid personal card good for two selected destinations or within a specific zone. *SAS Travel Pass Multiple* is a flexible multi-trip pass for everyone in a company. *SAS Travel Pass Corporate* offers discounts on Economy Extra and Business tickets to many destinations.

SAS Lounges offer the possibility to quickly and easily connect to wireless Internet for free. Stationary computers where people can sit and work undisturbed are available if needed.

SAS plans to offer onboard Internet on both short and long haul routes. SAS will be one of the world's first airlines to offer Internet connection onboard and mobile services on both short and long haul routes. The service will be launched in 2011 and will be cost-free for customers in Business and Economy Extra and will also be offered for a fee in Economy.

SAS offers smart electronic solutions such as boarding passes, seat selection and check-in via mobile phone. In addition, it is possible to tag your baggage for deposit at the Baggage Drop, access wireless Internet in the lounges and also get free IP-telephony via Skype.

Beneficial offerings for everyone

- Freedom of choice on domestic flights**
 It is easy to fly domestic with SAS, which sells one-way tickets with the traveler able to choose between three types of tickets: Economy, Flex and Full Flex.
- Freedom of choice on European travel**
 With SAS "Europaflyget," it is easy to travel. SAS sells three types of one-way tickets that can be combined according to desires and needs: Economy, Economy Extra and Business.
- Freedom of choice in the world**
 SAS cooperates with 27 airlines within Star Alliance to serve more than 1,160 destinations. For intercontinental flights, SAS offers three different categories of tickets: Economy, Economy Extra and Business.
- Youth, Student and Last Minute**
 For those who are not yet 26 years old or are full-time students, it is possible to travel at beneficial prices with SAS Youth and Student tickets, which can be booked no more than 24 hours before departure.

Travel within Europe

Economy		Economy Extra		Business	
Ticket Change for a fee No refunds	Onboard CloudShop café CloudShop store	Ticket Changes allowed Full refund	Onboard Cold meal Drinks with food CloudShop store	Ticket Changes allowed Full refund	Access to SAS lounge Onboard Hot or cold meal Drinks with food CloudShop store
Before the trip Several check-in possibilities Flight info via SMS Daily paper at the gate	EuroBonus 25-100% EuroBonus Base points	Before the trip Several check-in possibilities Fast Track Security Flight info via SMS Daily paper at the gate	EuroBonus 150% EuroBonus Base points	Before the trip Several check-in possibilities Fast Track Security Flight info via SMS Daily paper at the gate	EuroBonus 200% EuroBonus Base points

Service And Simplicity



Booking
Easy reservations on the Internet.



Check-in
Check-in and select seat via mobile phone. Print boarding pass or get it directly in your mobile phone.



Boarding
Pick up your boarding pass in the Self-Service automat at the airport.



Baggage
Get your baggage tags at the automat. Then just leave your baggage at the SAS Baggage Drop.



Fast Track
With Fast Track Security, you pass security control faster.



Lounge
In the SAS lounges, you can work, have a bite to eat or just take a moment to relax before your trip.



Punctuality
Scandinavian Airlines was Europe's most punctual major airline in 2010, 2009 and 2008.



SAS Smart Pass – a simpler way to travel. SAS is one of the world's first airlines to offer Smart Pass, a mobile service, that helps travelers to save time at the airport. SAS Smart Pass is a convenient and simple way to travel ticketless and automatically identify yourself at both security control and at the gate. Initially, the service will be offered to EuroBonus Gold and Pandion members.

SAS and SJ (Swedish Railways) offer joint annual passes for frequent travelers. Through the arrival guarantee, SAS and SJ guarantee the trip from start to end.

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

SAS' new baggage concept gives all customers the possibility to check-in at least 23 kilos free of charge. Travelers in Economy Extra are allowed to check two bags weighing 23 kilos each, and in Business, two bags weighing 32 kilos each. In addition, carry-on baggage is always included when you travel with SAS.

With the new SAS American Express Corporate Card, companies earn even more SAS Credits on every trip at the same time as business travel is as safe and untroubled as possible.

SAS EuroBonus is the foremost loyalty program in the Nordic Region. EuroBonus points may be used for bonus trips or other attractive offerings. For more information see [page 18](#).

SAS is on the cutting edge of environmental work

SAS has worked for years in reducing its environmental impact. The Group's airlines are the only ones in the world certified in accordance with both ISO 14001 and EMAS. For example, SAS

makes active choices in regard to everything from food and drink to the selection of future aircraft for the purpose of realizing the Group's ambitious environmental targets. Offsetting its carbon emissions is a key element of SAS's environmental effort. This is how the Group addresses the issue of emissions that cannot be managed in any other way using existing technology. SAS compensates for all its own business travel with aircraft via Carbon Neutral.

Better business travel with SAS

When traveling in Business on intercontinental flights, you are guaranteed a travel experience beyond the ordinary. There is plenty of space for work, sleep or entertainment. The seats have built-in massage, smart compartments for a computer and other personal items.

SAS Corporate Booking is a simple and fast solution for companies that want to book SAS contract prices. Travel costs are lower through control against contract prices and a low service fee. Reservations are made easily with all information in an individual profile or through an administrator.

SAS Flight Info

SAS offers important flight information directly in mobile phones. Members of EuroBonus and customers with Travel Pass can subscribe to the services at no cost.

To keep customers well-informed about flights, SAS automatically sends out an SMS with information about possible delays or cancelled flights. The information is sent as from 22 hours before departure. In addition, travelers that subscribe can get a message with confirmed departure time and gate 2.5 hours before departure.

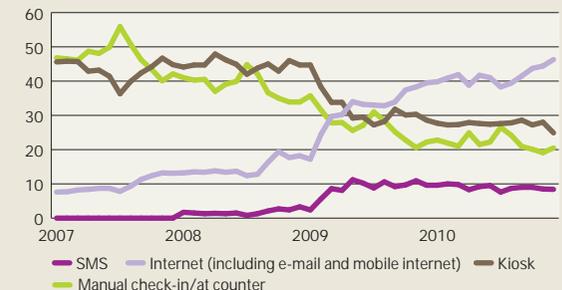


Scandinavian Airlines' low-price calendar makes it easy to find the lowest price. (Only available in Scandinavia).

SAS service commitment

- **SAS is punctual and saves time**
Scandinavian Airlines is Europe's most punctual airline. Fast Track, online/mobile check-in and more. Check-in 30 minutes before departure. 15 minutes to the gate, self-service, Flightinfo, broadcast SMS.
- **SAS lets you utilize your time**
Food and drink, lounges (incl. Star Alliance), ample leg room, in-flight entertainment, free newspapers.
- **SAS takes you where you want to go, when you want to go**
Most travel destinations with Star Alliance, flies to major airports. Most departures with good departure times.
- **SAS has the most attractive prices**
Price is becoming increasingly important, and at SAS, the low ticket prices include baggage, seat selection and refund rights. During the autumn of 2010, SAS carried out a campaign with over 1,000,000 inexpensive tickets. Not only was this the greatest effort by SAS ever, it was Scandinavia's largest low-price campaign ever.

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



EuroBonus increases customer value

SAS EuroBonus is one of the largest loyalty programs in the Nordic region with almost 3 million members. The program has been substantially expanded with partners outside the travel industry and now has more than 100 partners, such as airlines, hotels, rental car companies, debit and credit cards and shops.

Members can earn points on airline flights, hotels, rental cars and also on daily purchases. Earned points can then be used for bonus travel or other attractive offerings and members get more benefits the more they fly. At the higher membership levels they have the right to higher baggage allowance and access to SAS and Star Alliance lounges and FastTrack. SAS cooperates with selected partners

to offer more options. Through cooperation, more possibilities are given to earn and use points for flights, hotels and ground transport.

EuroBonus news

During the year, it became possible to upgrade the membership level, not only through the number of earned points, but also through the number of flights. This means that it is now easier for frequent flyers to achieve silver and gold status. Accessibility to EuroBonus travel has been improved whereby all SAS tickets, including one-way tickets, can now be booked with points. With a combined SAS EuroBonus credit card, points are earned in two different ways. Partly through ordinary EuroBonus points and partly through Extra points on all purchases. In that way, it is easier and faster to reach the point level for the next bonus trip.



SAS EuroBonus creates extra value

- SAS EuroBonus establishes a connection between customers and the Group's airline and its partners.
- SAS EuroBonus generates revenue for the Group through profitable partner cooperation.

SAS EuroBonus membership levels

Basic members have access to campaigns and attractive offerings as well as discounts on rental cars. They can use their EuroBonus card as an electronic ticket, e-ticket, and much more.

Silver members also get access to other benefits, such as separate check-in and more generous baggage allowances. In addition, Silver members get 15% more Basic points on all flights with the Group's airlines as well as discounts with our hotel partners and car rental companies.

Gold members have access to all SAS and Star Alliance lounges, highest priority on waiting lists, faster and more comfortable check-in and a series of special offers on hotels, rental car companies and much more. They also get 25% more Basic points on all flights with the Group's airlines.

SAS EuroBonus figures

- Over 1,160 destinations to travel to.
- 1 million bonus trips annually.
- 100 different partners to earn points with.
- 2.7 million members throughout the world.

Examples of new EuroBonus partners during 2010

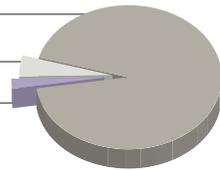


SAS EuroBonus members

Basic members 93.1%

Silver members 4.7%

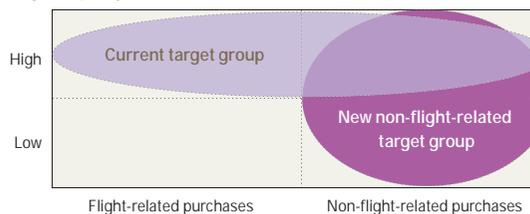
Gold members 2.2%



For member allocation per country, see fact pages [page 54](#).

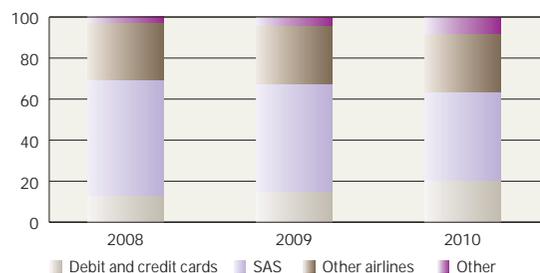
EuroBonus target group

Flight frequency



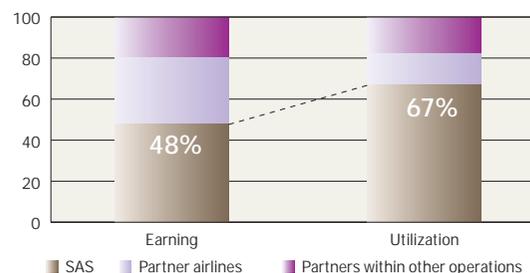
EuroBonus partners

Number



EuroBonus earning and utilization patterns

%





SAS cares about loyalty

EuroBonus is the leading loyalty and bonus program in the Nordic Region. As a member you earn points on flights, hotels, rental cars and also on daily purchases. All points earned can be used for bonus trips or other attractive offerings.

Star Alliance strengthens customer offerings

Membership in Star Alliance is the core of the SAS Group's global partner and network strategy. The 27 Star Alliance airlines offer 21,000 daily departures to 181 countries and carry over half a billion passengers every year. In addition, SAS works closely with 10 other airlines, which complements SAS products and networks.

Competitive products with major customer benefits

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

Star Alliance

The world's first and largest airline alliance, Star Alliance, was founded in May 1997 by SAS and four other leading carriers. New airlines are continuously admitted into the alliance, and in 2010, TAM Airlines (Brazil) and Aegean Airlines (Greece) became members.



The Group is continuing to develop its cooperation in order to offer an even larger network with better options and more destinations for travelers.

27 member companies

Star Alliance had 27 member companies at the end of 2010: Adria, Aegean, Air Canada, Air China, Air New Zealand, ANA, Asiana Airlines, Austrian, Blue1, bmi, brussels airlines, Continental airlines, Croatia airlines, Egyptair, LOT Polish Airlines, Lufthansa, Scandinavian Airlines, Singapore Airlines, South African Airways, Spanair, Swiss, TAM, TAP Portugal, Thai, Turkish Airlines, United Airlines and US Airways.

In addition to these, Air India and Ethiopian Airlines are expected to become members in 2011.

Bilateral partnerships

Besides membership in Star Alliance, the SAS Group cooperates with Estonian Air, Aeroflot, Rossiya-Russian Airlines, Cimber Sterling, City Airlines, Skyways, Icelandair and Ethiopian Airlines on a

bilateral basis. Each partnership is aimed at offering SAS Group passengers a wider range of destinations, a smooth travel experience and the opportunity to earn and use bonus points through EuroBonus with a large number of airlines.

Sustainable development

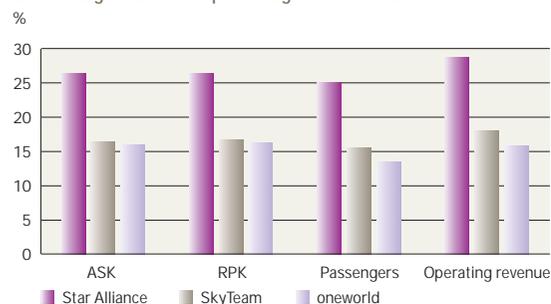
Star Alliance has agreements with three international organizations including UNESCO. The purpose of the initiative is to help bring about prudent use of natural resources in all countries and regions that Star Alliance members serve by taking responsibility and contributing to economic, social and environmental sustainability. Star Alliance has prepared guidelines for its members for how they shall work in their efforts to support fundamental human rights, labor rights, free competition and reduced environmental impact. SAS's sustainability activities adheres to these guidelines.

See pp. 128-129.

Purchasing cooperation within the alliance

SAS and a large number of Star Alliance members are working to intensify cooperation on purchasing. The intention is to establish joint purchasing of everything from aircraft fuel and airport handling to spare parts. The SAS Group and Star Alliance have the ambition to further develop this cooperation to create added value for their members.

World's largest alliances - percentage of world total

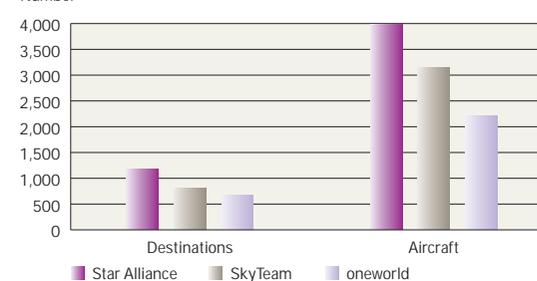


Sources: Airline Business magazine and the alliances' websites.

Star Alliance hubs

Europe	Ankara, Athens, Barcelona, Brussels, Copenhagen, Frankfurt, Helsinki, Istanbul, Lisbon, Ljubljana, London (Heathrow), Madrid, Munich, Oslo, Stockholm, Vienna, Warsaw, Zagreb, Zurich
Africa	Cairo, Johannesburg
North America	Charlotte, Chicago, Cleveland, Denver, Houston, Los Angeles, Montreal, New York (Newark), Philadelphia, Phoenix, San Francisco, Toronto, Vancouver, Washington D.C.
South America	Rio de Janeiro, Sao Paulo
Asia and Oceania	Auckland, Bangkok, Beijing, Chengdu, Guangzhou/Shenzhen, Osaka, Seoul, Shanghai, Singapore, Tokyo

World's largest alliances



Passenger flows North America 2010

SAS → Star Alliance	280,000
Star Alliance → SAS	260,000

AIR CANADA

UNITED

US AIRWAYS

Continental Airlines

Passenger flows South America 2010

SAS → Star Alliance	1,000
Star Alliance → SAS	25,000

LATAM

Passenger flows Europe 2010

SAS → Star Alliance	1,000,000
Star Alliance → SAS	1,020,000
SAS → Other partners	535,000
Other partners → SAS	250,000

Blue I.

Scandinavian Airlines

bmi

brussels airlines

SWISS

Austrian

LOT POLISH AIRLINES

Lufthansa

ADRIA

TAP PORTUGAL

Spanair

CROATIA AIRLINES

AEGEAN

IRISH AIRLINES

EGYPTAIR

AIR CHINA

ASIANA AIRLINES

ANA

Passenger flows Asia 2010

SAS → Star Alliance	90,000
Star Alliance → SAS	160,000

THAI

SINGAPORE AIRLINES

Passenger flows Africa 2010

SAS → Star Alliance	3,000
Star Alliance → SAS	25,000
SAS → Other partners	7,000
Other partners → SAS	6,000

SOUTH AFRICAN AIRWAYS

AIR NEW ZEALAND

Star Alliance in Brief

Member airlines	27
Number of aircraft	3,989
Number of employees	402,000
Passengers per year	534 million
Revenue (USD billion)	151
Daily departures	21,000
Number of destinations	1,160
Number of lounges	> 970
Countries serviced	181

* United Airlines and Continental Airlines merged in 2010 to become the Parent Company United Continental Holdings. However, the two airlines continue to be operated as separate airlines.

For more facts about alliances  see p. 57.





SAS cares about service

Our commitment to passenger service is nothing new. We have a long tradition of listening to our customers and have always been a leader in developing new services and benefits to meet current and future needs. It is very important that you feel good when you travel with us and we work hard to make all aspects of your trip even simpler.

Market developments and competitors

In 2010, the airline market in Europe was characterized by recovery, especially within intercontinental traffic, and the balance between supply and demand was stabilized. In Europe, the rate of recovery was affected by financial concerns in the euro area and by the ash cloud. Capacity for AEA airlines increased in 2010, at the same time as travel increased at a higher rate, which gave improved passenger load factors. Demand rose by 2.6%, which in certain markets stabilized the yield, especially for intercontinental traffic.

The European airline industry

In Europe and large parts of the rest of the world, there are characteristic network companies and LCC (Low cost carriers), as well as hybrids between these business models. Network companies' business model is based on an extensive network of long-haul traffic, shorter routes and regional partners. For Europe's largest network companies, profitability is based primarily on the premium tickets for long-haul routes. An important factor for profitability is to offer the most attractive product for business travel in combination with a comprehensive network.

The other larger business model, LCC, involves a scaled-down standardized product with a profit margin within the base offer,



Within the framework for Core SAS, SAS has implemented capacity reductions by approximately 20%. From 2011, SAS's target is to grow at the same rate as the market or faster.

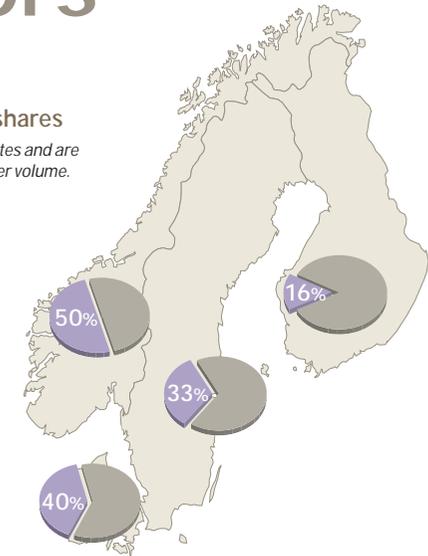
which is provided on routes with large passenger flows, primarily between major cities and/or tourist destinations. What is important for the LCC companies' profitability is a low unit cost and profitable supplementary offerings such as charging fees for baggage, printing of boarding passes, food and beverages on board, seat reservations, transfers, card fees, etc.

SAS's position in the home market

Through its extensive network and its product offerings, the SAS Group is primarily a network airline company. Through a relatively large percentage of medium and short-haul traffic, SAS is also exposed to the LCC companies' operations. Through the strong cost measures that are contained within the framework of Core SAS, SAS will have a unit cost that is close to the LCC companies and can therefore also carry out profitable operations in markets where there is competition from these companies.

SAS market shares

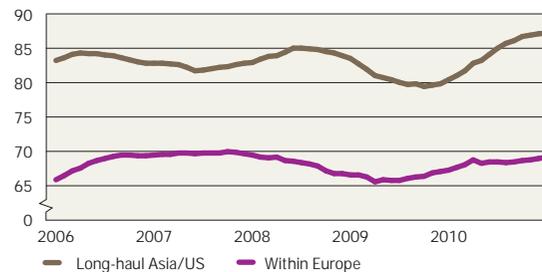
All data are estimates and are based on passenger volume.



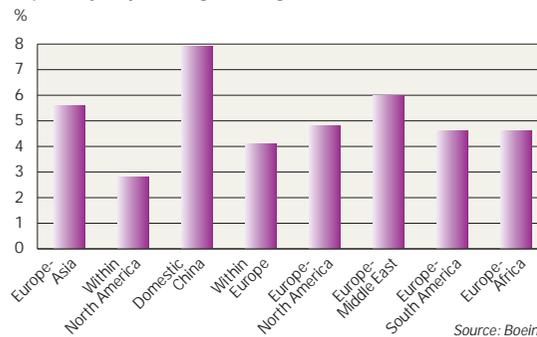
Exposure in Northern Europe

The Nordic airline market has sales of about SEK 100 billion and airlines within the Nordic Region transported over 91 million passengers in 2010. Even if the market is relatively large, there are still favorable growth opportunities for certain traffic flows and the SAS Group offers the most complete and competitive network in combination with an improved cost position.

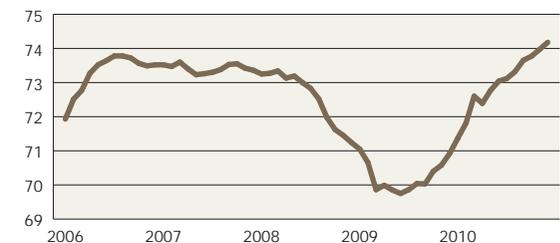
SAS Group passenger load factor
%, 12 month rolling average



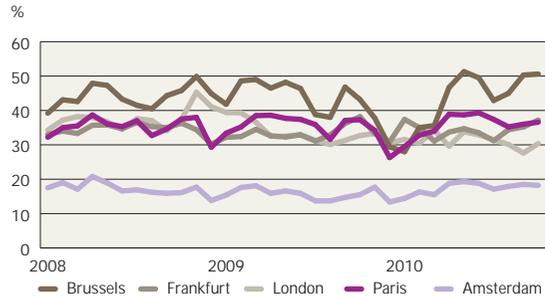
Expected yearly market growth in global traffic flows 2010-2029



SAS Group passenger load factor, total
%, 12 month rolling average



SAS's market share on key business destinations departing from Oslo, Stockholm and Copenhagen



Focus on business destinations

To offer the most competitive product for business travelers, SAS focuses on flying to business destinations. With the implementation of Core SAS, the route network was consolidated, which meant that 57 routes were discontinued, primarily to leisure destinations. During "off-peak", SAS can supplement the network and increase capacity utilization with attractive leisure destinations and certain charter traffic.

At the same rate as the market recovered during 2010, SAS decided to reinstate certain capacity and open new routes. The new routes strengthen SAS's focus on business destinations through the reintroduction of the routes Oslo-New York, Oslo-Munich, Oslo-Moscow and Copenhagen-Shanghai.

Europe's most punctual airline

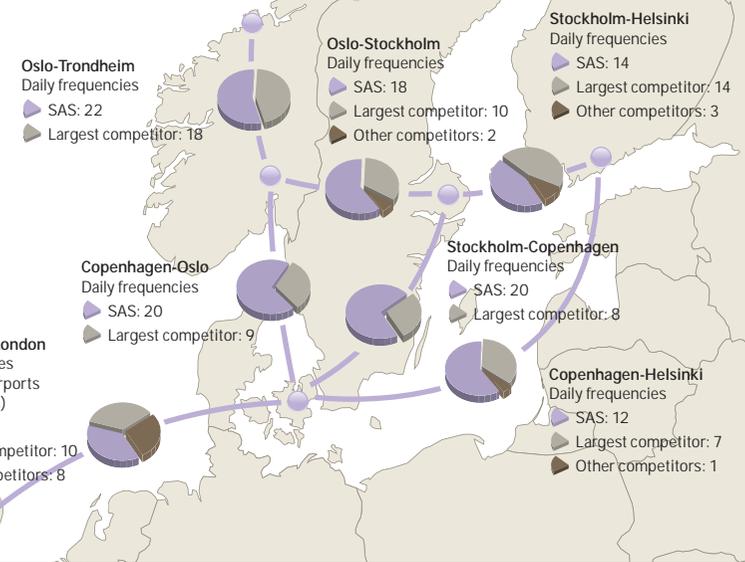
A high level of punctuality and regularity are important aspects of a customer offering aimed at the business market. Scandinavian Airlines was Europe's most punctual airline in 2010 and Widerøe was one of Europe's most punctual regional airline companies in 2010, which contributed to raising the satisfied

Punctuality at departure and regularity	Punctuality within 15 min.		Regularity	
	Target	Outcome	Target	Outcome
Scandinavian Airlines	91%	86.9%	98.5%	96.6%
Widerøe	90%	89.2%	98.5%	95.7%
Blue1	90%	79.5%	99.0%	95.2%

Key business destinations – network and frequencies

Daily frequency*	SAS	Biggest competitor
Oslo-Trondheim	22	18
Oslo-Stockholm	18	10
Oslo-London	10	8
Oslo-Bergen	22	19
Oslo-Helsinki	4	7
Oslo-Amsterdam	4	7
Oslo-Paris	5	3
Stockholm-London	12	11
Stockholm-Copenhagen	20	8
Stockholm-Gothenburg	15	16
Stockholm-Luleå	13	8
Stockholm-Helsinki	14	14
Stockholm-Amsterdam	3	9
Stockholm-Paris	4	6
Copenhagen-London	11	10
Copenhagen-Paris	20	9
Copenhagen-Helsinki	12	7
Copenhagen-Amsterdam	7	9
Copenhagen-Oslo	7	10
Helsinki-Oulu	9	15
Helsinki-Vaasa	3	5

* Source: APG, Jan-Dec 2010.



customer index. The SAS Group constantly introduces new services to minimize waiting times and improve service on the ground. One example of this is the self-service baggage check-in kiosks that have been introduced at certain domestic airports in Norway and Sweden.

Market performance in 2010

The market recovered during 2010 after the financial crisis of 2008-2009. Globally, traffic increased by 8-9% among IATA companies. In Europe, traffic increased by 2.9%. Traffic growth was impacted negatively due to airspace being closed in April because of the Icelandic ash cloud. The market for the intercontinental routes, mainly to Asia, was the first to recover. Accordingly, network airline companies with high exposure to this market benefited since the development in Asia was strong for both passenger and freight traffic, which resulted in an increased yield. In North America, the yield improved significantly even if traffic among AEA airline companies only increased by 0.3% during the year. In the Nordic market, pressure remained on the yield, primarily due to overcapacity.

Consolidation

The merger of British Airways and Iberia at the beginning of 2011 will probably not affect the Nordic market. The North American Star Alliance members, United Airlines and Continental Airlines, merged in 2010.

Capacity growth – globally and in the Nordic Region

Flight capacity increased on a global basis during 2010 by approximately 4% according to IATA. In Europe the increase was about 2.5%. In the SAS home market, the Nordic Region, capacity increased by approximately 8-9%, mainly in the Norwegian and Danish markets. This resulted in overcapacity and therefore declining yields and RASK. As a result of capacity reduction, the SAS Group was able to handle the drop in yield through an increased passenger load factor and marginally lower RASK.

For 2011, capacity is expected to continue to increase, primarily in Finland and Denmark. Public data sources show that the capacity in the Nordic and Baltic regions may increase by about 4-6%. Competitors in SAS's immediate vicinity have aircraft orders with delivery in 2011, which are expected to be placed in different markets.

SAS's capacity development and degree of utilization

In 2010, SAS continued to adapt capacity and restructure the network for the purpose of improving profitability as well as focusing the offering on business travel in line with the Core SAS strategy. With an improved unit cost, more routes will become profitable and the capacity can be increased at the same rate as market growth. In 2011, the SAS Group plans to increase capacity by approximately 6%, somewhat above the market's expected growth over the near future, about 4-6%. Additional capacity increases during the period 2011 to 2014 are planned through improved utilization of the existing aircraft fleet, which means that aircraft that have been leased out will be brought back into service with SAS and new aircraft will be leased. This will make the capacity increase very efficient and flexible in combination with investments being kept at a low level. For more information about the SAS Group's fleet, see [pp. 46-47, 59](#).

Price comparisons of extra fees in Europe

Many factors play a part in the comparison of the total price between SAS and LCC's. SAS's advertised prices include everything from check-in to fuel and taxes. The only restriction when you fly with SAS is the maximum baggage weight, 23 kilos of checked baggage plus 10 kilo hand baggage is included. LCC's charge extra for everything from check-in and baggage to printing out the boarding pass at the airport. SAS's total price is therefore often more advantageous and travelers already know what the price will be when they make the reservation.

The SAS Group's market share and yield

The SAS Group's capacity share of the market fell in 2010 by 3 percentage points to 29% as a result of implemented capacity reductions. The Group's market share in the Nordic market fell, but as a result of the improved passenger load factor, the market share decreased in terms of the number of passengers by only 1 percentage point, from 37% to 36%. Scandinavian Airlines' currency-adjusted yield fell during 2010 by 7.4% and RASK decreased by 0.2%. The stronger development in RASK is due to an improved passenger load factor by 3.5 percentage points from efficient capacity utilization and freight revenues. The SAS Group carefully follows the balance between supply and demand and strategically optimizes its production resources for the purpose of ensuring the market's best offerings.

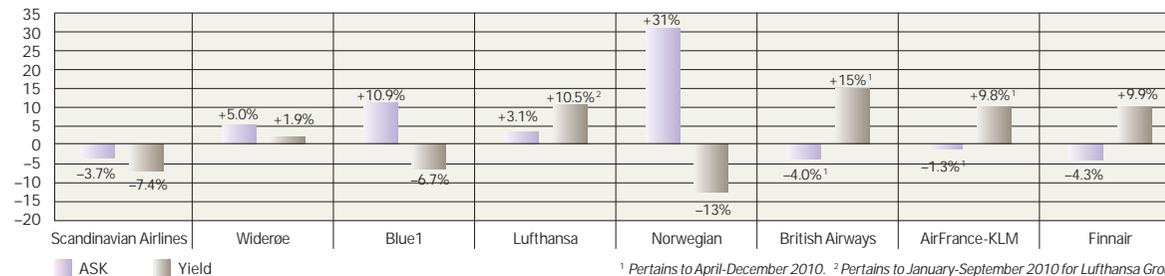


Always applies for SAS flights within Europe:

23 kg
free baggage
No extra fees!



ASK and Yield, percentage change 2010 versus 2009



¹ Pertains to April-December 2010. ² Pertains to January-September 2010 for Lufthansa Group.

Yield pressure often occurs when large capacity increases are made.





Flight capacity and market growth in SAS markets 2010

Nordic home market

Scandinavian Airlines

Norwegian
 Cimber Sterling
 Malmö Aviation
 Finnair

Widerøe

Norwegian
 DAT

Blue1

Finnair
 easyJet

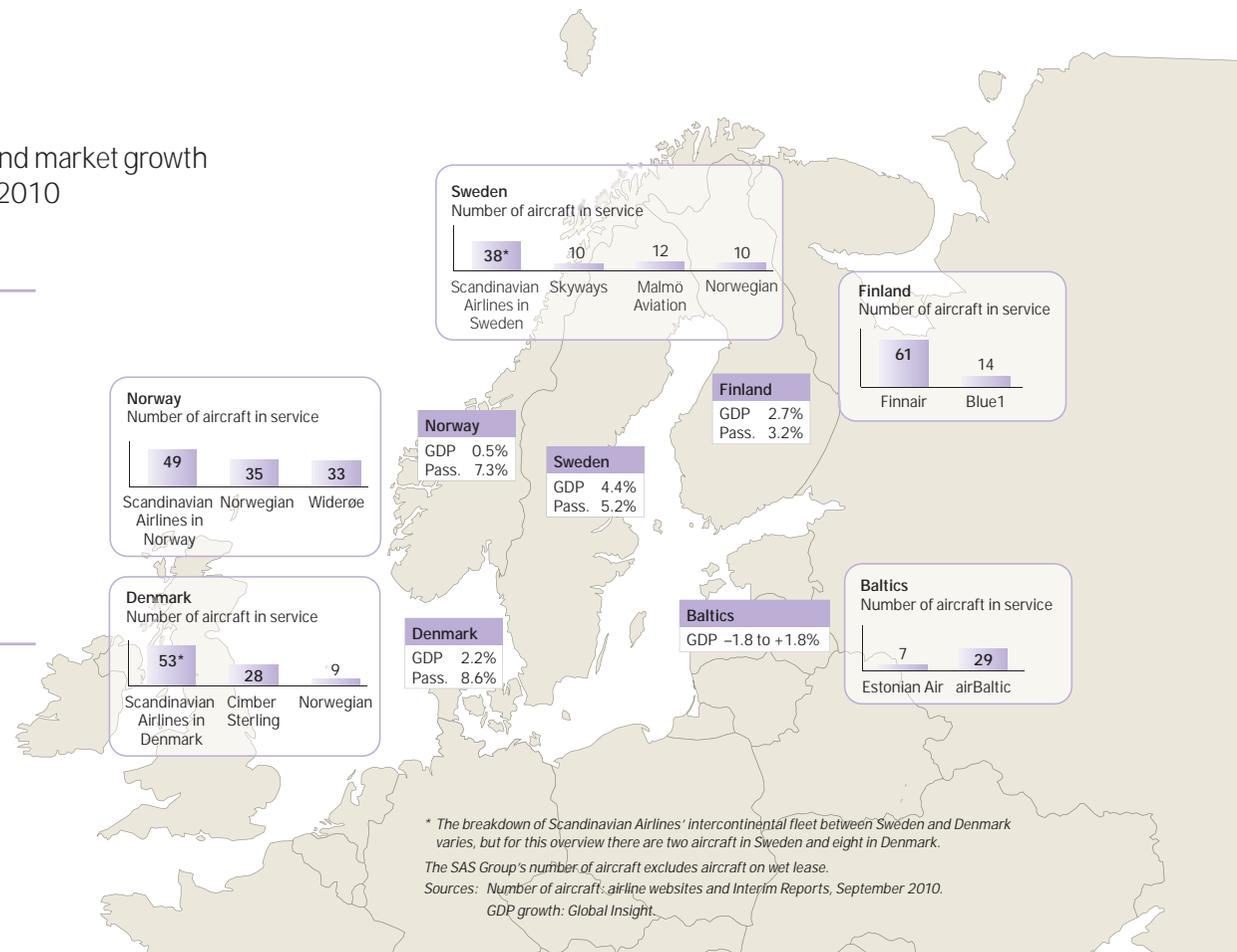
Europe & global

Scandinavian Airlines

Lufthansa
 Norwegian
 Air France-KLM
 Air Berlin
 British Airways
 Ryanair
 Finnair
 United/Continental

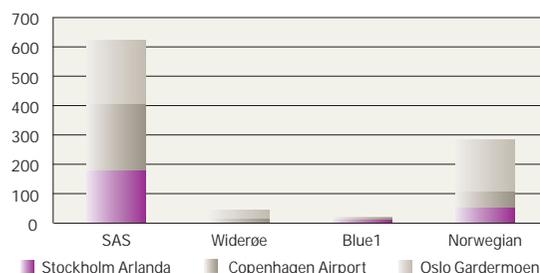
Blue1

Finnair



Departures from SAS hubs 2010

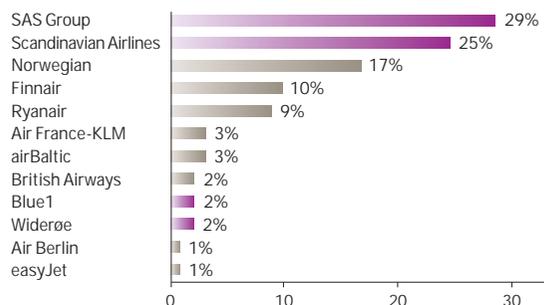
Per day



Source: APG

Market share Nordic region 2010

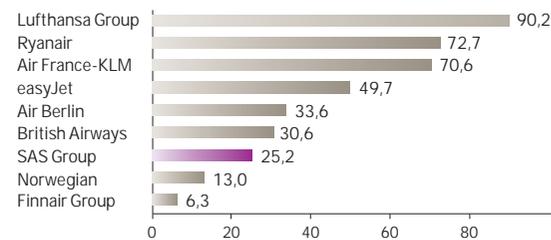
Based on production data, ASK



Source: APG

Total passenger volume 2010

Million passengers



Sources: Company reports.

The Core SAS strategy involves focusing on, and being a leader in, the Nordic home market. In addition to 25.2 million scheduled passengers, SAS also carried 1.3 million charter passengers in 2010.

Flight safety and quality

Aviation is a very safe mode of transport and 2010 was the safest year in aviation history according to IATA. The safety culture in SAS is based on values, competence and experience among employees. The safety culture includes actively learning, adapting and modifying individual and organizational behavior to constantly improve operations and reduce exposure to risk.

Safety work at SAS has a prominent position with a desire for constant improvements and a shared sense of the importance of safety for customers and for SAS. The Group's safety policy is documented and applied in the entire operation.

Development of the flight safety work in 2010

With new demands expected from the civil aviation authorities, SAS developed its risk identification and risk management efforts in 2010. As a complement to deviation reporting, data and information are collected systematically, which indicate possible weaknesses in flight and technical operations. In 2010, SAS deployed technical systems and procedures to enable the measurement of its safety status in real time in the future and to foresee potential risks. Automatic collection and collation of data from the entire organization, combined with logical processing of current and historical data, provides a view of future risk. By analyzing key data and trends over time, SAS can uncover areas that need additional attention and understand the effect of corrective measures taken. Transitioning from reactive to predictive identification of risks enables potential deviations to be corrected before they occur.

Comprehensive work was initiated within the technical area for the purpose of reducing complexity and the interface between different areas of responsibility and operations. A simpler and more transparent organization and consolidation of work tasks as well as a more thorough follow-up mean that potential risks can be reduced at an early stage. The work to ensure airworthy aircraft continues to be a prioritized area.

For the third consecutive year, a survey among SAS employees was carried out to evaluate potential flight safety activities. A high level of flight safety is based on the commitment and safety awareness of leaders and employees. Surveys show that the safety culture is very strong at SAS.

Flight safety and certification

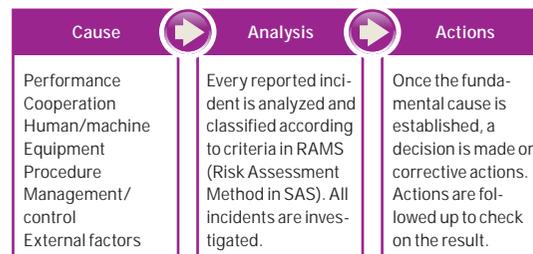
The SAS Group has a high flight safety level as a result of extensive procedures and quality control activities. The Group's airlines are IOSA certified, which can be seen as the airline industry's equivalent to ISO 9000. During 2010, SAS renewed its IOSA certificate for the fourth time in eight years without any adverse remarks in the audit.

SAS flight safety processes

Flight operations: Authority, Planning, Communication, Navigation, Monitoring, Cabin safety

Ground operations: Aviation security, Load control, Passenger handling Clearance, Hazardous goods, Abnormal situations

Technical operations: Operations, Planning, Materials, Service, Ground equipment



Scandinavian Airlines' Risk index 2008-2010



Reported incidents	Number of flights	R1	R2	R3	R4	R5
Flight operations		0	0	23	519	1,967
Ground operations		0	0	2	271	1,080
Technical operations		0	0	28	298	435
Aviation Security		0	0	0	62	403
Total 2010	243,336	0	0	53	1,150	3,885
Total 2009	258,187	0	0	30	809	2,898
Total 2008	303,486	0	0	76	1,027	3,100
Total 2007	300,096	3	1	62	1,254	3,271

R1: High risk.

R2: Elevated risk under all circumstances.

R3: Elevated risk under adverse circumstances.

R4: Non-elevated or elevated risk under extreme circumstances.

R5: Non-elevated risk, since the incident is not safety-related.

The SAS Group follows up on and reports incidents in internal risk categories to improve quality and decide on corrective actions. The SAS Group reports to the civil aviation authorities in Scandinavia according to ICAO regulations. Of these incidents, 952 were reported to the Scandinavian civil aviation authorities. Generally, the SAS Group reports in accordance with the directives issued by the EU, but if Sweden, Norway or Denmark have stricter regulations, reports are made in accordance with these regulations. Data is collected to identify potential risk areas and used to compare SAS in an international cooperation within IATA. SAS and 100 other airlines are connected to a common database, the "IATA Safety Trend Evaluation, Analysis & Data Exchange System," where they can access safety analyses focusing on global trends.

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

Policy framework for civil aviation and quality processes

Political and regulatory decisions affect SAS's results to a large degree. Large sums are at stake and new regulations affect the daily commercial operations. It is therefore of strategic importance to make use of the Group's interests in regard to political and administrative decision makers, both nationally and within the EU. SAS works individually and through the IATA and AEA to affect these processes.

The crisis that arose due to the Icelandic ash cloud in April 2010 illustrated the importance of clear and well-functioning framework conditions. For example, it was unclear what principles applied when airspace was to be closed due to the ash cloud. In addition, regulations are applied differently for compensation to affected customers in different countries and with different airlines.

Developments in the EU

During the year, the industry focused on lobbying decision-makers within the EU for the purpose of finding ways to increase the European airline industry's competitive power. In this respect, there are major differences with countries outside Europe where the role of aviation is valued in a totally different way. It is very important to avoid complex and costly legislation. Competition on equal terms is key. EU regulations are often in conflict with national legislation in countries outside the EU, which creates problems and costs. This applies for example to safety. Another real threat to the industry's

recovery is the initiative regarding increasing and new taxes, often for environmental reasons, which is apparent in the UK, Germany, Austria, etc. In the Netherlands, an airline tax was abolished after it was found that it damaged the national economy.

During the year, important decisions were made regarding the introduction of Single European Sky, a more efficient way to use European airspace. However, a solution must still be found in respect of financing.

During the year, the European Commission initiated consultations in regard to regulations for slot-allocation at airports and for passengers' rights in the event of cancelled or delayed flights.

In the bilateral area, a new air services agreement was reached between Scandinavia and China. The EU completed negotiations with the US and initiated new negotiations with Brazil and Israel.

Flights and the environment

The mutual, ambitious targets that the entire airline industry agreed on for the UN conference in Copenhagen 2009 were positively received by ICAO, which continued to have a key role after the climate meeting in Cancun. At the climate meeting, it was decided that a fund shall be created to finance climate change in developing countries, but it is still unclear how the fund will be financed. This requires continued efforts to prevent aviation from becoming a source of income, something that a large number of developing countries are actually against. SAS supports and promotes the achievement of unity regarding a global trade system for emission rights (ETS).

The EU's ETS system will be introduced for aviation in 2012. Airlines will be allocated emission rights based on traffic volume in 2010. Through improved fuel efficiency, expansion can occur and costs for extra emission rights can be kept down. However, the system has been legally challenged by US airlines and more than one hundred non-European states are against.

EuroBonus on Norwegian domestic flights

In December 2010, the Norwegian Competition Authority initiated an analysis of whether the current ban on bonus programs for Norwegian domestic flights shall be upheld. In view of the fact that the competitive situation has dramatically changed since the ban was introduced, SAS welcomes the review.

Infrastructure costs

Air traffic is unique since it is the only type of transport that fully pays for its own infrastructure costs. In 2010, SAS's total government user fees amounted to MSEK 7,210, which was 3.4% lower than the corresponding figure in the preceding year, but the unit costs measured per ASK increased currency-adjusted by 5%. The infrastructure costs are the only costs in SAS measured by ASK that are rising.

The intention of SAS and the entire airline industry was to seek reduced or unchanged fees for 2011. The EU commission

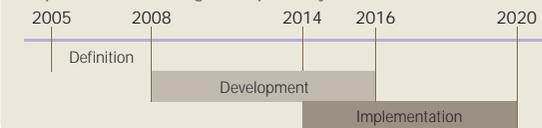
Aviation industry value chain



EU's comprehensive targets

- To facilitate a tripling of traffic with reduced delays on the ground and in the air.
- To increase flight security by a factor of 10.
- Reduce the environmental impact by 10%.
- Reduce unit costs for users by 50%.

Implementation of Single European Sky





2008-2010 SAS reduced its unit cost by over 15%, despite airport and passenger costs remaining high. SAS and the entire airline industry have intensified the dialogue with the relevant authorities with the goal of creating a better balance in the value chain.

has also given support to the issue. Unfortunately, it looks like the development is moving in the opposite direction.

SAS cooperates with the Scandinavian hub airports

SAS has taken the initiative for strategic and professional cooperation with the operators of the hub airports in Scandinavia (Arlanda, Gardermoen and Kastrup). The purpose is to have attractive airports that create the greatest possible customer value and where SAS has the possibility to develop its differentiation strategy both commercially and operationally. This also strengthens the regions' and Scandinavia's role as a travel and transport center in the Northern European/Baltic Region.

One example is POINT ARLANDA, a unique cooperation between the airport's players (LFV, Swedavia and SAS). This venture focuses on the traveler, enabling the optimization of every flight in terms of time, cost and environmental consideration. This shall occur with the help of mutual targets, resources and prioritizations. Another is World Class Transfer in Copenhagen, where SAS and CPH have minimized customers' transfer times, reduced resource usage and decreased the environmental impact.

MSEK	Airport fees	Overflight fees	Total
Denmark	1,085	156	1,241
Norway	1,533	269	1,802
Sweden	867	298	1,165
International	1,391	695	2,086
Scandinavian Airlines	4,875	1,417	6,292
Widerøe & Blue1	738	179	917
SAS Group total	5,614	1,596	7,210

SAS Group Security Standards

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

IT security

The SAS operation is under constant change with increasingly higher demands for enhanced service and flexibility. At the same time, the world is changing, and criminality within the IT area, in which hacking and sabotage are increasingly organized and have financial motives as the driving force. This places increased demands on the IT operation that is to deliver the support required by the operation and where these deliveries must be made in a flexible and secure manner.

An important and highly prioritized IT security area is credit card fraud. The work within this area was intensified in 2010 through increased cooperation with suppliers and partners. The number of rejected junk mails and viruses also grew during the year, but the operation has not been affected to any major extent by this type of problem.

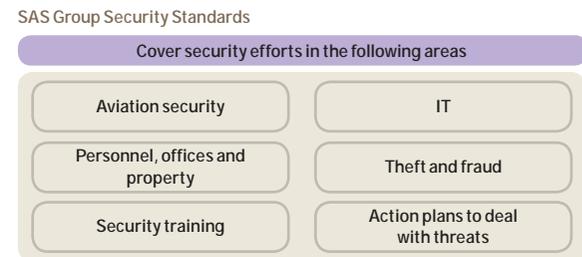
Through good IT security, SAS ensures confidentiality, accuracy, accessibility, traceability and authenticity in its IT environment.

Secure payments

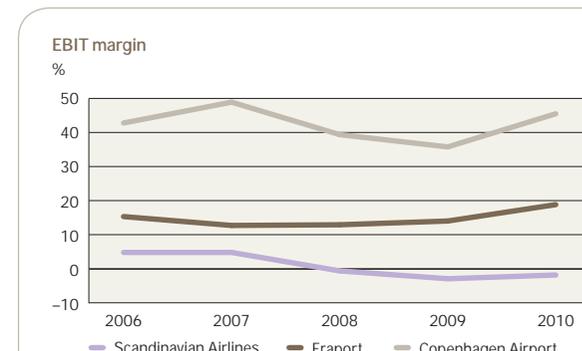
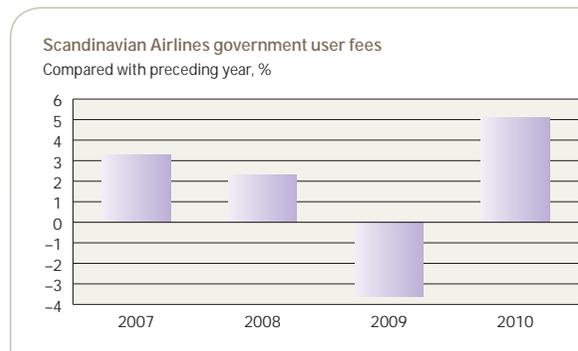
The airline and travel industry is generally relatively strongly impacted by credit card fraud. PCI DSS (Payment Card Industry Data Security Standard) comprises requirements set by the largest credit card companies. These rules govern the way SAS handles credit card data internally. A compliance program is being

implemented throughout the entire SAS Group. Plans and activities are regularly communicated to the largest payment banks.

Since March 2009, fraud screening has been carried out on all online and call center purchases to minimize losses due to credit card fraud. In 2010, the SAS Fraud Screening System is estimated to have stopped fraud amounting to MSEK 13. Repayment of revenues, in general called Charge Back, which has been shown to be fraud, is estimated to have decreased by around 75% since 2007. Fewer cases of fraud improve SAS's possibilities for effective and inexpensive agreements with players in the credit card industry.



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



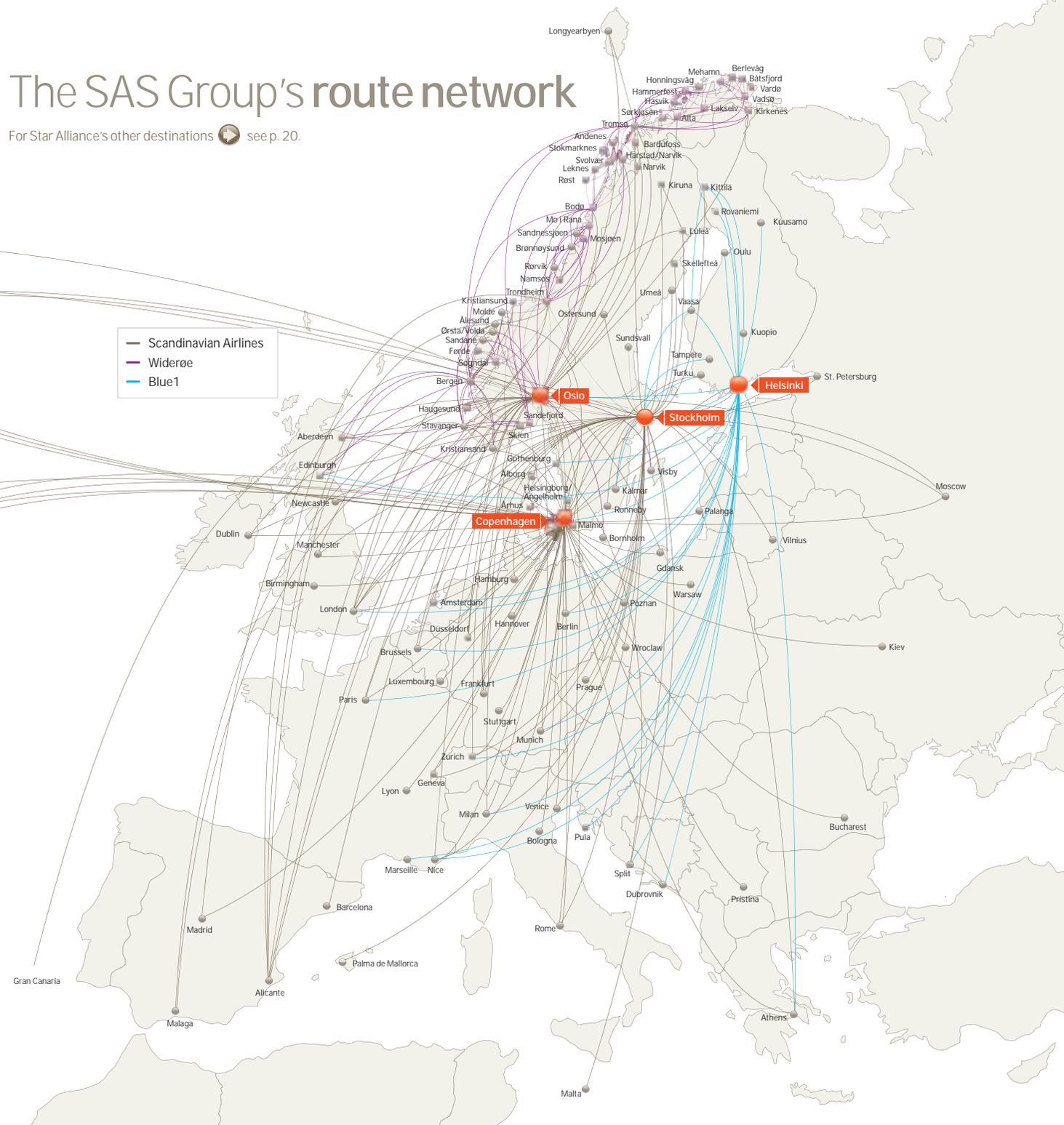
The SAS Group's route network

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



Examples of leisure destinations cancelled in line with Core SAS strategy:

- | | | |
|-----------|----------|---------|
| Tenerife | Seville | Naples |
| Palermo | Madeira | Chania |
| Cagliari | Valencia | Antalya |
| Innsbruck | Ibiza | |



The airlines' operations

SAS airline operations comprise Scandinavian Airlines, Widerøe and Blue1 and carried 26.5 million passengers, including charters, in 2010. Revenue from the entire airline operations totaled approx. SEK 41 billion.

The Group's airlines are independent and in addition to the operative airline operation are also responsible for sales, technical maintenance and ground handling. The SAS Group manages the financing, flight authorization and the provision of jet fuel and currencies centrally.

Scandinavian Airlines is the SAS Group's largest airline company and generates over 85% of the Group's revenue. Revenue comes from passenger transport, air freight, and the sale of technical maintenance and ground handling.

The SAS Group offers higher flight frequency, a broader network and better punctuality than its competitors. Together with simplicity on the ground and in the air, this means considerable added value for customers and provides major competitive advantages.

Markets

The Nordic Region is SAS's home market and in 2010 the Group flew to 127 destinations in Europe, the US, Asia and the Middle East.

- *Scandinavian Airlines* flies to destinations with large passenger flows in Scandinavia as well as internationally, with hubs in Copenhagen, Oslo and Stockholm.
- *Widerøe's* main market is Norway and the airline conducts regional traffic with a substantial percentage of public tender services, primarily in northern Norway.

Customer satisfaction	Outcome			
	2010	2009	2008 ¹	2007
Scandinavian Airlines	69	64	-	60
Widerøe	71	66	-	60
Blue1	71	70	-	69

¹ No values available for 2008.

- *Blue1's* main market is Finland with a large percentage of traffic to the rest of Europe.

Flight safety

The SAS Group has a high level of flight safety thanks to extensive quality control routines and the dedication of its employees and management. The flight safety level within the SAS Group in 2010 was high and in line with applicable industry standards. The Group's airlines are IOSA-certified. See also [▶](#) page 27.

Global cooperation in Star Alliance

Scandinavian Airlines and Blue1 are members of Star Alliance and thus have access to a broad network and codeshare cooperation, which strengthens the customer offering with faster transfer possibilities and a flexible travel experience. See [▶](#) pp. 20-21.

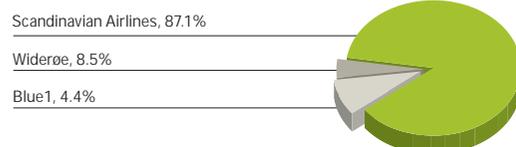
Punctuality and regularity

Scandinavian Airlines was Europe's most punctual airline in 2010 in the "major airline" category with departure punctuality of 86.9%, and regularity of 96.6%. Widerøe's punctuality was also among the best in Europe at 89.2%, with regularity of 95.7%. Blue1's punctuality was 79.5%, with regularity of 95.2%. Traffic data & key figures [▶](#) see page 54.

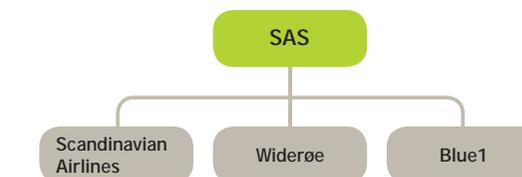
Environmental responsibility

The SAS Group's airline operation accounted for the majority of the Group's total environmental impact in 2010. During the year extensive environmental work was carried out, which resulted in the lowest carbon dioxide emission per passenger kilometer ever. See Sustainability report [▶](#) pp. 113-135.

Revenue breakdown by airline



SAS airline operations structure



Scandinavian Airlines



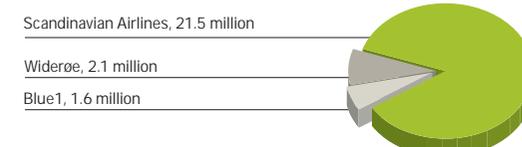
Widerøe



Blue1



Number of regular passengers per airline company





SAS cares about **comfort**

No matter what type of ticket you choose, we promise to do everything to make your trip as simple and smooth as possible, whether you travel with us on a domestic flight, within Europe or to other continents. When traveling in Business class on intercontinental flights, you are guaranteed a travel experience beyond the ordinary. There is plenty of space for work, sleep or entertainment. The seats have built-in massage, and smart compartments for a computer and other personal items.

Scandinavian Airlines



Scandinavian Airlines is the Nordic Region's largest airline in regard to destinations, passengers and flights. The airline had revenues of SEK 35.7 billion in 2010 and carried 21.5 million regular passengers to 93 destinations with 667 daily flights. The network is primarily dimensioned according to the needs of business travelers, but leisure travel accounts for a considerable part of the revenues. Scandinavian Airlines includes SAS Cargo, SAS Ground Handling and SAS Tech.

Important events in 2010

- Scandinavian Airlines was named Europe's most punctual airline company by the independent analysis company, FlightStats.
- In April SAS was forced to cancel almost 5,000 flights due to closed airspace as a result of a volcano eruption in Iceland.
- A number of legal disputes have been settled, which have resulted in costs of MSEK 991.

Targets

The profitability target is an EBIT margin of at least 9%. The environmental target for 2011 is an index of 93. The environmental index improved to 93 (97). Read more on [pp. 124-127](#).

Earnings and traffic results

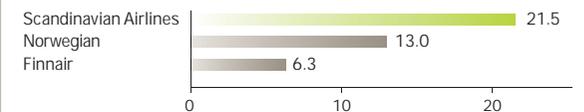
In 2010, a recovery after the financial crisis started, which in the airline industry was reflected by increased demand, especially within Economy Extra and Business. Combined with capacity adaptations, this entails that Scandinavian Airlines had its highest-ever load capacity on an annual basis in 2010. The improved passenger load factor combined with positive growth for freight revenues meant that the unit revenue, RASK, was positive during the latter part of the year.

The unit cost fell substantially, which during the beginning of the year offset the unit revenue's negative impact on profitability. During the latter part of the year, underlying profitability was improved through increased unit revenues and decreased unit costs.

To meet larger demand, capacity was increased again at the end of the year after having been reduced during the first three quarters. The target was to increase capacity at the same rate as growth in the market, which is assessed to be 4-6% per year.

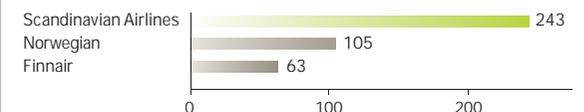
Revenue growth was weak at the beginning of 2010, with negative price growth and reduced capacity. During the last quarter the trend changed, driven by both larger volumes and improved unit revenues. Through cost measures, Scandinavian Airlines' profitability was improved during the year, but the EBIT margin of 4.0% is still below the target of 9%.

Transported regular passengers 2010, millions



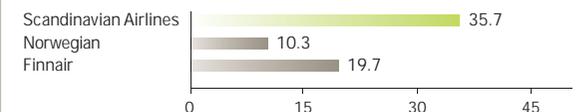
Source: Each airline's year-end report 2010.

Flights executed 2010, thousands



Source: APG for Norwegian and Finnair.

Sales 2010, SEK billions



Source: Each airline's year-end report 2010.

Key figures, MSEK

	2010	2009	2008 ¹
Share of home market	37%	39%	43%
Revenue	35,676	39,696	47,536
Passenger revenue	25,833	28,613	34,099
Charter revenue	1,888	2,164	1,653
EBIT before nonrecurring items	1,422	-1,094	-18
EBIT margin before nonrecurring items	4.0%	-2.8%	0%
EBT before nonrecurring items	806	-1,522	-188
Full EBT before nonrecurring items ²	-24	-1,288	-
Environmental index	93	97	101
Average number of employees (of which 44% women 2010)	12,883	14,438	16,286

¹ Adjusted and includes all units in Core SAS.

² Includes pension costs, property costs and currency futures relating to Scandinavian Airlines, which amounted to approximately MSEK 830 in 2010.

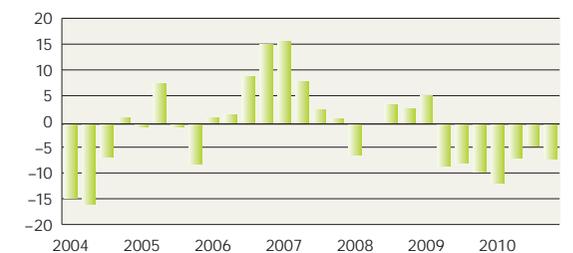
EBIT margin before nonrecurring items¹



¹ Excluding pension costs, property costs and currency futures relating to Scandinavian Airlines, which amounted to approximately MSEK 830 in 2010.

Scandinavian Airlines, currency adjusted yield

Quarterly development, %



More key figures [see page 54](#).

Developed program for corporate customers

During the year, SAS further deepened relations with its corporate customers. This has resulted in a substantial increase in the SAS Credits program with around 20,000 new corporate members. The program is specially designed for the needs of small and mid-size companies. Relations with large Scandinavian groups were also developed through more flexible agreements, etc. SAS is the main supplier of flights for a series of Scandinavian and global operations and won the majority of the contracts with the Scandinavian governments during the year. In total, contract customers represent 35-40% of Scandinavian Airlines' revenue.

Punctuality and regularity

Scandinavian Airlines was Europe's most punctual airline company in 2010. Punctuality for 2010 was 86.9%, which was less than the target of 91%. Regularity totaled 96.6%, which is below the target since nearly 5,000 flights were cancelled in April due to the ash cloud. The average for other months in 2010 was 98.3%, and was lower than normal for November and December due to unusually demanding weather conditions.

Sustainability work

Continuous environmental work is carried out within Scandinavian Airlines to attain the target of reducing total emissions by 20% in 2020 compared with 2005.

The SAS Group's airlines became the only airlines in the world to be certified in accordance with ISO 14001 and EMAS. During 2010, Scandinavian Airlines reduced its relative carbon emissions per passenger kilometer to 117 grams, the lowest level ever. This positive trend is primarily due to a higher passenger load factor as a result of early adaptation of capacity in the market, but also as a result of increased demand, a high level of punctuality, continued fuel savings program and modernization of the aircraft fleet during the year. Read more in the Sustainability report on pp. 113-135.

The fleet

Scandinavian Airlines has a network of destinations with varying passenger volumes and distances, requiring a varied fleet of aircraft. Scandinavian Airlines had 140 aircraft in operation at the beginning of the year and the fleet consisted of 10 long-haul aircraft, 114 short-haul aircraft and 16 regional jets. The Fokker 50s, which served routes in Vestlandet, Norway were phased-out and the traffic on these routes was taken over by Widerøe.

The average age of the fleet was 11.5 years. Scandinavian Airlines

reduced the number of aircraft in operation by nine in 2010. At the same time, the aircraft fleet was replenished when two new aircraft were delivered. Technical information see page 59, SAS Group's fleet strategy see pp. 46-47.

Flight operations

Scandinavian Airlines flight personnel totaled 2,442 cabin employees and 1,297 pilots. During the year, productivity increased by 7% for cabin personnel and 14% for pilots thanks to renegotiated collective agreements and improved planning processes.

Operations in Scandinavian Airlines

SAS Tech

Scandinavian Airlines' ongoing maintenance is primarily carried out by SAS Tech, while heavy maintenance is outsourced. SAS Tech was converted from an independent subsidiary company during 2011 and is now a part of Scandinavian Airlines.

SAS Ground Handling

Ground handling is also carried out in Scandinavia by SAS Ground Handling. Outside Scandinavia, these services are purchased. SAS Ground Handling is a leader in developing services to facilitate fast and convenient check-in and boarding. Outsourced ground operations are carried out under the management, or supervision of Scandinavian Airlines personnel. A substantial part of the ground operation, primarily ground handling, is provided by other airline companies that serve destinations in Scandinavia.

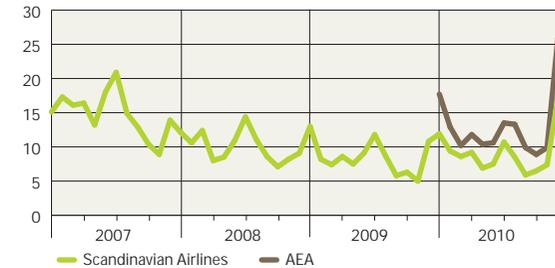
SAS Cargo Group

Cargo space in the Group's aircraft is marketed and sold through SAS Cargo, which is market-leading in mail and air freight to, from and within Scandinavia. The market for mail and air freight was hit harder than passenger traffic during the financial crisis, but is also the sector that showed the greatest recovery in 2010, especially on the intercontinental routes. As a result of lower capacity and volumes in Europe, transported tonnage decreased by 34% in 2010. Freight and postal traffic measured in tonnes per kilometer increased by 36.5% on intercontinental routes. Despite much lower capacity and volumes in Europe and the discontinuation of All Cargo, the total freight and postal traffic decreased by only 5.4%. The yield increased strongly as compared with 2009. Scandinavian Airlines' freight revenues increased during 2010 by 51% compared with 2009.

Read more about the operation's sustainability p. 126.

SAS Ground Handling, key figures 2010	Denmark	Norway	Sweden
Number of flights handled, thousands	95	166	88
Baggage quality (reports per 1,000 pass.)	19	6	6

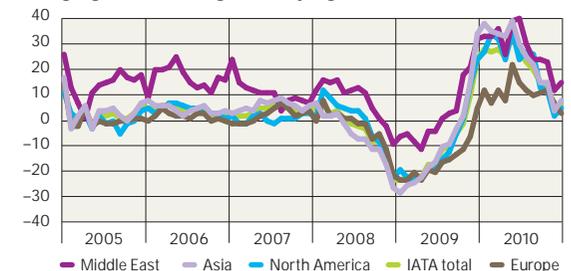
Delayed baggage, per 1,000 passengers



SAS Cargo, key figures

Flown tonnes	99	150	252
Tonne km (million)	556	588	879
Cargo yield/tonne km	2.28	1.47	1.67
Freight and mail, tonne km (000)	2010	2009	Change
Intercontinental	535,352	392,139	36.5%
Europe	19,628	45,945	-57.3%
Intra-Scandinavian	586	651	-9.9%
Total international	555,567	438,735	26.6%
Denmark	12	11	9.9%
Norway	169	209	-19.1%
Sweden	86	134	-36.1%
Total domestic	267	355	-24.6%
All Cargo	0	148,524	-
Total SAS Cargo	555,834	587,614	-5.4%

Freight growth according to IATA by region, FTK, %



Widerøe

Widerøe is the Nordic region's largest regional airline company with 1,186 employees and annual sales of SEK 3.5 billion. In 2010, the airline carried out 273 flights daily and transported 1.7 million passengers to 40 airports in Norway and 0.4 million passengers internationally. The commercial routes constitute the majority of the operation, and the tendered routes in the short-haul network, constitute the rest. Widerøe is a member of the SAS EuroBonus program.

Important events in 2010

- Widerøe was affected by the ash cloud in the spring of 2010.
- In 2010, over 89% of Widerøe's flights were on-time or early. For certain months in 2010, Widerøe was Europe's most punctual airline.
- Widerøe took over all routes in Vestlandet, which Scandinavian Airlines previously served using Fokker 50s.
- Widerøe won the tender for flight routes on the short-haul network in Nord-Troms and Finnmark from April 2010 through April 2013.
- Customer satisfaction increased by 5 units to 71 as a result of improved punctuality and regularity.

Targets

The profitability target is an EBIT margin of at least 7%. The environmental target for 2011 is an index of 82. The environmental index decreased to 90 (82). See [▶ pp. 124-127](#).

Earnings and traffic results

Widerøe's EBIT in 2010 totaled MSEK 210, an improvement by MSEK 176. The airline continued its work to reduce costs and adapt production to a tougher market and increased competition. Widerøe had achieved additional cost savings of MSEK 50 as well as a result effect of MSEK 85 in 2010. The efficiency measures resulted in the number of FTEs being reduced, although the company increased capacity. Widerøe's total capacity increased during 2010 by 5.0%. The growth in passenger traffic was somewhat less



Widerøe's positive earnings development continued in 2010 and work is continuing to reduce costs and adapt production to a tougher market and increased competition.

than the capacity increase, which meant that the passenger load factor fell by 0.8 percentage points to 59.7%. Of Widerøe's traffic, traffic on Norwegian domestic routes accounted for 68% during the year and Norwegian domestic traffic increased by 4.4%. The capacity increase is due to the fact that Widerøe took over certain routes that were previously flown by Scandinavian Airlines using Fokker 50 aircraft. The production transfer meant that Widerøe's aircraft fleet was expanded at the same time as Scandinavian Airlines phased-out the older Fokker 50s.

Revenue rose by 4.3% during the year and totaled MSEK 3,473. The yield performance was relatively stable. The total operating costs decreased by 0.5% to MSEK 2,991 and the unit cost decreased by 7.7% as a result of the cost measures. Profit/loss before nonrecurring items totaled MSEK 192, an improvement of MSEK 135. The result was the second best in Widerøe's history.

Aircraft fleet

Widerøe's aircraft fleet was expanded in 2010 by three Q400NGs. At year-end, Widerøe had a total of 33 Q100/Q300/Q400/Q400NGs. The aircraft can carry between 39 and 78 passengers.

The average age of the aircraft fleet was 13.3 years as of December 31, 2010. The smaller aircraft, the Q100/Q300s, primarily operate on Widerøe's short runway network, while the larger Q400/Q400NGs serve the larger airports. Technical information [▶ see page 59](#).



Dash 8-Q400



Key figures, MSEK

	2010	2009	2008
Share of home market	13%	13%	13%
Revenue	3,473	3,329	3,502
Passenger revenue	2,499	2,403	2,200
EBIT before nonrecurring items	210	34	33
EBIT margin before nonrecurring items	6.0%	1.0%	1.0%
EBT before nonrecurring items	192	57	2
Environmental index	90	82	88
Average number of employees (of which 31% women 2010)	1,186	1,203	1,329

More key figures [▶ see page 54](#).

EBIT margin before nonrecurring items



Blue1

Blue1 is a wholly-owned, Finnish subsidiary of the SAS Group with revenues of SEK 1.8 billion. The airline carried 1.6 million passengers in 2010 to 29 destinations with 68 daily flights. Blue1 operates the SAS Group's air service to/from and within Finland and handles sales in the Finnish market for Group airlines.



Blue1's business concept builds on a base product at central airports, a network with transfer possibilities and price-worthy supplemental services.

Important events in 2010

- The Icelandic ash cloud paralyzed air traffic in Finland in April, and traffic was limited or grounded for nine days with substantial financial losses as a result.
- Three new routes were opened to European business destinations: Berlin, Brussels and Munich.
- Blue1 started flying on the Swedish domestic route Stockholm-Kalmar.
- Economy Extra was replaced with Blue1 Premium Class in the autumn of 2010 and was well received by business travelers.
- The collective agreement with Blue1's pilot union was renewed in the summer with a contract term of approximately five years.

Targets

The long-term financial target is an EBIT margin of at least 9%. The environmental target for 2011 is an index of 80. The environmental index improved to 79 (86). See [▶](#) pp. 124-127.

Earnings and traffic results

Blue1's earnings before nonrecurring items improved in 2010 but remained negative. During the year, Blue1 expanded the route network to Europe, started to fly to three new business destinations and also increased the frequency of the other European daily routes. Blue1 also opened a Swedish domestic route. For Finnish domestic routes, Blue1 increased frequencies, adapted timetables and improved its product offerings. The airline is a market leader in the number of frequencies for traffic between Finland-Scandinavia and on the Helsinki-Oulu route.

The Finnish market recovered after the weak growth in 2009, and despite the ash cloud temporarily impacting the recovery, market growth was positive, especially in the autumn of 2010. Blue1 increased capacity during the year by 10.9%. Passenger traffic increased 15.6% primarily as a result of expanded production and higher passenger volume on European routes, which led to an increase in the passenger load factor by 2.7 percentage points to 67.9%. The number of passengers totaled 1.6 million, an increase of 7.1% from the preceding year.

Revenues decreased during the year by 1.5% to MSEK 1,792. Tougher competition in combination with longer average flight times resulted in the yield falling by 6.7%. The total operation costs declined marginally to MSEK 1,900. The unit cost fell by 1.1%, primarily as a result of efficiency measures and a relatively high percentage of European traffic with longer average flight times. Income before nonrecurring items was MSEK -194 (-200). The result includes effects attributable to the ash cloud in April 2010. For information about traffic & key figures, [▶](#) see page 54.

Aircraft fleet

The renewal of the aircraft fleet was started in the summer, and the first of nine Boeing 717 aircraft was put into operation in commercial traffic in September. Operation with the MD-90 aircraft was discontinued at the end of 2010 when Blue1 had an aircraft fleet consisting of four Boeing 717s and five Avro RJ85s. The average age of the fleet is 8.3 years. In addition, Blue1 has wet-leased three ATR 72s. Technical information [▶](#) see page 59.



Boeing 717

Blue 1

Key figures, MSEK

	2010	2009	2008
Share of home market	17%	17%	16%
Revenue	1,792	1,819	2,000
Passenger revenue	1,606	1,658	1,753
EBIT before nonrecurring items	-197	-198	-13
EBIT margin before nonrecurring items	-11.0%	-10.9%	-0.7%
EBT before nonrecurring items	-194	-200	-10
Environmental index	79	86	90
Average number of employees (of which 47% women 2010)	416	430	460

More key figures [▶](#) see page 54.

EBIT margin before nonrecurring items



Individual Holdings

Operations being divested

One of the five pillars of Core SAS is a focus on the Nordic home market and, as part of this strategy, several divestments were made. Units that are not part of SAS's core operations and that have not yet been divested or outsourced are managed by SAS Individual Holdings.



To ensure full management focus on Core SAS and the measures in progress, companies that are not part of the core business have been moved from Core SAS operations and are collectively referred to as Individual Holdings.

Operations being divested or outsourced

Divested/outsourced	To be divested
Spanair ¹ Estonian Air ¹ bmi AeBal Cubic Air Cargo airBaltic Skyways SAS Ground Services ² SAS Tech ²	Air Greenland Spirit Air Cargo Trust

¹ Remaining non-controlling interests.
² Parts of operations.

Divestments in 2010

During 2010, Air Maintenance Estonia was divested. SGS UK and parts of SAS's call-center operations were outsourced (by divesting the company and establishing a service agreement). The SAS Group also divested all of its participating interest in Skyways Holding and its ownership share in Estonian Air was reduced to 10%.

SAS intends to continue to divest non-core operations, such as the wholly owned subsidiaries in the cargo operations Spirit Air Cargo and Trust, Air Greenland, as well as other non-core operations.

Remaining commitments

In 2009, the SAS Group divested its participating interest of 20% in bmi (British Midland International) to LHBH Holdings Ltd. SAS may now obtain a further payment from Lufthansa if further value is realized in bmi during the period through to the end of the third quarter of 2011. SAS also has a negative exposure of a maximum of MGBP 19, for the same period of time, should bmi become insolvent.

Following the divestment of 80.1% in Spanair at the beginning of 2009, SAS had an interest-bearing receivable from Spanair of MEUR 149 at December 31, 2010, which falls due on January 30, 2014. In addition, SAS has leased a total of ten 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 a 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 to Spanair, SAS's ownership share is 11.6%.

SAS has receivables due from airBaltic, which was divested in 2008. At December 31, 2010, these receivables amounted to MUSD 8, which falls due on April 30, 2011.

SAS has two receivables due from Estonian Air. At December 31, 2010, these amounted to MEUR 7.





SAS cares about **simplicity**

Service And Simplicity minimizes travel times and maximizes the customer-experienced value. With several new services, SAS has achieved the highest level of customer satisfaction ever. In addition, SAS has a flexible and attractive network in Star Alliance and flies to a large number of destinations, primarily to and from hub airports.

The capital market and shareholder information

The SAS Group's overall objective is to create value for its shareholders over a business cycle. A key part of the service to shareholders is the continuous reporting of results, such as the Annual Report, interim reports and monthly traffic figures and press releases. At the SAS website, www.sasgroup.net, under Investor Relations, you can find complementary information to shareholders and investors in order to provide a comprehensive picture of the SAS Group.

Important events in the capital markets

- SAS AB's annual general shareholder's meeting decided that no dividends would be paid out for the 2009 financial year.
- In May 2010, the SAS Group concluded a rights issue, which generated just over SEK 5 billion of new equity. The rights issue was oversubscribed by 50%.
- In June 2010, the SAS Group carried out a reverse split of shares, by which 30 shares were consolidated into one share. After the reverse split, there are 329 million issued shares in the Parent Company, SAS AB.
- The SAS Group's Annual Report for 2009 was named the best annual report by the Swedish Shareholders' Association. In addition, the Annual Report was ranked second in the global competition, Report Watch, and was also awarded the Farmand silver prize.

Profitability target

The SAS Group's profitability target is an EBT margin of 7%. Based on operating revenue in 2010, this is equivalent to earnings before tax of SEK 2.9 billion. The SAS Group's CFROI target is at least 25% over a business cycle.

Investor Relations/information policy

The Group's IR/information policy is established by SAS AB's Board and was updated in 2010. The purpose of the policy is to ensure that investors and capital markets players are provided



The SAS Group's Investor Relations department carries out a large number of meetings with institutional investors in Europe and the US each year.

with fast, relevant and current information about the operation's development with a focus on enhancing shareholder value and also describing how sustainability-related issues contribute to value creation. The complete IR policy can be found under Investor Relations at www.sasgroup.net

Shareholder services and offerings to shareholders

Via the SAS Group's website, www.sasgroup.net, under Investor Relations, SAS provides a shareholder service for all registered shareholders. The service provides the opportunity to register to quarterly reports and notification to the Annual General Shareholders' Meeting mailed with e-mail. The Annual Reports are also mailed to those shareholders that so desire. In addition, shareholders who have at least 400 shares (the number of shares can change – look under Investor Relations on the website for the current level) have the possibility to book round-trip flights with Scandinavian Airlines at advantageous prices.

Investor Relations activities

In connection with interim reports, the SAS Group arranges teleconferences for capital market players. These teleconferences

Capital market activities	2010	2009
Analyst meetings	11	9
Teleconferences	14	11
Group presentations	31	27
Personal meetings	145	120

can also be viewed via a webcast link directly on the website and are also normally available for two months afterward. To supplement the teleconferences, meetings with analysts are held on an ongoing basis in Scandinavia and London.

The SAS Group regularly holds meetings with institutional investors and held a number of road shows in 2010 in Europe and the US. Presentations to private shareholders were also arranged at various locations in Scandinavia.

Dividend policy

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

Dividend

The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividends be paid to SAS AB's shareholders for the 2010 fiscal year. This is motivated by the SAS Group's negative results and cash flow. A good financial position and financial flexibility will be important in completing all measures in Core SAS and future investments.

Taxes

As of December 31, 2010, the SAS Group had approximately SEK 9.5 billion in unutilized fiscal deficits in the continuing operations. This will have a positive impact on cash flow in future periods because the SAS Group will not have tax payable until these loss carryforwards have been utilized. Deferred tax assets are valued at approximately 90% of their full value.

Defined-benefit pensions

The majority of the SAS Group's pension plans in Scandinavia are defined-benefit pensions and most are insured through different insurance companies. Defined-benefit pension plans



Continuous, transparent and correct information to shareholders and other capital markets.

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

The accounting standard, IAS 19, is being revised and during the year, IASB has issued a so-called "exposure draft". The proposed changes, which mean that estimate deviations may

no longer be amortized over the remaining service period but must be continuously reported in other comprehensive income or reported in the income statement, will most likely take effect on January 1, 2013 at the earliest. This change will mean that at the time it takes effect, the accumulated estimate deviation in its entirety must be entered against equity. For more information, see [Note 16 page 85](#).

Convertible bond loan

In April 2010, SAS AB issued a convertible bond loan equivalent to SEK 1.6 billion at an interest-rate of 7.5%. The bond holders have the right to convert a bond to a share at the price of SEK 46.50. A conversion of the bond loan would mean that the shareholders' percentage of ownership would decrease by around 10% as a result of the number of shares increasing by approximately 34.4 million.

SAS share market capitalization and trading volume



June 2006-June 2007

Positive traffic and yield growth along with increased profitability affected the market value positively in combination with favorable macroeconomic development.

July 2007-June 2008

Market capitalization fell drastically for SAS and the entire airline industry as a result of rising fuel prices up to record levels in mid-2008 in combination with faltering demand.

March-April 2009

SAS carried out a direct rights issue to existing shareholders, which generated approximately SEK 6 billion.

April 2009-Dec. 2010

The number of shareholders in SAS more than doubled, which resulted in the number of shares increasing significantly.

May 2010

SAS carried out a rights issue to shareholders that generated approximately SEK 5 billion. In addition, a convertible bond loan of SEK 1.6 billion was placed in the market.

Financial objectives and strategies

The SAS Group's overall objective is to create value for its shareholders. The profitability target and return target combined with financial stability have been established as a guide.

Adjusted equity/assets ratio

Target: 35%
Status 2010: 28%



Description

The SAS Group's adjusted equity/assets ratio shall exceed 35% and is calculated by dividing equity with the balance sheet total plus seven times the annual operational leasing cost. For companies with a large percentage of leasing, this target shows the actual financial stamina better than the normal equity/assets measurement.

Target attainment

At the beginning of 2010, the adjusted equity/assets ratio decreased compared with the preceding year. The rights issue during the spring improved the key figures by 11 percentage points. SAS's long-term target is an adjusted equity/assets ratio of 35%, which shall be achieved through actions within Core SAS.

Adjusted debt/equity ratio

Target: <1.0
Status 2010: 0.89



Description

SAS's adjusted debt/equity ratio shall be lower than 1.0. The debt/equity ratio is calculated by dividing the financial net debt including capitalized leasing costs by equity including non-controlling interests.

Target attainment

The key figures improved substantially in 2010, and the target for 2010 was fulfilled after the implementation of the rights issue and stabilization of the cash flow.

Financial preparedness

Target: >20%
Status 2010: 25%



Description

SAS's financial preparedness which consists of cash and cash equivalents and contracted loan commitments shall exceed 20% of operating revenue.

Target attainment

During the first quarter of 2010 the target for financial preparedness was not attained. The rights issue and refinancing, and a more stable cash flow improved the target fulfillment and at the end of the year, the Group had a financial preparedness totaling MSEK 10,189.

EBT margin before nonrecurring items

Target: 7%
Status 2010: -1.1%



Description

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

Target attainment

The EBT margin before nonrecurring items was -1.1%, 8.1 percentage points below the target for 2010.

Financial key figures	2010	2009	2008	2007	2006
CFROI	6.1%	1.4%	4.8%	14.5%	15.3%
Financial preparedness	25%	17%	17%	29%	-
Equity/assets ratio	35%	27%	17%	35%	32%
Adjusted equity/assets ratio	28%	21%	13%	27%	22%
Financial net debt, MSEK	2,862	6,504	8,912	1,231	4,134
Debt/equity ratio	20%	57%	122%	7%	25%
Adjusted debt/equity ratio	0.89	1.70	3.08	0.92	1.68
Interest-coverage ratio	-1.9	-4.4	-5.3	1.8	4.4

Financial strategies

To handle revenue swings and future investments, SAS follows a financial policy. The main points in this are:

- Financial flexibility shall be maintained through good liquidity, secure access to financing, open reporting, good information and an active dialogue with the capital market.
- The job of finance operations is to identify, manage and handle the Group's financial risks. See also pp. 50-52.
- Since the aircraft fleet is regarded as a financial asset, optimization of fleet financing is achieved by taking operating efficiency requirements, tax effects, financing costs, tied-up capital, and market value into consideration. See also pp. 46-47.
- Jet fuel and currency exposure are hedged to a certain degree, supplementing the financial strategy aimed at giving the SAS Group greater ability to adapt to sudden changes in market prices. See also pp. 50-51.



SAS share performance

In 2010, a rights issue was carried out and a subsequent reverse split of the shares. The changes resulted in a reduced number of shares from approximately 2.5 billion at the start of the year, to 329 million after the reverse split. Owing to weak earnings due to the financial crisis and the uncertainty that ensued in the market, the share price dropped at the beginning of the year.

Share price performance

In 2010, SAS's market capitalization dropped by 25.6%. The largest drop occurred in the first six months in connection with the announcement of the rights issue, but the share price also fell in the second half of the year, by 9.6%. Compared with a weighted average of competitors' market capitalization, the SAS share had a 41.6-percentage point weaker performance. The SAS share was also affected by negative effects of overcapacity and court rulings in the second half of the year. In early 2011, the SAS share has followed a more positive trend.

Beta value

Beta values indicate whether a share is historically on average more or less sensitive than the index by which it is measured. Values greater than 1 indicate the share is more sensitive and a lower

value indicates that the share is less sensitive than its comparative index. "Adjusted beta" builds on the same principle, but with the assumption that in the long term, the beta value for each security is assumed to go to 1. The SAS share's historic beta value, measured against the FTSE All Share index for the period 2006-2010, was 1.25 and adjusted beta was 1.17. Compared with the OMX index, beta value for the same period for the SAS share was 1.04.

Trading

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

Liquidity and distribution of stock trading

The value of the number of shares traded on all three exchanges where SAS is listed, was reduced in 2010 and amounted to SEK 9.5 (11.2) billion, a decrease of 14.7%. The change in the value of shares traded on the three exchanges was: the Stockholm Stock Exchange down 7%, the Copenhagen Stock Exchange down 43% and the Oslo Stock Exchange up 16%. The number of shares traded in relation to outstanding shares was, adjusted for the three Scandinavian governments' 50-percent share of the SAS Group, 165% (208%).

The distribution of trade between the exchanges in number of

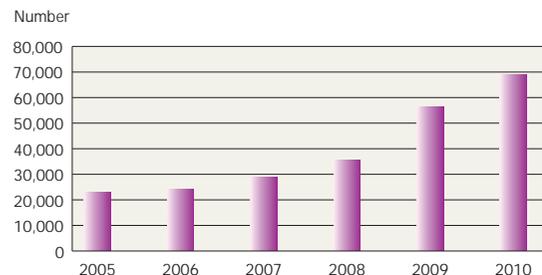


shares traded during the year was: Stockholm 79%, Copenhagen 16% and Oslo 5%. Besides indexes in Nordic trading centers, the SAS share is included in around 100 stock market and sustainability stock indexes. Examples of indexes are the Dow Jones, STOXX Index, Morgan Stanley International and S&P/Citigroup BMI. The SAS Group is included in several environmental indexes, such as Ethibel and EIRIS, which evaluate the ability of companies to successfully combine business activities with environmental work.

Diffusion of ownership and changes

SAS had 69,004 shareholders at year-end 2010, which was nearly twice as many compared with 2008. Holdings in Scandinavia amounted to approximately 91%, with Sweden accounting for 49%, Denmark 26% and Norway 16%. Holdings outside the EEA are below 5%, of which 3% are in the US. In 2010, ownership changes between different countries were very small.

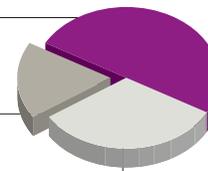
Number of shareholders in SAS AB, 2005-2010



Breakdown of SAS Group share capital

By owner category, Dec. 31, 2010

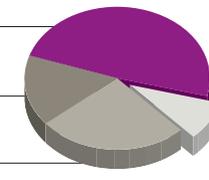
State ownership 50.0%
 Swedish government 21.4%
 Danish government 14.3%
 Norwegian government 14.3%
 Private ownership 15-20%
 Institutional ownership 30-35%



Breakdown of SAS Group share capital

By country, Dec. 31, 2010

Sweden 49%
 Norway 16%
 Denmark 26%
 Other 9%



The SAS Group's share data

The 20 largest shareholders in the SAS Group*

Dec. 31, 2010	Number of shares	Holding
Swedish government	70,500,000	21.4%
Danish government	47,000,000	14.3%
Norwegian government	47,000,000	14.3%
Knut och Alice Wallenbergs Foundation	24,855,960	7.6%
SSB CL Omnibus AC OMO3, Pension Fund	8,151,881	2.5%
Unionen	4,700,532	1.4%
Danmarks Nationalbank	4,578,588	1.4%
Försäkringsbolaget, Avanza Pension	3,336,583	1.0%
UBS AG LND IPB Segregated Client	3,062,228	0.9%
Andra AP-fonden	2,773,291	0.8%
Robus Försäkring	2,683,413	0.8%
Lindberg, Per	2,658,459	0.8%
A.H Värdepapper AB	2,035,495	0.6%
SIX SIS AG, WBIMY	1,893,222	0.6%
Gamla Livförsäkringsaktiebolaget	1,550,400	0.5%
Folksam LO Sverige	1,531,358	0.5%
Skandia Fond småbolag Sverige	1,291,530	0.4%
AMF aktiefond småbolag	1,150,700	0.3%
Nordea Sverigefonden	1,065,474	0.3%
Skandinaviska Enskilda Banken S.A., NQI	1,021,239	0.3%
Other shareholders	96,159,647	29.2%
Total	329,000,000	100.0%

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

Distribution of shares

Dec. 31, 2010	No. of shareholders	No. of votes	% of share capital	% of all shareholders
1-1,000	57,993	12,725,794	3.9%	84.0%
1,001-5,000	8,958	19,610,023	6.0%	13.0%
5,001-10,000	1,103	8,072,156	2.5%	1.6%
10,001-100,000	838	20,643,901	6.3%	1.2%
1,000,001-1,000,000	92	27,690,491	8.4%	0.1%
1,000,001 -	20	232,840,353	70.8%	0.0%
Unknown owners		7,417,282	2.3%	
Total	69,004	329,000,000	100.0%	100.0%

Shares traded per exchange

	Value, MSEK			Number, millions	
	2010	2009	Change	2010	2009
Stockholm	7,558	8,133	-7.1%	215.4	58.1
Copenhagen	1,522	2,653	-42.6%	42.9	18.4
Oslo	460	397	15.9%	13.0	2.7
Total	9,540	11,183	-14.7%	271.2	79.2

Share related key figures

	2010	2009	2008	2007	2006
Market capitalization, MSEK	7,403	9,944	6,235	13,654	19,164
Number of shares traded, millions ¹	271.2	79.2	9.2	7.6	5.1
Shares traded, MSEK	9,540	11,183	8,936	18,961	13,345
Number of shares, millions	329	2,467.5	164.5	164.5	164.5
Income after tax minus non-controlling interest, SEK per share ²	-6.74	-8.96	-38.66	3.87	28.10
Cash flow from operating activities, SEK per share ²	-0.47	-10.38	-16.12	17.42	12.78
Dividend, SEK	0.00	0.00	0.00	0.00	0.00
Dividend in % of earnings after tax	0%	0%	0%	0%	0%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
Shareholders' equity, SEK per share ²	43.88	34.62	44.45	104.13	99.49
Total assets, SEK per share ²	127.13	129.16	263.61	296.47	311.03
Revenue, SEK per share ²	123.78	136.53	321.40	307.59	304.88

Price-related key figures, SEK

	2010	2009 ¹	2008 ¹	2007 ¹	2006
Market capitalization/equity at year-end	51%	87%	85%	80%	117%
Share price at year-end	22.50	30.23	18.95	41.50	58.25
Highest share price during the year	43.20	43.50	41.13	83.75	58.25
Lowest share price during the year	17.85	6.95	13.35	41.50	36.13
Average share price during the year	25.90	28.75	23.19	65.66	48.05

¹ For 2006-2009 the historic key figures have been adjusted for the rights issues in 2009 and 2010 and reverse split in 2010.

² For 2009-2010, the key figure is calculated based on 329 million shares and for 2006-2008 based on 165.4 million shares.

Change in share capital¹

	Event	No. of new shares	Total no. of shares	Par value/share, SEK	Nominal share capital
2001-05	Company registration	50,000	50,000	10	500,000
2001-07	Non-cash issue	155,272,395	155,322,395	10	1,553,223,950
2001-08	Non-cash issue	6,494,001	161,816,396	10	1,618,163,960
2002-05 ²	New share issue	2,683,604	164,500,000	10	1,645,000,000
2009-04	Rights issue	2,303,000,000	2,467,500,000	2.50	6,168,750,000
2010-04	Rights issue	7,402,500,000	9,870,000,000	0.67	6,612,900,000
2010-06	Reverse split	-	329,000,000	20.10	6,612,900,000

¹ Before SAS AB was formed in May 2001 the SAS Group was listed through SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB.

² Technical change in connection with re-direction to common share.

Shareholders per exchange

	2010	2009	2008
Stockholm	25,291	18,152	5,542
Copenhagen	40,585	35,840	28,663
Oslo	3,128	2,470	1,489
Total	69,004	56,462	35,694

Trading codes- share distribution, ISIN code SE0003366871

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

The SAS share's long-term annual shareholder return



The analysts' recommendations



SAS share trading volume



Sources: Stockholm Stock Exchange and the SAS Group.

Share price performance, the SAS share and a European industry average 2010



<p>February</p> <p>The SAS share dropped at the announcement of the planned rights issue</p>	<p>April-May</p> <p>The SAS share and other airlines were affected negatively by the ash cloud</p>	<p>June</p> <p>SAS carried out a reverse split of shares, which, however, did not affect the share price</p>	<p>August</p> <p>In connection with Q2, the SAS share had a positive trend</p>	<p>November-December</p> <p>Overcapacity in the SAS market and large negative nonrecurring items resulted in a weak performance by the SAS share</p>
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Analysts who monitor SAS

Scandinavian equity analysts

ABG Sundal Collier
Enskilda Securities
First Securities
Handelsbanken
LD Markets
Nordea
Terra Markets
Swedbank Robur
Sydbank

Contact

Lars Heindorff
Steven Brooker
Hans Erik Jacobsen
Dan Togo Jensen
Brian Börsting
Finn Bjarke Petersen
Vilis Eizentas
Helena Larson
Jacob Pedersen

International equity analysts

Citigroup
Davy Stockbrokers
Goldman Sachs
Morgan Stanley
RBS

Contact

Andrew Light
Stephen Furlong
Hugo Scott Gall
Penelope Butcher
Andrew Lobbenberg



External factors, cycles and trends

The airline industry is very sensitive to macro-economic trends and external events. In 2010, the world economy recovered and the GDP in OECD countries is expected to have increased by 2.8%.* At the same time, traffic increased by 8-9% according to IATA and capacity increased by approximately 4%. The trend shows continued growth in 2011.

Cargo traffic is an early indicator of the economic trend and already in the second half of 2009, a positive trend was noted, which continued in 2010 with a global increase of slightly more than 20%. However, the growth rate eased in the second half of 2010. Passenger traffic has not yet returned to the same levels as before the global financial crisis.

Changes in airline industry capacity

The number of aircraft ordered from the world's two largest aircraft manufacturers, Airbus and Boeing, increased during 2010. In total, the two aircraft manufacturers received orders for 1,104 aircraft. The world's total aircraft fleet is expected to grow in the next five years by about 3.5% per year. The SAS Group monitors future capacity trends in different markets, and has a flexible fleet as a result of a high proportion of leased and leased out aircraft. SAS is also reviewing a renewal of the older section of its fleet.

Seasonal variations and capacity management

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

Expected capacity change 2011

Norway	0-1%
Sweden	5-6%
Denmark	3-4%
Finland	10-12%
The Baltics	10-15%
Total	4-6%

holidays. As a consequence of the seasonal adjustment, the SAS Group's capacity was 24% lower in December-February than in September-October.

Geographic exposure

The SAS Group's main exposure is in the Scandinavian markets, but with destinations in more than 30 countries spread over three continents, a risk distribution is achieved since the business cycles are often phase-shifted. At the same time, this results in exposure since events far from the home market can affect demand.

The Group's share (of passenger revenue)

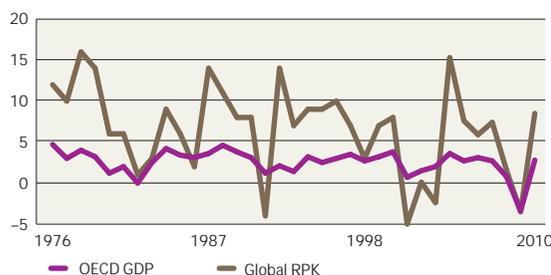
Norway	36%
Sweden	23%
Denmark	5%
USA	12%
Finland	5%
Asia	4%
Europe	15%

Developments and trends

Growth in the leisure segment has been slightly higher in the 2000s than in the business segment, a trend that is expected to continue in the 2010s. After the LCC companies grew sharply in the 2000s, however, growth has eased slightly for several of these companies in Europe. Clear differences in product offerings and attractive prices made possible by reduced costs mean that network companies such as SAS have the opportunity to grow profitably and compete also in leisure travel.

* Source: OECD Economic Outlook 88 database.

Changes in OECD GDP and global RPK % growth



The introduction of renewable jet fuel is expected to affect the entire airline industry. The SAS Group is working actively to be among the first airlines to use a Jet A-1 50/50 blend, once it is certified. The Group is in contact with a number of possible manufacturers of bio-jet fuel and expects that low admixture of renewable jet fuels will contribute to achievement of the goal of reducing total emissions by 20% by the year 2020. See page 122.

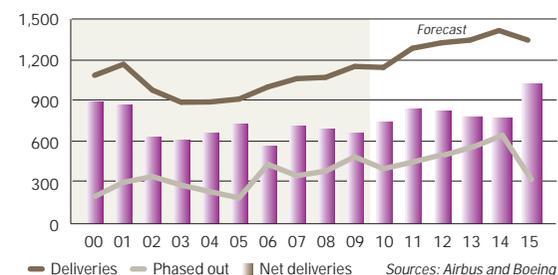
Phases in typical economic market cycle



- Peak:** + yield, + traffic volume, + aircraft order.
- Decline:** - GDP, - yield, - capacity reductions.
- Stabilization:** = GDP, - costs, - passenger load factors.
- Recovery:** + growth, + increased traffic.

Aircraft orders received	2010	2009	2008	2007	2006
Airbus	574	310	900	1,458	824
Boeing	530	142	662	1,413	1,044
Total	1,104	452	1,562	2,871	1,868

Deliveries of commercial jets, 2000-2015





The SAS Group's fleet strategy

The SAS Group's fleet comprises a total of 230 aircraft, of which 187 are in operation within the Group. In the largest airline Scandinavian Airlines, 140 aircraft are operated, of which 70% are "new generation".



SAS fleet strategy

- Well-adapted fleet mix
- Favorable capital costs and low operating costs
- Low investment requirement in the short term

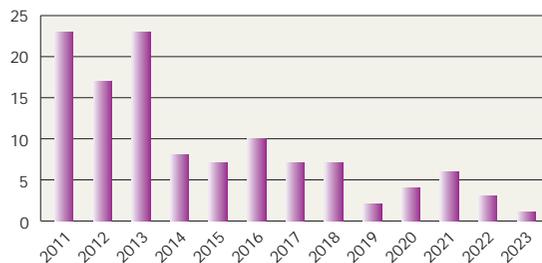
Aircraft fleet 2010

The Group's aircraft fleet declined from 240 to 230 units in 2010. Thirteen aircraft were added to the fleet, while 23 aircraft were phased out. Eight of these aircraft were sold in 2010 (one leased out A321, one MD-80, six Q400s) and 15 leased and wet leased aircraft were returned. One 737-700 and one CRJ900 were delivered to Scandinavian, three Q400NGs to Widerøe and four 717-200s to Blue1, which also expanded its number of wet leases by four. Blue1 has an ongoing process that will lead to a unit fleet consisting only of 717-200s. Already at the beginning of 2011, the 717-200 had replaced all MD-90s at Blue1 and within a couple of years, the 717-200s will also replace the leased RJ85s. As a supplement to its unit fleet, Blue1 will use leased operators under so-called wet lease agreements in the future.

Market-adapted and flexible fleet

The SAS Group serves both large and small destinations and therefore needs aircraft of different sizes. Small turboprop aircraft with 37 seats fly Norwegian domestic short-haul routes, while aircraft with 260 seats serve SAS's intercontinental routes. SAS's ambition is a certain reduction in the number of aircraft types and efforts have been started to phase out the Fokker 50s and MD-90s. In this regard, the Group prioritizes the phasing out of the older aircraft where it can be done cost-effectively. Besides size and performance, the aircraft differ in terms of age. About 17% of SAS Group's aircraft are less than five years old, while about 13%

Maturity profile, operating leases
Number



The SAS Group has good flexibility for its aircraft fleet through leasing agreements. During 2011-2013, over 60 leasing agreements expire with an option to extend.

Well-suited fleet

		2008	2009	2010 (Core SAS)
Scandinavian Airlines	<i>Copenhagen airport.</i> Limited domestic traffic. feeder traffic to/from Gardermoen and Arlanda. Heavy traffic flows on European and intra-Scandinavian routes.	38 short-range aircraft 13 regional jets	28 short-range aircraft 19 regional jets	29 short-range aircraft 16 regional jets
	<i>Oslo Airport Gardermoen.</i> Many domestic routes with heavy traffic flows. Heavy traffic flows on European and intra-Scandinavian routes.	55 short-range aircraft 2 regional jets 6 turboprops	50 short-range aircraft 5 turboprops	49 short-range aircraft
	<i>Stockholm-Arlanda.</i> Heavy traffic flows for domestic traffic. Heavy traffic flows on European and intra-Scandinavian routes.	39 short-range aircraft 1 regional jet	36 short-range aircraft	36 short-range aircraft
	<i>Long-haul.</i> Traffic to Asia and North America from CPH and ARN.	11 long-range aircraft	9 long-range aircraft	10 long-range aircraft
Widerøe	Primarily domestic traffic to small destinations in Norway.	30 turboprops	30 turboprops	33 turboprops
Blue1	Domestic traffic in Finland.	5 short-range aircraft 6 regional jets 2 turboprops	5 short-range aircraft 7 regional jets 3 turboprops	4 short-range aircraft 5 regional jets 5 turboprops
	Traffic to Scandinavia and the rest of Europe.			

are more than 20 years old. The oldest aircraft have higher fuel and maintenance costs than the newer ones, but considerably lower capital expenses. SAS's production varies and it is cost-effective to let the oldest aircraft be grounded during periods with little traffic.

Changes set for the bases in Oslo and Stockholm

The SAS Group has decided to harmonize aircraft types at its bases in Oslo and Stockholm to Boeing 737NG. SAS has also phased out its Fokker 50s and those routes are now served by Widerøe's deHavilland aircraft. An evaluation is under way with regard to SAS's fleet structure in Copenhagen. In addition, SAS will considerably reduce the number of versions within each aircraft type. All this will generate a gradual renewal of the fleet. At the same time as savings can be achieved through reduced complexity, lower maintenance costs, better resource allocation of personnel, simpler ground handling etc.

A simpler fleet structure through reduced number of aircraft models

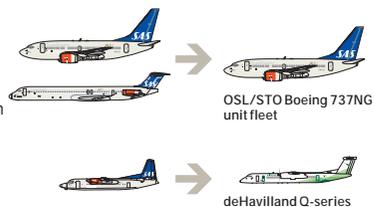
A unit fleet at the production bases in Oslo and Stockholm

(Facilitated by phasing out Boeing 737 Classic and MD-80)

Negotiations on aircraft replacement have started with manufacturers and leasing companies

Phasing out Fokker 50

Fokker 50 routes are now served by Widerøe's fleet



Unit fleet in Blue1

Facilitated by phasing out Avro and MD-90

Phasing in of Boeing 717 under way



Reduced number of aircraft models in the Group

Model variants for regional markets no longer possible

Standard model to be introduced.



The SAS Group's total aircraft fleet

Per Dec. 31 2010	Average age	Owned	Leased	Wet leased	Total	In service	Leased out
Long-range 11							
Airbus A330/A340	8.6	5	6	0	11	10	1
Short-range 152							
Airbus A319/A320/A321	7.5	4	10	0	14	12	2
Boeing 737 Classic	17.6	1	12	0	13	12	0
Boeing 737 NG	9.7	22	45	0	67	65	2
Boeing 717	10.3	0	9	0	9	4	3
McDonnell Douglas MD-80-series	20.8	27	14	0	41	25	8
McDonnell Douglas MD-90-series	13.9	8	0	0	8	0	5
Regional jets 21							
Avro RJ-85/-100	9.1	0	5	0	5	5	0
Bombardier CRJ200	12.9	0	0	4	4	4	0
Bombardier CRJ900NG	1.6	12	0	0	12	12	0
Turboprops 46							
ATR42/72	0.9	0	0	3	3	3	0
deHavilland Q-series	13.0	24	12	0	36	33	2
Fokker 50	20.8	0	5	0	5	0	0
SAAB2000	13.8	0	0	2	2	2	0
Total	12.4	103	118	9	230	187	23

Operational divided per airline	Average age	Total	In service	Leased out
Scandinavian Airlines	11.5	159	140	
Widerøe	13.3	33	33	
Blue 1	8.3	15	14	
Leased out aircraft	14.6	23		23
Total		230	187	23

Aircraft fleets' average age 2010	Age (years)
Finnair	6.7
Air France	9.0
KLM	9.1
Norwegian	9.1
AEA (including subsidiaries)	10.0
Scandinavian Airlines	11.5 *
SAS Group	11.6 *
British Airways	12.1
Lufthansa	12.9
Kimber Air Sterling	13.0
Malmö Aviation	16.1

* Pertains to aircraft in own service.

Source: Airlines' reports, ATI Air Transport Intelligence.

Aircraft in service	SAS Group	Scandinavian Airlines	Average age, SAS Group
New Generation	115	99	7.8
Others	72	41	17.6
Total	187	140	11.6

Financing, investment, cash and bank

The SAS Group has a sound level of financial preparedness in the form of cash and cash equivalents, and contracted unutilized credit facilities, which is important since risk of exposure to external events is high in the airline industry. SAS's target is a financial preparedness of more than 20% of the Group's revenues, with at least half held in cash and cash equivalents.

To strengthen the Group's liquidity and to support the implementation of remaining parts of Core SAS, a rights issue was carried out of approximately SEK 5 billion in the spring of 2010. At the beginning of 2010, the SAS Group renegotiated approximately SEK 5 billion worth of loan facilities to extend the maturity date from 2012 to 2013. In 2010, a convertible bond loan was also issued, corresponding to SEK 1.6 billion, as well as other bonds/ EMTM corresponding to SEK 1.6 billion.

Financing

The SAS Group uses commercial paper, bank loans, bond loans, convertible bond loans, subordinated loans and leasing as sources of financing.

At the end of 2010, the Group had contracted credit facilities of MSEK 6,688, of which MSEK 5,146 (3,629) was unutilized. At the end of 2010, the Group's interest-bearing debt amounted to MSEK 11,897 (14,660) MSEK. Amortization in 2010 amounted to SEK 6.1 billion, of which SEK 2.3 billion pertained to amortization of the revolving credit facility totaling MEUR 366. This year's borrowing amounts to SEK 4.1 billion including borrowing linked to aircraft acquisitions.

Investors often use a factor of seven times the net leasing cost in calculations of relevant key ratios, including in regard to adjusted debt/equity ratios. In the loan market, the present value calculation is more relevant since it measures actual contracted leasing commitments. At the end of 2010, the Group's capitalized net leasing cost (x 7) was MSEK 9,989 (12,817) and the present value of the leasing contracts was MSEK 6,328 (6,849).

Fixed-rate period

On December 31, 2010, the SAS Group's financial net debt amounted to MSEK 2,862 (6,504). The average fixed-rate period on the financial net debt is governed by SAS's financial policy and should amount to approximately 3.5 years. Various derivative instruments such as long-term interest-rate swaps, FRAs and

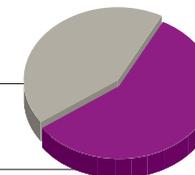
Rating in the airline industry, March 2011	Moody's	Standard & Poor's
SAS Group	Caa1	B-
Air Canada	B3	B-
American Airlines		B-
British Airways	B1	BB-
Continental	B2	B
Delta Air Lines	B2	B
Lufthansa	Ba1	BBB-
Northwest Airlines		B
Qantas	Baa2	BBB
Southwest Airlines	Baa3	BBB
United Airlines		B
US Airways	Caa1	B-

Breakdown of the SAS Group's total aircraft fleet

At December 31, 2010

Market value of owned aircraft
SEK 10.9 billion

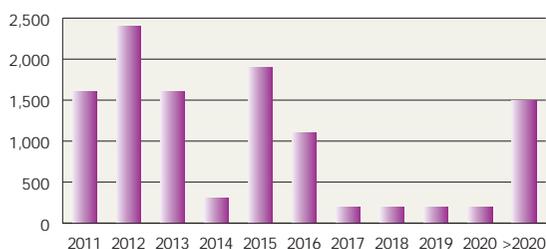
Market value of operating leased
aircraft SEK 14.8 billion



45% of the Group's aircraft are owned. They represent 42% of the total market value of the aircraft fleet.

Amortization of interest-bearing liabilities

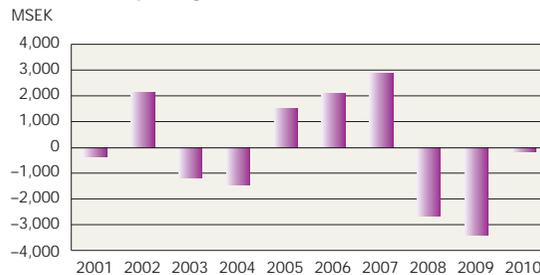
MSEK



The SAS Group has a relatively even amortization profile for the next three years. The above profile includes maturity of revolving credit facilities of SEK 1.2 billion in 2013, of which SEK 0.4 billion was renegotiated in February 2011 for maturity in 2016.

Cash flow from operating activities

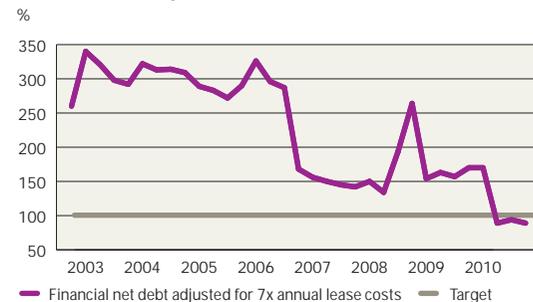
MSEK



The Group improved its cash flow in 2005-2007. In 2008-2009 it had a negative cash flow due to weak operating income. In 2010, cash flow from operating activities greatly improved, but remained negative in an amount of MSEK 155.

Financial net debt adjusted for lease

%



Excluding Spanair and airBaltic for 2007 and 2008.

futures are used to adjust fixed-rate terms. Average fixed rate period during the year was 3.6 years.

Creditworthiness

The SAS Group shall maintain a level of indebtedness that over the long term permits the Group to be viewed as an attractive borrower. The long-term objective is to regain an investment grade credit rating, that is, a rating over the BBB level with Moody's, for example. The Group has targets for equity/assets and debt/equity ratios that support this objective. SAS is rated by three credit rating agencies, Standard and Poor's, Moody's and the Japanese rating institute Rating and Investment Information Inc, whose ratings all remained unchanged in 2010. There were certain changes in the rating outlooks during the year. At year-end 2010, Rating and Investment had a negative outlook and Moody's and Standard & Poor's had a stable outlook.

Financial preparedness

On December 31, 2010, financial preparedness amounted to MSEK 10,189, of which cash and cash equivalents amounted to MSEK 5,043 and unutilized credit facilities MSEK 5,146. This pro-

Contracted credit facilities

Committed credit facilities

Dec. 31, 2010, MSEK	Total	Utilized	Unutilized	Maturity
Revolving credit facility, MEUR 366	3,295	0	3,295	2013
Revolving credit facility, MUSD 121	826	826	0	2013
Revolving credit facility, MNOK 74	85	85	0	2011
Revolving credit facility, MUSD 125 ¹	850	405	445	2013
3 bilateral bank facilities	1,250	-	1,250	2013
Other facilities	382	226	156	2011
Total	6,688	1,542	5,146	

Leasing costs, 2010

Capitalized leasing costs (x 7) ²	9,989
Leasing costs (NPV)	6,328

Aircraft on firm order

	Total
CAPEX (MUSD)	0
Number of aircraft	0

¹ Extended in February 2011 to 2016.

² Excluding restructuring costs.

vides a financial preparedness level of 25%. The SAS Group's cash and cash equivalents shall be held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P-1 according to Moody's or A-/A-1 according to Standard & Poor's.

Investments and sales

Investment for the year amounted to MSEK 2,493 (4,661), of which aircraft, other flight equipment and prepayments accounted for MSEK 1,924. In 2010, the SAS Group purchased five new aircraft – one new Boeing 737, one CRJ900 and three Q400 NGs. A Q300 was repurchased from operating lease, while a Q400 and a 737-500 were repurchased from operating lease for onward sale. In 2010, a total of nine aircraft were sold. The purchase price for these aircraft sales totaled MSEK 706.

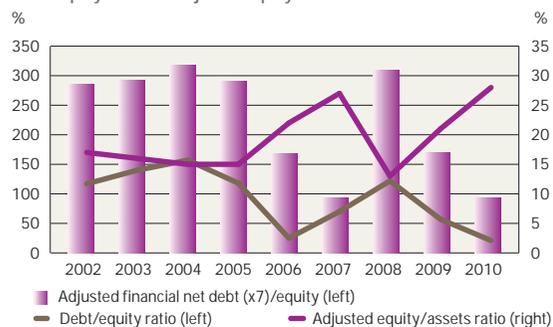
Environment-related investment

In 2010, SAS's environment-related investment totaled MSEK 11 (17), and included winglets and the replacement of diesel engines with electrical engines for ground equipment.

Distribution of owned and leased aircraft

At December 31, 2010, the market value of the SAS Group's owned and leased aircraft amounted to approximately SEK 25.7 billion (29.6). The Group has guidelines concerning the composition of owned and leased aircraft. At December 31, 2010, 55% of the SAS Group's fleet was on lease. This corresponds to 58% of the market value. The SAS Group strives for a balance between leased and owned aircraft to maintain operating flexibility.

Debt/equity ratio and adjusted equity/assets ratio



The adjusted equity/assets ratio improved in 2010, amounting at year-end to 28% (21%).

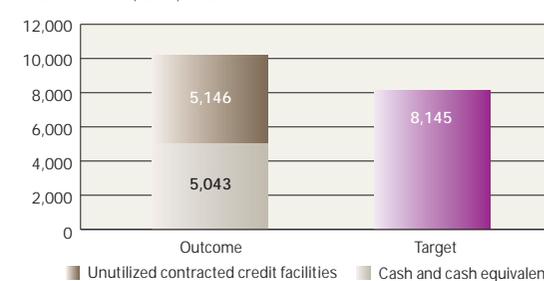


Working capital

While operating liabilities exceed assets, the SAS Group had net working capital of approximately SEK 9.9 billion (10.1) as of December 2010. Changes in balance-sheet items in working capital are continuously reported and analyzed internally. SAS optimizes, manages and follows up its operating capital by engaging in projects aimed at releasing capital. All companies/units are covered by a working capital policy. These are measured by KPIs on some of the major balance sheet items. In 2010, cash flow from operating activities amounted to MSEK -155, of which MSEK 232 is cash flow from operations and MSEK -387 derives from changes in working capital.

Financial preparedness

At December 31, 2010, MSEK



Cash and cash equivalents of MSEK 5,043 and contracted unutilized credit facilities of MSEK 5,146 provided financial preparedness totaling MSEK 10,189 or 25% of annual operating revenue of MSEK 40,723. Cash and cash equivalents amounted to 12% of operating revenue.

Risks and risk management

The SAS Group works continuously with risks and risk management. Risk management includes identifying both new risks and known risks, such as changes in oil prices or exchange rates. Overall risks are monitored and identified centrally and managed through action plans and policies that aim to control the risks. New risks are continuously identified in the operations. Flight safety is the SAS Group's top priority, and is described on [page 27](#).

High risk exposure in the airline industry

The airline industry's large proportion of fixed costs combined with exposure to such external variables as currencies, jet fuel prices, macroeconomic trends and events, creates a high risk exposure as well as uncertainty. Several of the risks can be managed efficiently through hedging. However, external events such as the ash cloud in April 2010 are difficult to predict. It is estimated that the ash cloud had a negative effect of billions of Swedish kronor on airlines in Europe and a MSEK 700 negative effect on the SAS Group. By working structurally to increase its proportion of variable costs, the SAS Group endeavors to



The airline industry is exposed to a number of different risks and the SAS Group works pro-actively to reduce impact and control risks.

handle unexpected events with minimum negative effects. Through its risk management, the SAS Group strives to reduce the effects of external changes to generate stable earnings.

With the Core SAS Strategy, SAS has achieved a solid financial preparedness and a decision-efficient organization, which also implies a basic preparedness for unexpected events.

Risk management

Strategic risks and market risks primarily affect demand and are countered by increased variability in the cost base to rapidly adapt production volume. The SAS Group's exposure to different markets and customer segments contributes to reducing the risk level but increases exposure to extraordinary events in the business environment.

Operating risks are related to factors that may constitute obstacles to production. For an airline, these can rapidly translate to major losses of revenue. Relations between Group management and the unions have been strengthened as a result of efforts focused on corporate culture and rules of conduct. The Group is exposed to risks that are linked to the organization and employees. Regulation of the airline industry implies that airlines are also exposed to political decisions that can affect operating costs, such as the new flight tax introduced in Germany in 2010.

There is a strong environmental opinion, which benefits companies with effective sustainability efforts, while new economic controls can result in initial costs.

Financial risks such as changes in currency rates, interest rates and fuel prices are managed via hedging, which offsets short-term shifts and creates room to maneuver to manage level changes.

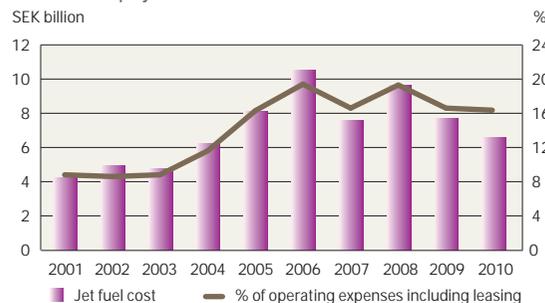
Jet fuel represents 16.3% of the Group's operating expenses, including leasing. In 2010, the SAS Group updated the policy for hedging of jet fuel purchasing to permit hedging up to 18 months in advance. Between 40-70% of the Group's projected jet fuel requirement for the next 12 months is hedged.

The SAS Group's jet fuel hedging USD/tonne



Jet fuel hedging aims to reduce the cost effect of sudden changes in the market price. SAS's hedged jet fuel price has been lower when the market price has risen sharply, but higher when the market price has dropped suddenly.

The SAS Group's jet fuel costs SEK billion



The SAS Group's jet fuel costs declined in 2010 due to a positive hedge effect and lower capacity.

Jet fuel hedging 2011

	Q1	Q2	Q3	Q4
Options	10%	4%	8%	12%
Strike price (USD/tonne)	744	793	752	843
Swaps	44%	49%	47%	43%
Price (USD/tonne)	759	773	759	826

54% of the SAS Group's estimated jet fuel requirement is hedged for 2011.

Estimated jet fuel cost 2011, SEK billion

Market price	5.0 SEK/USD	6.0 SEK/USD	7.0 SEK/USD	8.0 SEK/USD
600 USD/tonne	4.4	5.3	6.2	7.1
800 USD/tonne	5.2	6.2	7.3	8.3
1,000 USD/tonne	5.8	7.0	8.1	9.3
1,200 USD/tonne	6.4	7.7	9.0	10.3

The SAS Group's hedging of jet fuel and reported fuel cost at December 31, 2010, were taken into account.

Currency risks

Through its international operations, the Group is affected by changes in exchange rates in several ways.

Effects on currency flows, transaction risk

Deficit currencies are currencies where the Group has higher expenses than revenues. A weakening of the SEK against, for example, USD, a deficit currency, has a negative effect on income, when exchange rate-driven cost increases are not offset by a rise in revenue. The reverse applies to NOK, which is a surplus currency. By hedging 60-90% foreign currencies at a pre-determined price, the effect of currency changes is offset in the short-term.

Effects of revaluation, translation risk

When assets and debts booked in currencies other than SEK are revaluated using a new exchange rate, it normally affects income. Currency hedging and loans for financing aircraft, however, can be booked as other comprehensive income, subject to certain conditions. Income is then affected only once the asset is divested, but is normally offset by the change in the asset's market value. For further information on currency risks, see Note 28 pp. 88-91.

Legal issues

In November 2010, the European Commission decided to order SAS to pay fines for SAS Cargo of MEUR 70.2. The fines were charged to Group earnings for the third quarter in the amount of

MSEK 660 and will impact the Group's liquidity in the first quarter of 2011. SAS has appealed the decision.

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 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.

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

In January 2010, the Norwegian Tax Appeal Board (Skatteklagenemnda) rejected an appeal lodged by SAS against a decision by the Norwegian Tax Authority. According to the decision, depreciation charges amounting to approximately MNOK 180 were reversed, resulting in an increase in taxable income. SAS has appealed the decision of the Norwegian Tax Appeal Board. Should SAS be successful in its appeal, it would result in an increase in loss carryforwards.

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.

The SAS Group's major nonrecurring effects 2010	Earnings effect	Cash effect
Spanair, impairment losses	MSEK 229	MSEK 0
Norwegian, fines	MSEK 218	MSEK 218
Cargo US, fines	MSEK 104	MSEK 104
Cargo EU, fines	MSEK 660	MSEK 660 ¹
Core SAS, restructuring costs	MSEK 1,053	Gradual effect
Future exposure	Earnings effect	Cash effect
airBaltic/Estonian Air	approx. MSEK 70	MSEK 0
Spanair, loans	approx. MSEK 1,800	MSEK 200-300
Pension commitments (2013)	Estimated annually	MSEK 0
Restructuring costs	MSEK 150-350	Gradual effect
MD-90 impairment losses	MSEK 200	MSEK 0

¹ Cash effect in Q1, 2011.

SAS Group's sensitivity analysis

Airline operations, annual effects

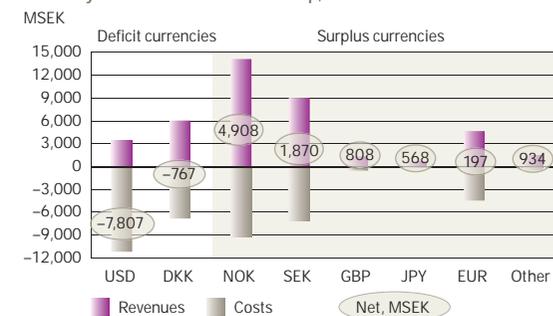
	Group total	Scandinavian Airlines	Widerøe	Blue1
Passenger traffic	1% change of RPK, MSEK	220	190	20
Passenger load factor	1 percentage point change in passenger load factor, MSEK	300	250	20
Yield	1% change in passenger revenue per passenger kilometers, MSEK	300	260	15
Unit cost	1% change of the airline operations' unit cost, MSEK	270	240	15
Jet fuel	1% change in the price of jet fuel, MSEK	66	59	4
	1% change in consumption of jet fuel, equivalent 1,000 tonnes of CO ₂	36.5	32.8	23.1

Net currency effect and interest-rate sensitivity, MSEK

	Group total
Revenues and expenses	-110
1% weakening of SEK against USD	55
1% weakening of SEK against NOK	-15
1% weakening of SEK against DKK	5
1% weakening of SEK against EUR	5
1% weakening of SEK against JPY	7
1% weakening of SEK against GBP	7
1 percentage point drop of average interest rate	60

Approximate relationships between main operational key figures for the SAS Group's financial and environmental results. While the earnings impact refers to full-year effects for 2010 and cannot be totaled, it illustrates the earnings sensitivity (excluding revaluation effects as well as hedging of currency and fuel) for Scandinavian Airlines, Widerøe and Blue1.

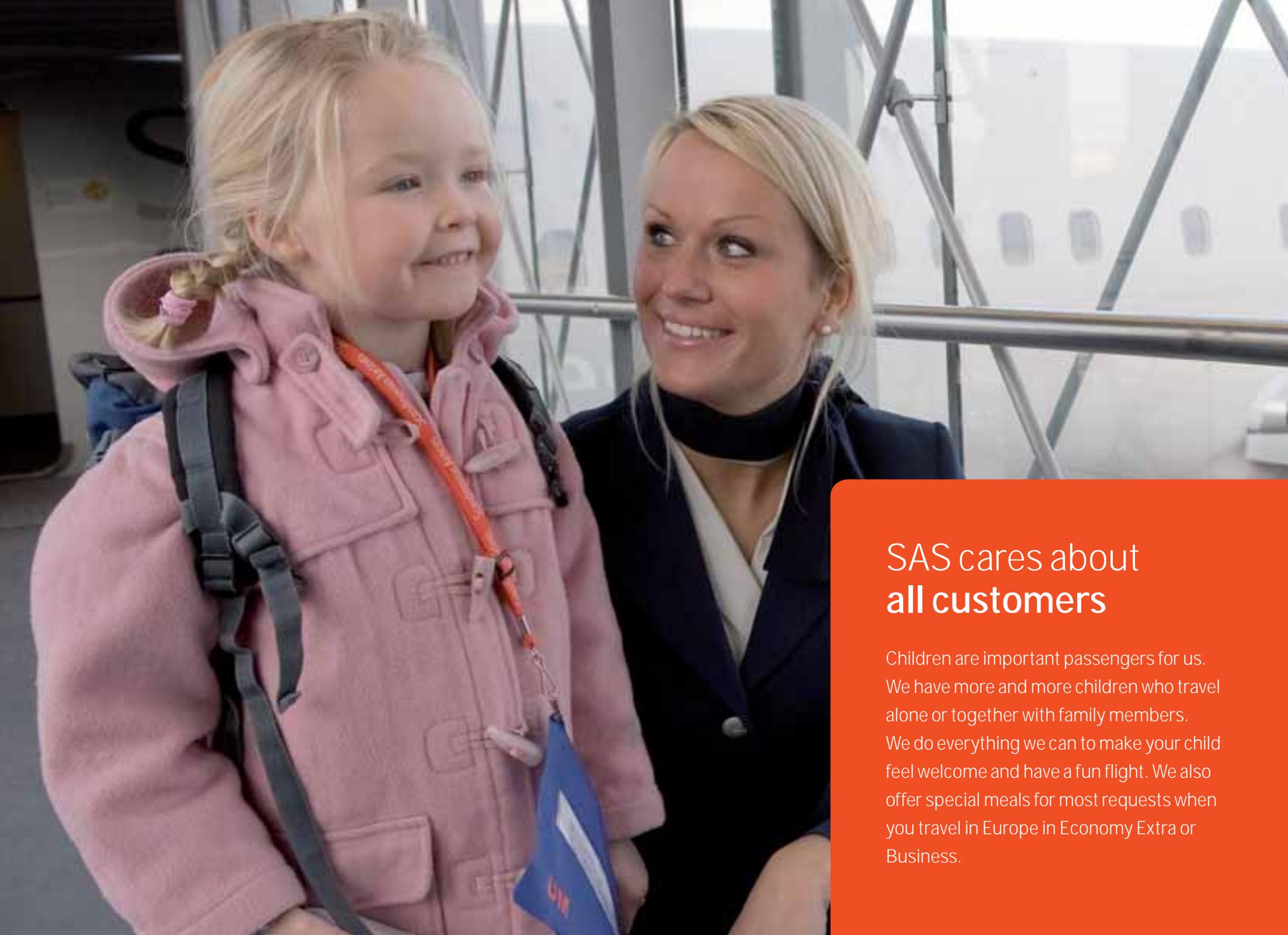
Currency breakdown in the SAS Group, 2010



The Group's largest deficit currencies are USD and DKK. At December 31, 2010, the SAS Group had hedged 73% of its anticipated USD deficit for 2011. Other currencies have been hedged at a rate of 60-90%, in accordance with the financial policy.

Risk management in the SAS Group

Risk/potential	Description	Threat	Opportunities	Risk management	Outcome 2010	See page
Strategic risks						
Macroeconomic growth	Demand in the airline industry is strongly correlated to economic growth.	Medium	Medium	Focus on variability in the cost base through a fleet mix and collective agreements.	Recovery in the world economy strengthened the income.	63
Natural disasters, terror attacks, conflicts and epidemics	Airlines are normally affected especially strongly by extraordinary events in the world.	Low	–		A volcanic eruption on Iceland closed down air space, which led to declining income.	50
Market risks						
Market impact	The Group is active in several markets and is therefore affected by different economic cycles, mitigating the Group's exposure. The SAS Group is especially sensitive to global trends and events.	Medium	Medium	The Group adjusts its production to ensure the right capacity in each market to reduce business risk.	Traffic in Asia and the US performed well, while Danish European traffic and Norwegian domestic traffic had a weaker performance.	24
Competition and price performance	The airline industry is subject to intense competition from new airlines that continually enter the market. Changes in customer behavior and more and more low-fare carriers in the SAS Group's home market may result in competition intensifying further.	Medium	–	To meet this, SAS needs to lower its costs to a competitive level and offer added value as compared with low-fare carriers.	Scandinavian Airlines' unit cost declined by 7.8% and the commercial offering was strengthened.	14
Capacity changes	Due to long delivery times, aircraft orders are based on forecasts several years in advance. This can lead to over- or undercapacity, which affects pricing.	Medium	Low	Market leader in the Nordic region means the opportunity to control capacity development. Utilization of short-term leasing to adapt capacity and demand.	Demand grew more than capacity which stabilized pricing.	23
Operating risks						
Personnel turnover	SAS remains one of the Nordic region's most attractive workplaces.	Low	Low	PULS analysis.	PULS analysis showed better results in important areas such as loyalty and motivation.	130
Strikes	Historically, the airline industry has been severely affected by conflicts in the labor market.	Low	–	Improved relations with employees and unions under Core SAS.	No strikes focused at SAS as employer.	
Incidents and accidents	The airline industry implies risk of exposure against aviation accidents.	Low	–	Safety as the top priority. Continuous work for improvement. Widespread reporting culture.	No R1 or R2 deviations and an improvement of the risk index.	27
Crime and fraud	The company may be exposed to crime that may have economic and material impact.	Low	–	Code of Conduct, internal control, revisions, safety work.		29
IT security	SAS is dependent on IT systems both for economic transactions and in operating activities.	Medium	–	Through solid IT-security, we gain confidentiality, correctness, accessibility, traceability and authenticity.	Junk mail and viruses increased last year, but operations was not significantly affected.	29
Environmental risks						
Environmental directives and requirements	Laws and regulations, just as public opinion, place demands on reduced environmental impact.	Low	Low	SAS involves itself in sustainability and works actively to reduce its environmental impact.	SAS reduced carbon dioxide emissions per passenger km by 5%.	114, 124
Legal and political risks						
Taxes and charges aimed at the airline industry	The airline industry is subject to charges such as those for take-off, landing and overflight.	Medium	–	Active dialogue and negotiation with authorities and organizations.	The unit cost for government user fees was up 5.1%.	29
Compliance risks	Infringement of laws or internal rules.	Medium	–	Internal policies and regulations as well as internal guidelines and Code of Conduct.	Litigation regarding events in 1999 and 2006 were concluded.	61
Financial risks						
Counterparty losses	SAS is exposed through credits, leases and guarantees to external parties' payment ability.	High	–	Exposure is regulated by a financial policy. SAS has a continuing exposure to Spanair of SEK 1.8 billion.	SAS did not have any significant counterparty losses during the year.	90
Liquidity risk	The airline industry is seasonal, which affects cash flow during the year.	Low	–	SAS's target according to the financial policy is a financial preparedness of at least 20% of the Group's revenues, with at least half in cash and cash equivalents.	The capital structure was strengthened through a rights issue. At year-end, financial preparedness was at 25%.	49, 90
Jet fuel price	Jet fuel represents about 16% of the Group's operating expenses incl. leasing, which exposes the company to changes in the price.	High	High	Hedging of 40-70% of the next 12 months' consumption.	The average price of fuel including hedging dropped, resulting in lower cost.	50, 88
Interest rates	The airline industry is capital-intensive and the company is a net borrower. This exposes the company to changes in interest rates.	Low	Low	A financial policy that regulates the proportion between floating and fixed interest rates. The objective is for the debt to have a fixed period of 3.5 years.	Net interest rose by MSEK 295, primarily due to higher interest-rate margins.	51, 88
Exchange rates	A considerable part of revenue, expenses and assets/debts are in currencies other than SEK, generating exchange-rate effects.	Medium	Medium	Hedging of foreign currencies. 60-90% of USD deficit is hedged on 12 months rolling.	Exchange-rate effects affected the Group's income by MSEK -1,292 compared with 2009.	51, 88



SAS cares about all customers

Children are important passengers for us. We have more and more children who travel alone or together with family members. We do everything we can to make your child feel welcome and have a fun flight. We also offer special meals for most requests when you travel in Europe in Economy Extra or Business.

Facts

Definitions & concepts  see page 136.



Traffic data

MSEK	Scandinavian Airlines			Widerøe			Blue1		
	2010	2009	Change	2010	2009	Change	2010	2009	Change
Number of passengers, (000)	21,532	21,383	0.7%	2,130	2,053	3.7%	1,566	1,463	7.1%
Revenue passenger km (RPK), mill.	23,494	23,241	1.1%	691	666	3.6%	1,527	1,321	15.6%
Available seat km (ASK), mill.	31,254	32,440	-3.7%	1,157	1,102	5.0%	2,250	2,029	10.9%
Passenger load factor	75.2%	71.6%	+3.5 pts.	59.7%	60.5%	-0.8 pts.	67.9%	65.1%	+2.7 pts.
Yield	-	-	-7.4% ¹	-	-	1.9% ²	-	-	-6.7% ²
Total unit cost incl. charter	-	-	-7.8% ¹	-	-	-7.7% ²	-	-	-1.1% ²
Unit cost, operating	-	-	-7.3% ¹	-	-	-	-	-	- ²
RASK	-	-	-0.2% ¹	-	-	-0.9% ²	-	-	-1.7%

¹ Currency-adjusted, SEK ² Currency-adjusted, local currency

Key figures

	Scandinavian Airlines			Widerøe			Blue1		
	2010	2009	2008 ³	2010	2009	2008	2010	2009	2008
Revenue, MSEK	35,676	39,696	47,536	3,473	3,329	3,502	1,792	1,819	2,000
EBIT before nonrecurring items, MSEK	1,422	-1,094	-18	210	34	33	-197	-198	-13
EBIT margin before nonrecurring items	4.0%	-2.8%	0%	6.0%	1.0%	1.0%	-11.0%	-10.9%	-0.7%
EBT before nonrecurring items, MSEK	806	-1,522	-188	192	57	2	-194	-200	-10
Number of destinations	93	102	122	47	43	44	29	24	24
Average flight distance, scheduled, km	823	816	832	226	221	257	792	719	710
Number of aircraft	159 ¹	172 ¹	181 ¹	33	30	30	15	13	13
Number of daily departures (average)	667	707	831	273	269	273	68	66	66
Aircraft, block hours/day	7.5	8.0	8.2	6.0	6.2	7.0	7.4	7.8	7.7
Pilots, block hours	630	550	584	420	414	467	612	617	597
Cabin crew, block hours	640	616	640	441	413	434	729	732	716
Regularity	96.6%	99.3%	98.6%	95.7%	97.1%	95.6%	95.2%	97.8%	97.9%
Punctuality (% within 15 min.)	86.9%	90.1%	84.9%	89.2%	89.6%	87.1%	79.5%	87.9%	84.8%
Average number of employees ²	12,883	14,438	16,286	1,186	1,203	1,329	416	430	460
of which women	44%	44%	43%	31%	33%	33%	47%	52%	52%
Total sick leave, %	7.1	7.1	-	5.3	5.1	6.1	9.2	6.7	6.2
Total no. of occupational injuries > 1 day sick leave	308	252	323	6	15	13	13	5	0

¹ Including aircraft being leased out. ² For other employee key figures, see Note 3  pp. 77-78. ³ According to Core SAS.

Scandinavian Airlines' traffic rose in 2010, despite a capacity drop of 3.7%, in line with the Core SAS strategy. The number of passengers was up 0.7%, totaling 21.5 million. The positive trend meant that the passenger load factor increased by 3.5 percentage points to 75.2%, which was the highest passenger load factor on an annual basis ever. Yield declined during the year by 7.4%, but as a result of the positive passenger load factor, RASK was only down 0.2%. The total unit costs dropped 7.8% as a result of the major cost-cuts within Core SAS.  See pp. 33-34.

Widerøe's traffic rose in 2010 by 3.6% thanks to a solid trend in the Norwegian regional route network. Widerøe took over operations from SAS Fokker 50 in the second half of the year, which affected growth positively. The number of transported passengers was up by 3.7%, and amounted to a record-high 2.1 million. Total passenger load factor declined by 0.8 percentage points to 59.7%. Yield rose during the year by 1.9% and the total unit cost dropped by 7.7%.  See p. 35.

Blue1's traffic rose 15.6% and capacity increased 10.9% during 2010, due to a sharp increase on the European routes. Blue1 opened three new routes to Berlin, Brussels and Munich, as well as increasing frequencies on London-Heathrow in line with the strategy to offer business travelers a competitive alternative in the Finnish market. Blue1 also opened on the Swedish domestic route Stockholm-Kalmar. The yield declined during the year 6.7%, while the total unit cost dropped 1.1%.  See p. 36.

EuroBonus

EuroBonus members, thousands	2010	2009	Change
No. of members	2,720	2,679	1.5%
of which in Denmark	534	529	0.9%
of which in Norway	729	731	-0.2%
of which in Sweden	763	738	3.4%
of which in Finland	243	226	7.3%
of which international	451	455	-0.9%
Total number of gold members	60,3	64	-5.4%
Total number of silver members	128	136	-5.7%

Calculation of important key figures

All revenues and expenses are adjusted for currency and restructuring costs

Return on capital employed (ROCE)
$\frac{\text{Operating income} + \text{Financial income}}{\text{Total assets} - \text{Non-interest-bearing liabilities}}$
Financial net debt
$\text{Interest-bearing liabilities} - \text{interest-bearing assets} - \text{net pension funds}$
RASK
$\frac{\text{Total traffic revenue}}{\text{Total ASK (scheduled + charter)}}$
Income before nonrecurring items
$\text{Income before tax adjusted for impairments, restructuring costs, capital gain/loss and other nonrecurring items.}$
Equity/assets ratio
$\frac{\text{Book equity} + \text{Non-controlling interests}}{\text{Total assets}}$
Total unit cost
$\frac{\text{Operating expenses adjusted for restructuring costs} + \text{aircraft leasing} + \text{amortizations} - \text{non-traffic-related revenue}}{\text{Total ASK (scheduled + charter)}}$
Yield
$\frac{\text{Passenger revenue}}{\text{RPK (scheduled)}}$

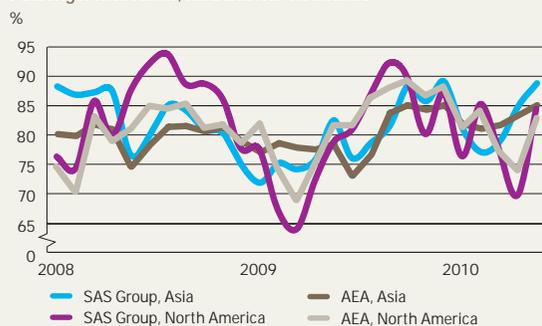
Statement of income

MSEK	Scandinavian Airlines			Widerøe			Blue1		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Passenger revenue	25,833	28,613	34,099	2,499	2,403	2,200	1,606	1,658	1,753
Charter revenue	1,888	2,164	1,653	9	2	1	37	10	9
Other traffic revenue	3,274	2,737	3,479	122	151	181	60	39	69
Other revenue	4,681	6,182	8,305	843	773	1,120	89	112	168
Revenue	35,676	39,696	47,536	3,473	3,329	3,502	1,792	1,819	2,000
Payroll expenses	-11,585	-15,226	-14,804	-1,251	-1,259	-1,284	-341	-371	-352
Selling costs	-397	-462	-549	-53	-48	-52	-15	-143	-157
Jet fuel	-5,900	-7,021	-8,847	-296	-291	-332	-405	-373	-459
Government user fees	-3,502	-3,708	-4,024	-503	-490	-448	-194	-202	-179
Catering costs	-794	-1,104	-1,239	-45	-49	-53	-54	-49	-68
Handling costs	-1,533	-1,839	-1,981	-268	-246	-242	-264	-257	-211
Technical aircraft maintenance	-2,131	-2,689	-3,013	-131	-157	-78	-179	-202	-191
Data and telecommunications	-1,625	-1,801	-1,918	-111	-108	-46	-31	-27	-23
Other operating expenses	-5,160	-4,724	-8,297	-333	-358	-669	-417	-280	-257
Operating expenses	-32,627	-38,574	-44,672	-2,991	-3,007	-3,203	-1,900	-1,903	-1,898
Income before depreciation and leasing costs, EBITDAR	3,049	1,121	2,864	482	323	298	-108	-85	102
Leasing costs, aircraft	-1,725	-2,149	-2,132	-121	-143	-119	-106	-115	-110
Income before depreciation, EBITDA	1,324	-1,028	732	361	180	179	-215	-199	-8
Depreciation, amortization and impairment	-1,670	-1,640	-1,343	-151	-147	-159	-4	-6	-5
Share of income in affiliated companies	2	-93	-4	0	0	0	0	0	0
Capital gain/losses	-271	-99	-10	0	1	14	0	0	0
Operating income, EBIT	-615	-2,860	-625	210	34	33	-219	-205	-13
Net financial items	-615	-428	-170	-18	24	-18	3	-2	3
Income before tax, EBT	-1,230	-3,288	-794	192	58	15	-216	-207	-10
Income before nonrecurring items	806	-1,522	-188	192	57	2	-194	-200	-10

Passenger load factor, Europe



Passenger load factor, Asia and North America



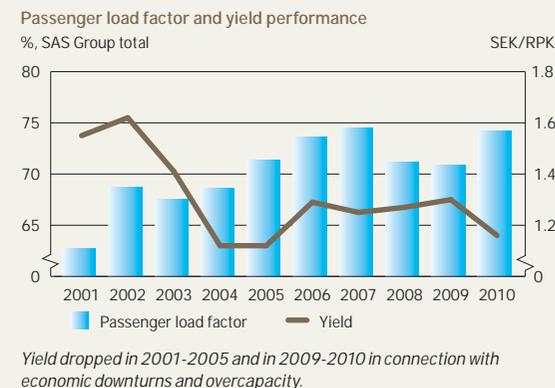
Scandinavian Airlines, traffic data by market

Intercontinental routes	2010	2009	Change
Number of passengers (000)	1,195	1,124	6.3%
Revenue pass. km (RPK), mill.	8,475	8,001	5.9%
Available seat km (ASK), mill.	9,724	9,954	-2.3%
Passenger load factor	87.2%	80.4%	+6.8 pts.
European routes	2010	2009	Change
Number of passengers (000)	8,059	8,065	-0.1%
Revenue pass. km (RPK), mill.	9,015	9,322	-3.3%
Available seat km (ASK), mill.	12,557	13,314	-5.7%
Passenger load factor	71.8%	70.0%	+1.8 pts.
Intra-Scandinavian routes	2010	2009	Change
Number of passengers (000)	3,108	2,943	5.6%
Revenue pass. km (RPK), mill.	1,539	1,458	5.6%
Available seat km (ASK), mill.	2,318	2,297	0.9%
Passenger load factor	66.4%	63.5%	+2.9 pts.
Danish domestic routes	2010	2009	Change
Number of passengers (000)	670	677	-1.0%
Revenue pass. km (RPK), mill.	139	141	-1.4%
Available seat km (ASK), mill.	197	228	-13.4%
Passenger load factor	70.6%	62.0%	+8.6 pts.
Norwegian domestic routes	2010	2009	Change
Number of passengers (000)	5,808	6,042	-3.9%
Revenue pass. km (RPK), mill.	2,939	3,023	-2.8%
Available seat km (ASK), mill.	4,488	4,660	-3.7%
Passenger load factor	65.5%	64.9%	+0.6 pts.
Swedish domestic routes	2010	2009	Change
Number of passengers (000)	2,693	2,532	6.3%
Revenue pass. km (RPK), mill.	1,387	1,296	7.0%
Available seat km (ASK), mill.	1,970	1,987	-0.9%
Passenger load factor	70.4%	65.2%	+5.2 pts.
Total	2010	2009	Change
Number of passengers (000)	21,532	21,383	0.7%
Revenue pass. km (RPK), mill.	23,494	23,241	1.1%
Available seat km (ASK), mill.	31,254	32,440	-3.7%
Passenger load factor	75.2%	71.6%	+3.5 pts.

The Group's operational key figures

Passenger traffic-related key figures	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Number of destinations served, scheduled	127	134	157	158	164	147	146	130	123	128
Number of flights, scheduled	367,817	380,470	427,201	423,807	552,899	554,838	530,597	502,145	536,768	445,584
Number of passengers, total (000) ¹	27,096	26,967	30,936	31,381	43,138	41,033	38,253	36,399	38,775	25,103
Number of passengers, scheduled (000)	25,228	24,898	29,000	29,164	39,059	36,312	34,250	31,005	32,562	24,689
Available seat kilometers, total (mill.) ¹	38,851	39,934	45,764	44,433	63,555	62,445	60,173	54,800	54,235	38,120
Available seat kilometers, scheduled (mill.)	34,660	35,571	41,993	40,019	54,907	53,689	51,478	47,634	47,079	36,765
Revenue passenger kilometers, total (mill.) ¹	29,391	29,025	33,097	33,082	46,770	44,566	41,287	36,985	37,237	23,906
Revenue passenger kilometers, scheduled (mill.)	25,711	25,228	29,916	29,365	39,247	35,864	33,312	30,403	30,882	23,567
Passenger load factor, total (%) ¹	75.6	72.7	72.3	74.5	73.6	71.4	68.6	67.5	68.7	62.7
Average passenger distance, total (km)	1,085	1,076	1,070	1,054	1,084	1,086	1,079	1,016	960	952
Weight-related key figures²										
Available tonne kilometers, ATK, total (mill. tonne km)	4,835	5,052	5,991	5,812	7,775	7,614	7,302	6,227	6,084	4,922
Available tonne kilometers, scheduled (mill. tonne km)	4,318	4,463	5,291	4,987	6,461	6,376	6,068	5,201	5,171	4,873
Available tonne kilometers, other (mill. tonne km)	517	589	700	827	1,314	1,238	1,233	1,026	914	49
Revenue tonne kilometers, RTK, total (mill. tonne km)	3,448	3,327	4,136	4,210	5,496	5,299	4,629	4,133	4,191	3,066
Passengers and excess baggage (mill. tonne km)	2,897	2,863	3,268	3,265	4,489	4,298	3,844	3,234	3,312	2,295
Total load factor, scheduled (%)	71.3	65.9	69.0	72.4	70.7	69.6	63.4	66.4	68.9	62.3
Traffic revenue/revenue tonne kilometers (SEK)	10,36	11,34	10,12	9,72	9,46	8,80	9,39	10,89	12,31	12,66
Key figures for costs and efficiency										
Total unit cost ⁵	0.95	1.02	0.96	0.87	0.78	0.73	0.74	0.84	0.92	1.05
Jet fuel price paid incl. hedging, average (USD/tonne)	773	831	1,120	786	707	564	434	314	268	295
Revenue-related key figures										
Passenger revenue/revenue passenger km, scheduled, yield (SEK)	1.16	1.30	1.27	1.25	1.12	1.10	1.11	1.27	1.48	1.55
Passenger revenue/available seat km, scheduled, (SEK)	0.86	0.92	0.91	0.92	0.80	0.73	0.72	0.81	0.97	1.00
Environmental key figures										
CO ₂ , gram/passenger km ⁶	121	127	131	130	131	136	154	158	159	176
Climate index ³ (Environmental index ⁴ until 2004)	90	94	98	96	95	100	76	78	78	87

¹ Total production includes scheduled traffic, charter, ad hoc flights and bonus trips, etc. This means that the figures deviate from the traffic statistics of the respective airlines. ² Excludes Blue1 in 2001-2004 and Braathens in 2002-2003. ³ Adjusted from 2005 to reflect the current Group's climate impact. ⁴ Refers to Scandinavian Airlines. ⁵ Only includes aircraft depreciation for the years 2001-2007. ⁶ Carbon dioxide per passenger kilometer comprising all passengers onboard all flights (scheduled, charter, etc.). Definitions and concepts see page 136.



Ten-year financial overview

Statements of income, MSEK	2010 ¹	2009 ¹	2008	2007	2006	2005	2004 ²	2003 ^{2,4}	2002 ^{2,4}	2001 ⁴
Revenues	40,723	44,918	52,870	50,598	50,152	55,501	58,093	57,655	64,906	51,433
Operating income before depreciation	225	-1,311	997	2,677	2,618	2,548	1,779	597	3,463	743
Depreciation, amortization and impairment	-1,867	-1,845	-1,550	-1,457	-1,757	-2,170	-2,846	-3,046	-2,953	-2,443
Share of income in affiliated companies	12	-258	-147	32	59	76	157	39	-409	-70
Income from sale of shares in subsidiaries and affiliated companies	-73	429	-	-	-	41	5	651	817	-24
Income from the sale of aircraft and buildings	-239	-97	4	41	85	182	113	649	-320	1,165
Income before tax, EBT	-3,060	-3,423	-969	1,044	177	-246	-1,833	-1,699	-543	-1,140
Income from discontinued operations	43	-327	-5,395	-135	4,528	577	-	-	-	-
Income before capital gains and nonrecurring items in continuing and discontinued operations	-444	-2,247	-1,947	824	1,279	114	-1,701	-2,450	-829	-2,282
Income before capital gains and nonrecurring items in continuing operations	-435	-1,754	-339	1,234	727	-106	-	-	-	-
Balance sheets, MSEK										
Non-current assets	30,591	29,636	26,840	26,663	31,189	36,439	38,458	42,768	46,845	42,407
Current assets, excluding cash and cash equivalents	6,191	8,670	10,741	13,216	9,172	12,893	10,748	9,441	9,244	8,693
Cash and cash equivalents	5,043	4,189	5,783	8,891	10,803	8,684	8,595	9,066	10,721	11,662
Total shareholders' equity	14,438	11,389	7,312	17,149	16,388	12,081	11,044	12,926	15,261	15,807
Long-term liabilities	13,932	13,069	19,160	11,274	17,847	23,608	25,193	25,633	27,096	24,569
Current liabilities	13,455	18,037	16,892	20,347	16,929	22,327	21,564	22,716	24,453	22,386
Total assets	41,825	42,495	43,364	48,770	51,164	58,016	57,801	61,275	66,810	62,762
Cash-flow statements, MSEK										
Cash-flow from operating activities	-155	-3,414	-2,651	2,866	2,102	1,507	-1,440	-1,167	2,138	-350
Investments	-2,493	-4,661	-4,448	-2,908	-2,299	-1,827	-3,865	-4,488	-9,919	-11,676
Sales of non-current assets, etc.	697	2,050	1,535	2,695	9,784	2,797	6,853	5,535	6,055	8,382
Cash flow before financing activities	-1,951	-6,025	-5,564	2,653	9,587	2,477	1,548	-120	-1,726	-3,644
Rights issue	4,678	5,808	-	-	-	-	-	-	197	-
Dividend	-	-	-	-	-	-	-	-	-	-754
External financing, net	-1,859	-1,524	2,480	-4,492	-7,438	-2,426	-2,016	-1,480	588	7,081
Cash flow for the year	868	-1,741	-3,084	-1,839	2,149	51	-468	-1,600	-941	2,683
Key figures										
Gross profit margin, %	0.6	-2.9	1.9	5.3	5.2	4.6	3.1	1.0	5.3	1.4
EBT margin, %	-1.1	-3.9	-0.6	2.4	1.5	0.1	-1.7	-	-	-
Return on capital employed (ROCE), % ³	-7.6	-11.7	-19.6	6.7	18.2	5.0	-1.1	0.0	3.5	0.0
Return on book equity after tax, % ³	-17.0	-26.8	-47.6	3.8	37.8	1.4	-14.9	-11.7	-1.4	-6.3
Adjusted equity/assets ratio, % ⁵	28	21	13	27	22	15	15	16	17	20

¹ For a description of reporting of discontinued operations see p. 37.

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

³ Includes results from discontinued operations.

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

⁵ Estimated starting 2007 with leasing costs of continuing operations. Earlier years' key figures also include leasing costs of discontinued operations. Definitions and concepts see p. 136.

Star Alliance™

Star Alliance 2010	Pass./year (mill.)	Yearly op. rev. (MUSD)	Destinations	Aircraft
Aegean Airways	1	867	37	30
Air Canada	31	8,582	171	332
Air China	40	7,523	156	252
Air New Zealand	12	2,751	53	99
All Nippon Airways	45	13,282	78	216
Asiana Airlines	13	3,055	83	73
Austrian Airlines	10	2,911	120	91
Blue1	2	247	29	15
bmi	5	1,360	38	53
Brussels Airlines	5	1,182	69	51
Continental Airlines	46	12,586	262	600
Egyptair	7	1,797	72	65
LOT Polish Airlines	4	872	50	49
Lufthansa	59	31,013	204	424
Scandinavian Airlines	22	4,921	93	182
Singapore Airlines	17	8,940	63	106
South African Airways	7	2,900	35	51
Spanair	8	1,530	27	45
Swiss	14	-	74	85
TAM	30	5,017	61	135
TAP Portugal	8	2,756	65	71
Thai Airways	13	4,779	74	88
Turkish Airlines	25	4,427	158	132
United Airlines	56	16,335	200	362
US Airways	51	10,458	206	356

Regional members	Pass./year (mill.)	Yearly op. rev. (USD bn.)	Destinations	Aircraft
Adria Airways	1	226	25	14
Croatia Airlines	2	256	28	12

World's largest alliances	Pass./year (mill.)	Yearly op. rev. (USD bn.)	Destinations	Aircraft
Star Alliance™	534	151	1,160	3,989
SkyTeam™	384	88	815	1,941
oneworld™	298	85	679	2,203

World's largest alliances, share of world total	ASK	RPK	Pass.	Yearly op. rev.
Star Alliance™	26.4%	26.4%	25.1%	28.8%
SkyTeam™	16.4%	16.7%	15.5%	18.0%
oneworld™	16.0%	16.2%	13.5%	15.8%
Total	58.8%	59.3%	54.1%	62.6%

Sources: Airline Business Magazine, September 2010 and alliance websites.

More information regarding Star Alliance see p. 20.

Ten-year financial overview

Financial key figures, MSEK	2010	2009	2008	2007	2006	2005	2004 ¹	2003 ^{1,3}	2002 ^{1,3}	2001 ³
Income and capital concepts included in CFROI										
Income before depreciation, EBITDA, in continuing and discontinued operations	246	-1,732	-1,232	2,646	3,663	2,984	1,779	597	3,463	743
+ Operating lease costs, aircraft	1,815	2,534	3,186	3,472	3,527	3,133	2,689	2,935	3,747	2,425
EBITDAR	2,061	802	1,954	6,118	7,190	6,117	4,468	3,532	7,210	3,168
- Operating lease revenue, aircraft	-341	-312	-160	-174	-194	-155	-163	-145	-85	-16
Adjusted EBITDAR in continuing and discontinued operations	1,720	490	1,794	5,944	6,996	5,962	4,305	3,387	7,125	3,152
Adjusted average capital employed⁵										
+ Total shareholders' equity	13,045	11,014	13,224	16,687	12,706	11,921	11,823	13,655	14,914	17,105
+ Surplus value aircraft	-1,037	193	-423	-208	371	-161	-674	167	1,318	4,638
+ Capitalized leasing costs, net (x 7)	11,984	19,502	22,016	23,191	22,567	18,967	18,130	22,844	21,766	14,818
- Equity in affiliated companies	-300	-567	-755	-1,054	-1,132	-853	-676	-519	-803	-1,087
+ Financial net debt	4,403	5,662	3,163	2,447	11,136	16,119	18,592	19,031	16,905	8,661
Adjusted capital employed	28,095	35,804	37,225	41,063	45,648	45,993	47,195	55,178	54,100	44,135
Cash Flow Return On Investments CFROI, %	6.1	1.4	4.8	14.5	15.3	13.0	9.1	6.1	13.2	7.1
Other financial data										
Financial income	186	304	660	787	585	492	357	1,096	1,150	618
Financial expenses	-1,041	-645	-933	-1,041	-1,367	-1,465	-1,399	-1,684	-2,291	-1,129
Interest-bearing liabilities	11,897	14,660	16,117	12,042	16,478	26,337	27,280	28,866	29,782	26,124
Operating leasing capital, ⁴	10,318	13,804	13,573	14,462	23,331	20,846	17,682	19,530	25,634	16,863
Net debt	-7,682	-3,828	-746	-8,265	-4,671	5,865	9,956	11,466	11,574	7,652
Financial net debt	2,862	6,504	8,912	1,231	4,134	14,228	17,377	18,122	17,872	12,824
Debt/equity ratio ²	0.20	0.57	1.22	0.07	0.25	1.18	1.57	1.40	1.17	0.81
Adjusted financial net debt (NPV)/equity ⁴	0.64	1.17	2.49	0.58	1.03	2.21	2.53	2.18	2.01	1.37
Adjusted financial net debt (x7)/equity ⁴	0.89	1.70	3.08	0.92	1.68	2.90	3.17	2.91	2.85	1.89
Interest expenses/average gross debt, %	6.9	5.6	7.6	7.8	6.1	5.2	4.3	6.5	6.9	4.4
Interest-coverage ratio	-1.9	-4.4	-5.3	1.8	4.4	1.3	-0.3	0.0	0.7	0.0

¹ Comparative figures for 2004 have been restated according to IFRS. Errors relating to Spanair's accounts have been corrected for 2002-2004.

² Calculated on financial net debt. ³ For 2003 and earlier years SAS Group accounting was according to Swedish Financial Accounting Standards Council recommendations. For differences between IFRS and earlier accounting policies see the SAS Group's 2005 Annual Report. ⁴ Estimated starting 2007 with NPV and leasing costs of continuing operations, respectively. Earlier years' key figures also include NPV and leasing costs of discontinued operations. ⁵ Includes continuing and discontinued operations. Definitions and concepts see p. 136.

Debt/equity ratio

Calculated on financial net debt, MSEK



SAS's debt/equity ratio increased in the early 2000s owing to weak earnings and an increase in the share of leased aircraft. In 2009-2010 the debt/equity ratio fell on account of the rights issues.

Financial income

MSEK



The SAS Group's financial income is affected by interest rates and the average level of cash and cash equivalents. During 2008-2010, interest rates fell in combination with a lower level of cash and cash equivalents.

The Group's EBT margin before nonrecurring items



The Group's adjusted equity/assets ratio



Financial net debt

MSEK



As of the end of December 2010, the financial net debt was MSEK 2,862, down MSEK 3,642 since the preceding year-end.

The SAS Group's aircraft fleet (as of December 31 2010)

The aircraft fleet enables us to offer a wide network to major as well as smaller destinations with distances from 10 minutes' to over 11 hours' flight time. The fleet is used domestically, internationally and for charter, and the varying aircraft sizes enable the Group to adjust capacity to demand at short notice.

The average age of the aircraft fleet in service is 11.5 years. The effective economic useful life of an aircraft is often more than 30 years, while its technical life is often more than 40 years. In 2010 Scandinavian Airlines aircraft flew a combined distance of 200,317,000 km in scheduled service, corresponding to nearly 550 single trips to the Moon.

On shorter distances within Europe, the capital cost of aircraft accounts for almost 15% of total operating expenses. On inter-continental routes to the US/Asia, the capital cost is just over 11%, owing to direct variable costs such as jet fuel and cabin crew. New aircraft have a higher relative capital cost.

SAS fleet strategy see pp. 46-47. Route network see page 30.

Scandinavian Airlines		Aircraft in service, excluding wet leases and aircraft leased out	
Destinations	93	6 A340-300	1 owned, 5 leased
Domestic	33	4 A330-300	3 owned, 1 leased
Europe	53	12 A321-200/319-100	4 owned, 8 leased
Intercontinental	7	77 737-400/500/600/700/800	22 owned, 55 leased
Daily departures	667	25 MD-82/87	14 owned, 11 leased
Passengers, (000)	21 532	12 CRJ900	12 owned
Average number of cabin crew	2 514		
Average number of pilots	1 334		
Revenue pass. km (RPK), mill.	23 494		
Available seat km (ASK), mill.	31 254		

The SAS Group also has deHavilland O400s, which were withdrawn from service.

Widerøe		Aircraft in service, excluding wet leases and aircraft leased out	
Destinations	47	33 Q100/300/400	24 owned, 9 leased
Daily departures	273		
Passengers, (000)	2 130		
Average number of cabin crew	341		
Average number of pilots	193		
Revenue pass. km (RPK), mill.	691		
Available seat km (ASK), mill.	1 157		

Blue1		Aircraft in service, excluding wet leases and aircraft leased out	
Destinations	29	5 RJ85	5 leased
Daily departures	68	4 Boeing 717-200	4 leased
Passengers, (000)	1 566		
Average number of cabin crew	118		
Average number of pilots	98		
Revenue pass. km (RPK), mill.	1 527		
Available seat km (ASK), mill.	2 250		

	Scandinavian Airlines												Widerøe			Blue1	
	Airbus A340-300	Airbus A330-300	Airbus A321-200	Airbus A319-100	Boeing 737-400	Boeing 737-500	Boeing 737-600	Boeing 737-700	Boeing 737-800	Boeing MD-82	Boeing MD-87	Bombardier CRJ900	Bombardier Q400	Bombardier Q300	Bombardier Q100	Avro RJ85	Boeing 717-200
Aircraft in service Group total	6	4	8	4	3	9	28	19	18	23	2	12	7	7	19	5	4
No. of seats, max.	245	264	198	141	150	120	123	141	186	150	125	88	78	50	39	84	120
Max. takeoff wgt., t	275.0	233.0	89.0	75.5	68.0	60.6	59.9	69.6	79.0	67.8	63.5	38.0	29.3	19.5	15.6	42.2	53.5
Max. load, tonnes	44.9	43.8	23.0	16.7	17.3	13.5	13.2	15.2	19.6	17.1	14.8	9.6	8.7	5.9	3.6	9.9	13.5
Length, m	63.7	63.7	44.5	33.8	36.4	31.0	31.2	33.6	39.5	45.1	39.8	36.2	32.8	25.7	22.3	28.6	37.8
Wingspan, m	60.3	60.3	34.1	34.1	28.9	28.9	34.3	35.8	35.8	32.9	32.9	23.4	28.4	27.4	25.9	26.3	28.5
Cruising speed, km/h	875	875	840	840	800	800	840	840	840	820	820	840	667	528	496	750	820
Range, km	12,800	10,100	3,800	5,100	3,150	4,100	2,400	4,400	4,400	2,400	3,000	2,100	850	1,500	750	2,300	2,800
Fuel consumption, l/seat kilometer	0.039	0.033	0.029	0.033	0.034	0.039	0.038	0.032	0.028	0.041	0.046	0.039	0.035	0.034	0.038	0.055	0.036
Engine	CFMI CFM56-5C4	RR Trent 772B	IAE V2530-A5	IAE V2524-A5	CFMI CFM56-3C	CFMI CFM56-3	CFMI CFM56-7B	CFMI CFM56-7B	CFMI CFM56-7B	P&W JT8D 217C/219	P&W JT8D-217C	GE CF34-8C1	P&W PW150A	P&W PW123	P&W PW121	Honeywell LF507-1F	RR BR 715A1-30

Annual Report 2010

Report by the Board of Directors

The Board of Directors and the President of SAS AB hereby submit the annual report for SAS AB and the SAS Group for fiscal year 2010. The Company is domiciled in Stockholm and its Corporate Registration Number is 556606-8499.

Highlights 2010

- Revenue for the year amounted to MSEK 40,723 (44,918), (-9.3%).
- The number of passengers totaled 25.2 million (+1.3%).
- Capacity (ASK) was reduced by 2.6% compared with 2009.
- The Core SAS cost program has been carried out as planned. Of the SEK 7.8 billion in planned savings, SEK 1.1 billion remain to be implemented. The earnings effect in 2010 was SEK 3.6 billion.
- On April 15, Scandinavian airspace was closed due to the ash cloud from the Eyjafjallajökull volcano on Iceland. The total earnings impact for SAS amounted to approximately MSEK -700.
- The SAS rights issue, totaling approximately SEK 5 billion, was oversubscribed by 50%.
- Income before tax was MSEK -3,060 (-3,423).
- Nonrecurring items for 2010 were MSEK 2,625, of which restructuring costs were MSEK 1,053, legal disputes MSEK 991, impairment MSEK 229 and capital loss MSEK 352.
- Income before nonrecurring items and ash cloud effects was MSEK 265 (-1,754).

MARKET PERFORMANCE

The airline industry gradually recovered in 2010 after having undergone its biggest crisis ever during 2008-2009. Increased demand, first noted on the long range routes, improved the balance between supply and demand. The SAS Group's total load factor was generally strengthened and was the highest ever during the year for the Group. However, some markets in the Nordic region still had a large overcapacity, which led to continued pressure on yield. The successively improved demand led to stabilized yield in some markets, mainly for intercontinental traffic. At the end of the year, the higher load factor and solid freight performance led to an improved RASK and for the full year, currency adjusted RASK was nearly at the 2009 level.

To meet demand, capacity was increased once more at the end of the year after being reduced in the first three quarters. In total, the SAS Group's airlines carried 25.2 million passengers in 2010, which was an increase of 1.3%. For 2011, SAS plans to increase capacity in line with the market by about 6%.

INCOME 2010

The Group's income before nonrecurring items and capital loss in continuing operations amounted to MSEK -435 (-1,754) and the net income for the period amounted to MSEK -2,218 (-2,947). The income was affected negatively by nonrecurring items of MSEK -2,625 (-1,669), and an extraordinary event (ash cloud effect) of MSEK 700, which means an adjusted net income for the year of MSEK 265. The tax was positive, in an amount of MSEK 799 (803), mainly due to capitalized deficit.

CORE SAS

Since 2009, Core SAS has been the Group's renewed strategic platform and was carried out during the year according to plan. During the year, non-core activities were divested, and a more decision-efficient organization was implemented. The Core SAS cost program has been carried out as planned. Of the SEK 7.8 billion in planned savings, SEK 1.1 billion remain to be carried out in 2011. The earnings effect in 2010 amounted to SEK 3.6 billion and the remaining earnings effect is expected to amount to SEK 2.0 billion in 2011-2012, of which SEK 1.5 billion is expected to impact earnings in 2011. Personnel cutbacks as a result of the implementation of the cost measures in Core SAS are planned at 4,600 FTEs. By December 2010, 87% of the reduction had been carried out, equivalent to 4,000 FTEs.

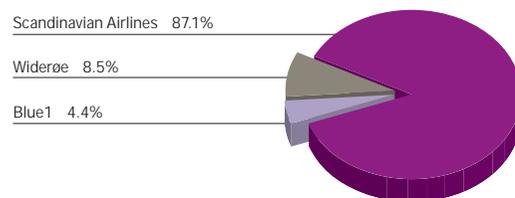
Rights issue and new bond loans

Two rights issues totaling about SEK 11 billion were carried out in 2009 and 2010 and conditions for credit facilities for about SEK 5 billion were renegotiated in 2010. Also, bond loans and convertible bond loans for a nominal sum totaling about SEK 3.2 billion have been issued in 2010. SAS implemented a 1:30 reverse split of shares. The conversion price for the convertible bonds was adjusted to SEK 46.50 as a result of the rights issue and the reverse split.

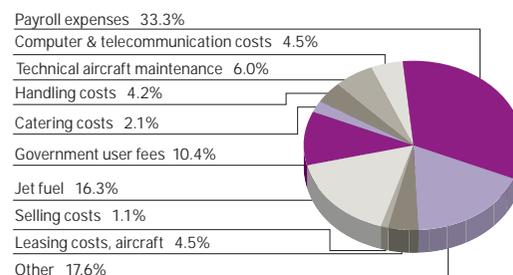
CHANGES IN THE GROUP STRUCTURE

In line with the Core SAS focus, the Group structure was further simplified in 2010 and non-core operations were sold. The sale of Air Maintenance Estonia was completed in the first quarter. In the second quarter, the Group's share holding in SAS Ground Services

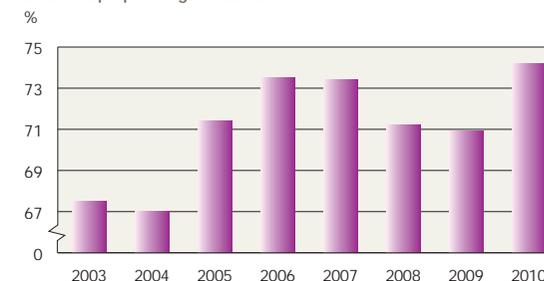
SAS Group's revenue breakdown by airline 2010



SAS Group's breakdown of costs 2010



SAS Group's passenger load factor



UK was divested, resulting in a capital loss of MSEK –23. In the third quarter, the remaining parts of Skyways were sold, generating a capital loss of MSEK –40 and a provision for sales expenses regarding SAS Flight Academy was dissolved, increasing the capital gain by MSEK 16. In September and December, further provisions of MSEK –65 were made regarding sales expenses for Quantum Air.

SAS intends to continue to sell non-core operations, such as the wholly-owned subsidiaries in freight operations Spirit Air Cargo, Trust and Air Greenland.

Remaining liabilities

In 2009, the SAS Group sold its 20% stake in bmi (British Midland International) to LHBD Holdings Ltd. SAS may receive an additional payment from Lufthansa if further value in bmi is realized in the period until the third quarter of 2011. Also, SAS will have a maximum negative exposure of MGBP 19 in the same period, in the event bmi becomes insolvent.

Following the divestment of 80.1% of Spanair in early 2009, SAS had interest-bearing receivables on Spanair worth MEUR 149 at year-end 2010, which mature on January 30, 2014. In addition, SAS has leased out a total of ten aircraft to Spanair on market terms and remains as guarantor of a maximum MEUR 24 for certain operating measures at Spanair, at the latest until January 30, 2014. SAS also has an outstanding bridge loan valued at MEUR 27 to Spanair's purchasers, which will mature on December 31, 2011. The SAS Group's shareholdings were impaired by MSEK 229 to MSEK 0 in the third quarter of 2010. After the latest capital contribution to Spanair, SAS's stake in February 2011 amounted to 11.6%.

airBaltic was divested in 2008, but the SAS Group has remaining receivables amounting to MUS\$ 8 at December 31, 2010. These receivables mature on April 30, 2011. The SAS Group also has two receivables from Estonian Air. At year-end 2010, these amounted to MEUR 7.

FINANCIAL RISK MANAGEMENT

The SAS Group is exposed to different types of financial risks. All risk management is handled centrally and in accordance with the financial policy set by the Board. The SAS Group uses derivative instruments as part of its risk management to limit its currency, interest-rate and fuel price exposure. See Note 28.

Other risks

Market risks: The SAS Group is especially sensitive to global trends and events. However, the Group is active in several markets and is therefore affected by different economic cycles, mitigating the Group's exposure. The macro-economic recovery meant that growth in 2010 was positive in the countries where the SAS Group is primarily exposed, even if the strength of the growth varies. The Group adjusts its production to ensure the right capacity in each market to reduce business risk. The airline industry is highly competitive since new airlines continually enter the market. Changes in customer behavior and more and more low-fare carriers in the SAS Group's home market may result in competition intensifying further. To meet this, SAS is working actively to lower its costs to a competitive level.

Financial risks: The SAS Group hedges 40-70% of its anticipated fuel consumption on a rolling 12-month basis. This is done primarily to create enough time to adapt operations to market conditions. The SAS Group's strategy for dealing with higher jet fuel prices is based on hedging of jet fuel, yield management and fare adjustments. The SAS Group's airline insurance contracts are of the all-risks type and cover the aircraft fleet, spare parts and other technical equipment as well as liability exposure associated with airline operations. SAS also hedges 60-90% of its expected USD deficit against surplus currencies SEK, NOK, GBP and EUR.

Environmental risks: Environmental laws and regulations, including restrictions on noise levels and greenhouse gas emissions, may have an adverse impact on the SAS Group. The Group works continu-

ously on sustainability issues to comply with international requirements.

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

THE SAS SHARE

Two share classes

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

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

Share price performance

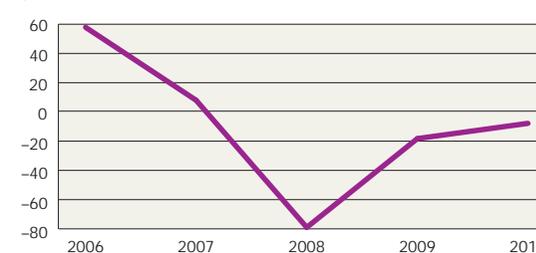
In 2010, SAS AB's market capitalization dropped by 25.6%. The decline occurred primarily during the first six months, before the rights issue was carried out. Compared with a weighted average of competitors' share price performance, the SAS share had a 41.6-percentage-point weaker performance. In addition to the decline linked to the rights issue, SAS was affected by negative effects of overcapacity and court rulings in the second half. In early 2011, the SAS share has had a positive trend.

The SAS Group's risk management

Risk is managed through diversification of risk, operating policies, Code of Conduct and hedging measures. See further  pp. 50-52.

Strategic risks	Market risks	Operating risks	Environmental risks	Legal and political	Financial risks
<ul style="list-style-type: none"> Macro-economic growth Natural disasters Terror attacks Conflicts Epidemics 	<ul style="list-style-type: none"> Market impact Competition - low-price players in the home market Capacity change Price performance 	<ul style="list-style-type: none"> Personnel turnover Strikes Incidents and accidents Crime and fraud IT security 	<ul style="list-style-type: none"> Environmental directives and requirements Laws and regulations Demands for reduced environmental impact 	<ul style="list-style-type: none"> Government user fees and taxes directed at the airline industry Compliance risks - laws and internal rules 	<ul style="list-style-type: none"> Counterparty losses Liquidity risk Fuel price Interest rates Exchange rates

Earnings per share
SEK



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

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

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

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

Should the Board deem the action of redeeming common shares not possible or adequate, the Board may propose a shareholders' meeting to decide to issue subordinated shares in such number so as to safeguard continued Scandinavian ownership and control. Such a decision must be approved by at least half of the votes cast at the meeting. The subordinated shares thus issued are subscribed for with the support of previously issued warrants, which currently are held by a subsidiary of SAS AB but which the Board of SAS AB has the right to decide to transfer to one or more appropriate legal entities domiciled in Denmark, Norway or Sweden as soon as this is judged necessary for aviation policy reasons. In total, there are 75,000 warrants issued which, after the rights issue conducted and the reverse split of shares in 2010, provide entitlement to subscription for a total of 150,000,000 subordinated shares, which would increase the company's share capital by a maximum of SEK 100,500,000. As soon as the threat no longer exists, the Board shall ensure that the issued subordinated shares are redeemed.

Furthermore, for aviation policy reasons, the Articles of Association

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

Ownership and control

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

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

SAS AB has no knowledge of agreements between shareholders that would restrict the capacity of shareholders to vote at a shareholders' meeting or their right to freely transfer such shares. Besides the aforementioned warrants for subordinated shares (which require the approval of the shareholders' meeting), the Board has, as of March 2011 no authorization to decide that the company will issue new shares or repurchase its own shares.

Effects of a public takeover bid

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

CAPITAL MANAGEMENT

Profitability targets

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

Target attainment

The EBT margin before nonrecurring items was -1.1%, which is 8.1 percentage points below the target for 2010.

Dividend policy

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

Targets for financial position

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

Target attainment

At the start of 2010, the adjusted equity/assets ratio deteriorated compared with the preceding year. The rights issue in the spring improved the key figure by 11 percentage points. SAS's long term target is an adjusted equity/assets ratio of 35%, to be achieved through measures in Core SAS, among others.

The adjusted debt/equity ratio was sharply improved in 2010 and the target for 2010 was achieved after the rights issue was carried out and the cash flow was stabilized.

In the first quarter of 2010, the target for the financial preparedness was not met. The rights issue and a more stable cash flow improved the target achievement considerably and at year-end, the Group had a financial preparedness amounting to MSEK 10,189.

WORK OF THE BOARD OF DIRECTORS

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

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

The Board's work follows a yearly agenda with regular business items as well as special topics. At the Annual General Shareholders' Meeting on April 7, 2010, all Board members were reelected with the exception of Berit Kjöll and Anitra Steen, who declined reelection. Monica Caneman and Gry Mølleskog were elected as new board members. Fritz H. Schur was reelected as the Chairman of the Board.

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

The Board held 18 meetings, of which ten were ordinary and eight extraordinary. At the ordinary meetings the Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow-up, the company's financial position and investment. Additionally, at various meetings the Board discussed matters involving flight safety work, internal control, the work of the Board, the year-end report, interim reports, strategy and business plan, and budget.

Special topics discussed by the Board during the year included the Core SAS strategy and 2010 rights issue, the reverse split of the SAS share, the outsourcing process, sale of holdings in Skyways, environmental and sustainability issues, and negotiations with the unions to achieve competitive collective bargaining agreements.

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

The main task of the Board's two committees is to prepare business for the Board's decision. The remuneration committee consists of three members and the audit committee of four members all elected by the shareholders' meeting. In 2010, the audit committee held five

recorded meetings, examining the scope and performance of external and internal auditing work, financial reporting and internal control. During the year the remuneration committee had seven recorded meetings plus a number of informal meetings in connection with the adoption of guidelines and principles for remuneration and other employment terms for senior executives. The committee also discussed the new President's salary and other employment terms. Prior to the 2011 Annual General Shareholders' Meeting, the committee will prepare the recommendation for remuneration policies and other terms of employment for company management that, pursuant to the Companies Act and the Code, the Board shall present to the Meeting for approval. The fees paid to Board members and remuneration for serving on Board committees are reported on page 103.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

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

Guidelines adopted at the 2010 Annual General Shareholders' Meeting are outlined in Note 3. There were no deviations from these guidelines during the year. The guidelines to be proposed to the Annual General Shareholders' Meeting on April 11, 2011 are unchanged in relation to the remuneration policies adopted at the 2010 Annual General Shareholders' Meeting.

SAFETY IN THE SAS GROUP

Pervasive safety culture

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

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

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

As new requirements from the civil aviation authorities are expect-

ed, SAS expanded its work on identifying risks and risk management in 2010. As a supplement to incident reporting, data and information are systematically gathered that give indications of any weaknesses in the flight operation or technical operations.

The SAS Group has a high level of flight safety thanks to comprehensive procedures and quality controls and to the dedication of its employees and management. All SAS Group airlines are IOSA-certified. IOSA certification may be viewed as the airline industry's equivalent to ISO 9000 certification. During 2010, SAS renewed its IOSA certificate for the fourth time in eight years without any adverse remarks in the audit.

Flight safety work can be divided into four main areas:

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

During 2010, the flight safety level in the SAS Group was high and in line with the current industry standard.

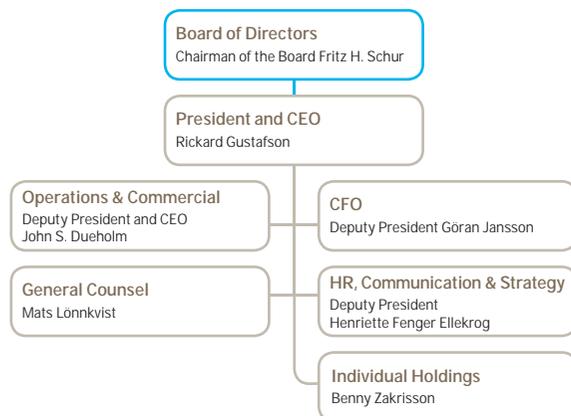
LEGAL ISSUES

In November 2010, the European Commission decided to fine SAS Cargo MEUR 70.2. The fines were charged to Group earnings for the third quarter in the amount of MSEK 660 and will impact the Group's liquidity in the first quarter of 2011. SAS has appealed the decision.

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 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.

Business model and areas of responsibility



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

In January 2010, the Norwegian Tax Appeal Board (Skatteklagenemnda) rejected an appeal lodged by SAS against a decision by the Norwegian Tax Authority. According to the decision, depreciation charges amounting to approximately MNOK 180 were reversed, resulting in an increase in taxable income. SAS has appealed the decision of the Norwegian Tax Appeal Board. Should SAS be successful in its appeal, it would result in an increase in loss carryforwards.

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.

SAS GROUP'S CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

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

Environmental responsibility

An overwhelming part of the SAS Group's environmental impact consists of the flight operations and its use of fossil fuels. Other environmental impact consists primarily of cabin and ground operations, mainly energy and water consumption as well as waste generation.

The main environmental impact of flight operations consists of emissions of carbon dioxide and nitrogen oxides related to the consumption of non-renewable fuels, and noise. The emissions have an impact on the climate. The local and regional environmental impact consists mainly of noise during takeoffs and landings, as well as acidification and eutrophication of soil and water. To lessen the environmental impact, two actions have the greatest potential: continuous renewal of the aircraft fleet to a newer generation, which means the SAS Group always seeks the best economically available technology, and use of biofuel blends to reduce total carbon emissions.

Commercial aviation uses internationally type-approved aircraft according to ICAO certification standards. Environmental approval is an integral part of national registrations of aircraft. Environmentally based national and/or local permits, rules and regulations provide a framework for aircraft use.

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

The special directive which includes airlines in EU ETS, endorsed by the EU in 2008, began taking effect during the year, when the requirements on MRV (Monitoring-Reporting-Verifying) of carbon dioxide emissions and tonne kilometers (TK) produced, came into force. All the SAS Group's airlines, Scandinavian Airlines, Blue1 and Widerøe, have approved and verified MRV plans and are verifying reports to meet statutory requirements in EU-ETS.

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

Since 1996, the SAS Group has measured its eco-efficiency with an environmental index, which shows the development of flight operations relative environmental impact. In addition, a Group-wide climate index covering the airlines' greenhouse emissions has been prepared. The climate index for most of the SAS Group's companies improved during the year. The climate index for 2010 improved to 90 (94). The target of Scandinavian Airlines is to increase fuel efficiency by 6-7% by 2011, compared with 2005/2006. At the end of 2010, an improvement of 4-5% was reported.

Of the SAS Group's operations, parts of ground operations at Stockholm, Oslo, Copenhagen and Stavanger airports are covered by permits pursuant to national environmental laws. The permit in Stockholm covers maintenance bases and regulates emissions to air, chemicals and waste management and sets target and monthly mean values for effluent from the treatment plant.

The permit also includes operations not run by the SAS Group, such as other airlines or operations that lease hangars, for example. The SAS Group submits an annual environmental report to Sigtuna Municipality. There is also a permit from the Swedish Chemicals Agency for certain products (methylene chloride and 2-methoxyethanol). The permit at Oslo Airport covers water from a treatment plant connected to hangars and maintenance bases. The SAS Group submits an annual environmental report to Ullensaker Municipality and to the County Governor of Akershus. Copenhagen Airport has environmental permits for treatment plants and chemical stocks and permits that primarily concern the use of chemicals in maintenance work in workshops and hangars. Here

too, an annual report is submitted to the local environmental agencies. The SAS Group has an environmental permit for a treatment plant at Stavanger Airport.

The management of Scandinavian Airlines premises in Scandinavia, mentioned above, has been taken over by Coor Service Management. Responsibility for the Group's operations carried out in properties managed by Coor Service Management, including all environmental permits, is vested in the SAS Group.

In general, the SAS Group's airline operations are dependent on the licensed activities SGH and SAS Tech carry out in workshops, maintenance bases and hangars and on the respective airport owners' licenses for operations and glycol handling and thresholds for atmospheric emissions and noise. Apart for local waste management permits, the SAS Group has no permit requirements for airline operations in Finland. The Group has obtained all the necessary licenses and permits for its operations in Scandinavia, none of which come up for renewal during the coming fiscal year.

One of Stockholm-Arlanda Airport's environmental rules is a ceiling for how much CO₂ and NO_x airport activities may emit. Swedavia has been working on an application for a whole new environmental permit since 2008, which will be submitted in the first quarter of 2011. The SAS Group has extensive activities at Arlanda and is highly dependent on the airport's environmental permit.

Airline operations have a dispensation for halon use and submit annual reports to the authorities on consumption including leakage and storage. In 2010, the SAS Group estimates that just over 1 kilograms of halon was discharged.

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

In 2010, aircraft operated by SAS Group airlines sometimes deviated from local approach and takeoff rules. In 2010, Blue1 was fined for deviating from the approach rules in Paris. None of the incidents had any major environmental consequences.

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

Corporate social responsibility

SAS's social responsibilities include responsibility for employees and for its impact on the surroundings and communities in which the Group operates. Given the organizational changes that the renewed strategic approach entails, redundancies will continue to occur. The issue of redundancy is initially handled by the individual companies, where the negotiations follow national laws and practice. In addition, the SAS Group has its own guidelines that permit transfer of employees between the national companies under a special arrangement negotiated between SAS AB and the personnel organizations.

SAS Group subsidiaries and units report sick leave and occupational injuries pursuant to national legislation. Efforts to reduce sick leave have priority, and there are special projects to return employees on long-term sick leave back to work. In 2010, sick leave in Scandinavian Airlines was 7.1%.

SAS Group companies are working actively on equal opportunity, based in part on the legislation in effect in each country, and in part on the current situation in the respective companies. The SAS Group's diversity policy is based on equal treatment of all employees and job applicants. Work on equal treatment includes promotion of diversity and equality in all its forms. The SAS Group Management consists of one woman and five men. The figure for the Top100 management forum is approximately 23% women.

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

The PULS employee satisfaction survey shows that general job satisfaction in the SAS Group has improved somewhat compared with the preceding year, but remains under pressure. The response rate was still record high.

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

PUNCTUALITY AND REGULARITY

Scandinavian Airlines was named Europe's most punctual airline in 2010 in the category "major airline" by FlightStats, with departure punctuality of 86.9% and regularity of 96.6%. Widerøe's punctuality was high and reached 89.2%, with regularity of 95.7%. Blue1's punctuality was 79.5%, with regularity of 95.2%.

PARENT COMPANY

SAS AB is a Swedish public limited company registered in Stockholm and the address of its head office is Kabinvägen 5, Arlanda, Stockholm. SAS AB is the Parent Company of the SAS Group. The main objective of the company, directly or indirectly, is to conduct air traffic operations in a comprehensive Nordic and international network.

DIVIDEND 2010

The Board of Directors proposes to the Annual General Shareholders' Meeting that no dividends be paid to SAS AB's shareholders for the 2010 fiscal year. This is motivated by the SAS Group's negative results and cash flow. A good financial position and financial flexibility will be important in completing all measures in Core SAS and future investments.

DISPOSITION OF EARNINGS

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

	MSEK
Retained earnings	2,299
Reduction of share capital	4,516
Costs in connection with rights issue, net	-208
Group contribution received, net	2
Net income for the year	-438
Total unrestricted equity	6,171

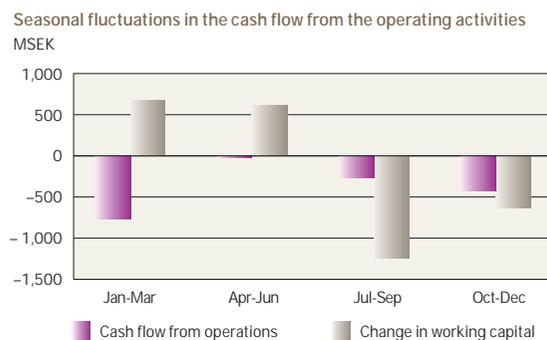
The Board of Directors proposes that the earnings be allocated as follows:

	MSEK
Amount retained by Parent Company	6,171
Total	6,171

The position of the Group and Parent Company at year-end 2010 and the earnings of operations for fiscal year 2010 are stated in the following statements of income, balance sheets, cash-flow statements, changes in shareholders' equity, comments on the financial statements and notes.

SEASONAL EFFECTS

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



Based on reported cash flow 2007-2010.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Rickard Gustafson took office as President and CEO on February 1, 2011.

SAS was named Travel Marketer of the Year by the Norwegian trade association HSMAI.

SAS was named Europe's most punctual airline by the independent research company, FlightStats.

SAS completed the relocation of its head office from Frösundavik, Solna to Arlanda Airport.

Göran Jansson took office as CFO and Deputy President on March 1, 2011.

FULL-YEAR 2011

The macroeconomic recovery is expected to continue in 2011, particularly in the SAS Group's home market. Growth is expected to be strongest in Sweden and Norway, but lower in the eurozone.

IATA assesses that passenger growth in the airline industry will increase globally by slightly more than 5% in 2011, but higher jet-fuel prices and new taxes will have a negative impact on the industry.

For the SAS Group, growth was favorable in the second half of 2010. This trend is expected to continue during the first half of 2011, particularly on the Asian routes, but also on domestic and intra-Scandinavian routes. Conditions are also favorable for continued growth in the second half of 2011. Overcapacity is expected to remain in certain markets, primarily Danish European operations. In total, the market is expected to grow by 4-6% in 2011 and SAS plans to expand capacity by about 6% during the year, which is in line with the market.

The trend for yield and jet-fuel prices is uncertain. However, the rising jet-fuel prices are expected to have a positive impact on the yield as of spring 2011, but are also expected to have a negative effect on the cost base.

Core SAS will be concluded in 2011 and continues to contribute to strengthening SAS's competitiveness. The remaining earnings impact of the Core SAS savings program is expected to be SEK 1.5 billion in 2011. Restructuring costs are expected to decline to MSEK 400-600 in 2011. During the year, SAS will work on further cost improvements as part of its regular operations.

Seasonally, the first quarter is the weakest for SAS. Combined with overcapacity, mainly in January and February, earnings are also expected to be negative for the first quarter of 2011, but at the same time, better than for the corresponding quarter in 2010. Given continued recovery in the home market, as described above, and that no unexpected events occur, the prospects are favorable for the SAS Group being able to achieve positive income before tax for full-year 2011.

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

MSEK	Note	2010	2009
Revenue	2	40,723	44,918
Payroll expenses	3	-13,473	-17,998
Other operating expenses	4	-25,210	-25,912
Leasing costs for aircraft		-1,815	-2,319
Depreciation, amortization and impairment	5	-1,867	-1,845
Share of income in affiliated companies	6	12	-258
Income from the sale of shares in subsidiaries and affiliated companies		-73	429
Income from the sale of aircraft and buildings	7	-239	-97
Operating income		-1,942	-3,082
Income from other holdings of securities	8	-263	0
Financial income	9	186	304
Financial expenses	9	-1,041	-645
Income before tax		-3,060	-3,423
Tax	10	799	803
Net income for the year from continuing operations		-2,261	-2,620
Income from discontinued operations	11	43	-327
Net income for the year		-2,218	-2,947
<i>Other comprehensive income:</i>			
Exchange-rate differences on translation of foreign operations, net after tax of 0 (0)		-121	27
Cash flow hedges - hedging reserve, net after tax of -167 (-347)		469	970
Total other comprehensive income for the year, net after tax		348	997
Total comprehensive income		-1,870	-1,950
<i>Net income for the year attributable to:</i>			
Parent Company shareholders		-2,218	-2,947
<i>Total comprehensive income attributable to:</i>			
Parent Company shareholders		-1,870	-1,950
Earnings per share (SEK) ¹		-7.79	-18.20
Earnings per share (SEK) from continuing operations ¹		-7.94	-16.18
Earnings per share (SEK) from discontinued operations ¹		0.15	-2.02

¹ Earnings per share is calculated on the basis of 284,557,583 (161,898,003) outstanding shares. The number of outstanding shares until April 15, 2009 and May 1, 2010 is adjusted for a bonus element in the rights issue to existing shareholders of 6,123 and 2,379 respectively, as well as reverse split of 1:30.

The SAS Group has no option or share programs. The convertible bond loan of approximately MSEK 1,600 covering 34,408,602 shares does not have a dilution effect, as the interest rate on the common share that can be obtained on conversion is in excess of the earnings per share before dilution.

Income before capital gains and nonrecurring items, MSEK	2010	2009
Income before tax in continuing operations	-3,060	-3,423
Impairment	229	215
Restructuring costs	1,053	1,767
Capital gains	352	-332
Other nonrecurring items	991	19
Income before capital gains and nonrecurring items in continuing operations	-435	-1,754

Comments on the consolidated statement of income

Continuing operations:

The SAS Group's income before nonrecurring items in continuing operations amounted to MSEK -435 (-1,754).

The income was characterized by recovery, but the price performance in some of the Group's markets continues to be weak, primarily in Danish European traffic, which still has overcapacity. The currency-adjusted yield in Scandinavian Airlines fell by 7.4%. The Group's passenger traffic (RPK) increased by 1.9%, the number of passengers amounted to 25.2 million, which was an increase by 1.3%, and the passenger load factor amounted to 74.2%, which was an increase of 3.3%. This partly offsets the continued pressure on prices. Revenue was MSEK 40,723 (44,918), a currency-adjusted decrease of 5.9%.

Payroll expenses amounted to MSEK -13,473 (-17,998). Adjusted for currency and restructuring costs, this is a decline by 18.1%, which is related to continued personnel reductions in line with Core SAS. Many cost items have been reduced as a part of the capacity cutbacks. This includes the cost of fuel that totaled MSEK -6,601 (-7,685), a currency-adjusted reduction by 9.4% and leasing costs totaling MSEK -1,815 (-2,319), a currency-adjusted reduction by 15.9%.

Shares of income in affiliated companies amounted to MSEK 12 (-258). Income from the sale of shares in subsidiaries and affiliated companies amounted to MSEK -73 (429) and pertained to divestment of Air Maintenance Estonia of MSEK -1, divestment of SAS Ground Services UK of MSEK -23, reversal of reserve relating to selling costs for SAS Flight Academy AB of MSEK 16 and selling costs for Quantum Air of MSEK -65. Income from other holdings of securities amounted to MSEK -263 (0) and pertained to impairment charges for Spanair of MSEK -229, divestment of remaining holdings in Skyways of MSEK -40 and dividends of MSEK 6.

The Group's net financial items amounted to MSEK -855 (-341), of which net interest was MSEK -746 (-497) and translation differences MSEK -16 (203). The increase of the net financial items is primarily due to increased borrowing costs.

The SAS Group's income before tax in continuing operations amounted to MSEK -2,261 (-2,620).

The income was adversely affected by nonrecurring items that were mainly expected events besides the ash cloud effects, which are expected to amount to approximately MSEK 700. Nonrecurring items totaled MSEK -2,625 (-1,669) and included restructuring costs for the implementation of Core SAS by MSEK -1,053 (-1,767) of which MSEK -476 (-1,444) pertained to payroll expenses, MSEK -47 (-141) pertained to leasing costs, MSEK -200 (-79) pertained to amortization costs for aircraft, MSEK -257 (-57) were related to property leasing costs and MSEK -73 (-46) related to other restructuring costs. Other nonrecurring items amounted to MSEK -991 (-19) and related to a settlement for SAS Cargo's dispute in the US of MSEK -104, fines of MSEK -660 resulting from the European Commission's air freight investigation, compensation awarded to Norwegian of MSEK -218 and MSEK -9 relating to a Supreme Court judgment in Norway regarding integration of Braathens ground handling personnel. Capital losses included losses generated by the sale of subsidiaries, affiliated companies and other holdings of securities of MSEK -113, capital losses from aircraft sales/purchases amounted to MSEK -270 and capital gain from property sales/purchases amounted to MSEK 31.

Tax was positive in an amount of MSEK 799 (803), which was primarily due to capitalized deficit.

Discontinued operations:

A sales process for Spirit is under way and activities are reported as a discontinued operation. Income from discontinued operations totaled MSEK 43 (-327). The sale of Spanair was completed in 2009. The preceding year's income also included adjusted income for the sale of Aerolineas and airBaltic, sold during 2008.

CURRENCY EFFECTS ON SAS GROUP EARNINGS

Operating revenue as well as operating expenses and financial items are affected significantly by exchange-rate fluctuations. Only approximately 22% of operating revenue and 18% of operating expenses are in Swedish kronor.

The aggregate effect of changed exchange rates on the SAS Group's operating income for 2010 compared with 2009 was MSEK -1,073 (-1,409). The currency effect is attributable to the stronger Swedish krona against primarily EUR, DKK and USD during 2010. The difference between the years in the effect of exchange-rate differences on the financial net debt was MSEK -219 (150), and MSEK 14 (-224) in discontinued operations.

Comparing 2010 with 2009, the total currency effect on income before tax was therefore MSEK -1,278 (-1,483).

Currency effect

MSEK	2010/09	2009/08
Revenue	-1,651	3,569
Payroll expenses	690	-947
Other expenses	1,515	-4,477
Translation of working capital	154	-151
Income from hedging of commercial flows	-1,781	597
Operating income	-1,073	-1,409
Net financial items	-219	150
Income before tax in continuing operations	-1,292	-1,259
Discontinued operations	14	-224
Income before tax	-1,278	-1,483

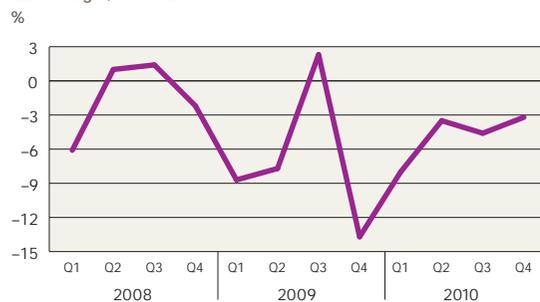
Currency effects on net income for the year

MSEK	2010	2009
Translation of working capital	-60	-214
Income from hedging of commercial flows	-426	1,355
Operating income	-486	1,141
Currency effect on the Group's financial net debt	-16	203
Income before tax in continuing operations	-502	1,344
Discontinued operations	-1	1
Income before tax	-503	1,345

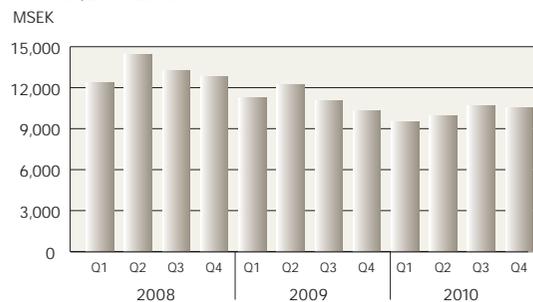
Statement of income - quarterly breakdown

MSEK	2009					2010				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full year Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full-year Jan-Dec
Revenue	11,296	12,223	11,076	10,323	44,918	9,495	9,979	10,690	10,559	40,723
Payroll expenses	-4,609	-5,269	-3,994	-4,126	-17,998	-3,544	-3,473	-3,193	-3,263	-13,473
Other operating expenses	-6,501	-6,779	-6,257	-6,375	-25,912	-5,793	-5,947	-7,148	-6,322	-25,210
Leasing costs for aircraft	-741	-626	-476	-476	-2,319	-462	-487	-435	-431	-1,815
Depreciation, amortization and impairment	-401	-463	-497	-484	-1,845	-408	-426	-425	-608	-1,867
Share of income in affiliated companies	-33	19	-15	-229	-258	-30	4	37	1	12
Income from the sale of shares in subsidiaries and affiliated companies	5	2	423	-1	429	-1	-25	-14	-33	-73
Income from the sale of aircraft and buildings	0	-49	-1	-47	-97	-19	26	0	-246	-239
Operating income	-984	-942	259	-1,415	-3,082	-762	-349	-488	-343	-1,942
Income from other holdings of securities	0	0	0	0	0	0	0	-269	6	-263
Net financial items	5	-97	-145	-104	-341	-210	-251	-267	-127	-855
Income before tax	-979	-1,039	114	-1,519	-3,423	-972	-600	-1,024	-464	-3,060
Tax	264	13	142	384	803	267	98	-24	458	799
Income from continuing operations	-715	-1,026	256	-1,135	-2,620	-705	-502	-1,048	-6	-2,261
Income from discontinued operations	-33	-21	-104	-169	-327	-7	0	-3	53	43
Net income for the period	-748	-1,047	152	-1,304	-2,947	-712	-502	-1,051	47	-2,218
<i>Attributable to:</i>										
Parent Company shareholders	-748	-1,047	152	-1,304	-2,947	-712	-502	-1,051	47	-2,218

EBIT margin, 2008-2010



Revenue, 2008-2010



SAS Group consolidated balance sheet

ASSETS, MSEK	Note	Dec 31 2010	Dec 31 2009
Non-current assets			
Intangible assets	12	1,414	1,296
Tangible fixed assets	13		
Land and buildings		375	439
Aircraft		12,652	13,087
Spare engines and spare parts		1,393	1,299
Workshop and aircraft servicing equipment		90	161
Other equipment and vehicles		130	192
Investment in progress		118	158
Prepayments relating to tangible fixed assets	14	24	238
		14,782	15,574
Financial fixed assets	15		
Equity in affiliated companies	6	294	358
Other holdings of securities		23	234
Pension funds, net	16	10,512	10,286
Deferred tax asset	10	1,187	1,159
Other long-term receivables		2,379	729
		14,395	12,766
Total non-current assets		30,591	29,636
Current assets			
Expendable spare parts and inventories	17	678	758
Current receivables			
Accounts receivable	18	1,277	1,581
Receivables from affiliated companies	19	3	92
Other receivables		2,901	4,780
Prepaid expenses and accrued income	20	839	1,058
		5,020	7,511
Short-term investments	21	3,281	3,691
Cash and bank balances		1,762	498
Assets held for sale	11	493	401
Total current assets		11,234	12,859
TOTAL ASSETS		41,825	42,495

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK	Note	Dec 31 2010	Dec 31 2009
Shareholders' equity			
Share capital	22	6,612	6,168
Other contributed capital		337	170
Reserves	23	627	279
Retained earnings		6,862	4,772
Total shareholders' equity attributable to Parent Company owners		14,438	11,389
Holdings with no controlling influence		0	0
Total shareholders' equity		14,438	11,389
Long-term liabilities	24		
Subordinated loans	25	974	919
Bond loans	26	1,503	-
Other loans	27	6,866	6,809
Deferred tax liability	10	2,303	2,832
Other provisions	29	2,143	2,131
Other liabilities		143	378
		13,932	13,069
Current liabilities			
Current portion of long-term loans		1,383	5,742
Short-term loans	30	1,073	907
Prepayments from customers		16	13
Accounts payable		1,749	1,738
Tax payable		22	27
Unearned transportation revenue	31	3,598	3,227
Current portion of other provisions	29	657	852
Other liabilities		2,070	2,110
Accrued expenses and prepaid income	32	2,755	3,264
Liabilities attributable to assets held for sale	11	132	157
		13,455	18,037
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		41,825	42,495
Book equity per share (SEK) ¹		43.88	4.62

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

¹ Calculated on 329,000,000 outstanding shares on December 31, 2010. On December 31, 2009, the number of outstanding shares was 2,467,500,000. No dilution occurred during the year.

Comments on the consolidated balance sheet

Assets

The SAS Group's total assets decreased from MSEK 42,495 to MSEK 41,825 in 2010.

Investment for the year amounted to MSEK 2,493 (4,661), of which aircraft, other flight equipment and prepayments accounted for MSEK 1,924. In 2010, the SAS Group purchased five new aircraft – one new Boeing 737, one CRJ900 and three Q400 NGs. One Q300 was repurchased from operating lease, while a Q400 and a 737-500 were repurchased from operating lease for onward sale. In 2010, a total of nine aircraft were sold. Investment in systems development amounted to MSEK 106.

Equity in affiliated companies decreased by MSEK 64. Estonian Air was given a capital injection of MSEK 6. Share of net income for the year amounted to MSEK 12. Dividend and negative currency effects reduced the equity shares by MSEK 44.

At December 31, 2010, book net pension funds totaled MSEK 10,512 (10,286) (see also Note 15).

Cash and cash equivalents amounted at year-end to MSEK 5,043 (4,189), which was an increase of MSEK 854. Cash and cash equivalents amount to 12% (10%) of total assets.

Shareholders' equity

Shareholders' equity increased by MSEK 3,049 to MSEK 14,438 (11,389). The rights issue raised MSEK 4,752. Net income for the year was MSEK –2,218 and changes in the value of cash-flow hedges amounted to MSEK 636. Other changes in shareholders' equity were related to exchange-rate differences in translation of foreign operations, etc. At year-end, the equity/assets ratio was 35% (27%) and book equity per share was SEK 43.88 (4.62) and return on book equity was –17% (–27%).

Liabilities

MSEK 11,897 (14,660) of total liabilities was interest-bearing. The value of contracted credit facilities was MSEK 6,688 (8,622) of which MSEK 5,146 (3,629) was unutilized. Amortization in 2010 amounted to MSEK 6,100 (3,060), of which MSEK 2,300 (1,480) pertains to amortization of the revolving credit facility totaling MEUR 366. The year's borrowing amounted to MSEK 4,100 (2,080) including borrowing linked to aircraft acquisitions.

During the year, a convertible bond loan was issued for nominal MSEK 1,600 as well as other bonds/EMTM corresponding to MSEK 1,000 and MEUR 60.

Financial net debt excluding net pension funds amounted to MSEK 2,862 (6,504). The debt/equity ratio calculated on the financial net debt was 0.20 (0.57) at year-end. The adjusted debt/equity ratio amounted to 0.89 (1.70).

The provision for SAS's liability to members of the loyalty program EuroBonus amounted to MSEK 1,816 (1,765). Accrued expenses pertaining to vacation pay liability fell as a result of the SAS Group's personnel reductions.

Total capital employed amounted to MSEK 26,335 (26,049) at year-end. Average capital employed during the year was MSEK 26,625 (26,066). Return on capital employed was –8% (–12%).

The SAS Group's change in shareholders' equity

MSEK	Shareholders' equity attributable to Parent Company shareholders						Total equity
	Share capital ¹	Other contributed capital ²	Hedging reserves	Translation reserve	Retained earnings ³	Total equity attributable to Parent Company owners	
Opening balance, January 1, 2009	1,645	170	–743	25	6,215	7,312	7,312
Net income for the year					–2,947	–2,947	–2,947
Exchange-rate differences on translation of foreign operations				27		27	27
Cash-flow hedges			1,317			1,317	1,317
Tax attributable to components pertaining to comprehensive income			–347			–347	–347
Total comprehensive income for the year	-	-	970	27	–2,947	–1,950	–1,950
Reduction of share capital	–1,234				1,234	-	-
Rights issue	5,757				300	6,057	6,057
Cost of rights issue, net					–184	–184	–184
Tax effect of IFRIC 13					154	154	154
Closing balance, December 31, 2009	6,168	170	227	52	4,772	11,389	11,389
Net income for the year					–2,218	–2,218	–2,218
Exchange-rate differences on translation of foreign operations				–121		–121	–121
Cash-flow hedges			636			636	636
Tax attributable to components pertaining to comprehensive income			–167			–167	–167
Total comprehensive income for the year	-	-	469	–121	–2,218	–1,870	–1,870
Reduction of share capital	–4,516				4,516	-	-
Rights issue	4,960					4,960	4,960
Cost of rights issue, net					–208	–208	–208
Other contributed capital, net		167 ⁴				167	167
Closing balance, December 31, 2010	6,612	337	696	–69	6,862	14,438	14,438

¹ The share capital in SAS AB is distributed among 329,000,000 shares, with a quota value of 20.1. See Note 22.

² The entire amount consists of share premium reserves.

³ No dividends were paid in 2008 and 2009.

⁴ Shareholders' equity share (MSEK 226 reduced by a tax effect of MSEK 59) of the convertible bond loan of MSEK 1,600.

SAS Group consolidated cash-flow statement

MSEK	Note	2010	2009
OPERATING ACTIVITIES			
Income before tax		-3,060	-3,423
Depreciation, amortization and impairment		1,867	1,845
Income from the sale of aircraft, buildings and shares		352	-332
Income before tax in discontinued operations	11	-9	-520
Depreciation, amortization and impairment in discontinued operations	11	18	47
Adjustment for other items not included in cash flow, etc.	36	1,065	44
Paid tax		-1	-3
Cash flow from operating activities before changes in working capital		232	-2,342
<i>Change in:</i>			
Expendable spare parts and inventories		31	69
Operating receivables		382	8
Operating liabilities		-800	-1,149
Cash flow from changes in working capital		-387	-1,072
Cash flow from operating activities		-155	-3,414
INVESTING ACTIVITIES			
Aircraft		-1,652	-3,700
Spare parts		-252	-266
Buildings, equipment and investment in progress		-288	-384
Shares and participations, intangible assets, etc.		-281	-230
Prepayments for flight equipment		-20	-81
Total investments		-2,493	-4,661
Divestment of subsidiaries and affiliated companies	37	68	605
Sale of aircraft and buildings		350	174
Income from sale and leaseback of aircraft		264	872
Sale of other non-current assets, etc.		15	399
Cash flow from investing activities		-1,796	-2,611
FINANCING ACTIVITIES			
Proceeds from borrowings		4,100	2,080
Repayment of borrowings		-6,100	-3,060
Change in interest-bearing receivables and liabilities		141	-544
Rights issue including issue costs		4,678	5,808
Cash flow from financing activities		2,819	4,284
Cash flow for the year		868	-1,741
Translation difference in cash and cash equivalents		-16	49
Cash and cash equivalents reclassified from assets held for sale		2	98
Cash and cash equivalents at beginning of the year	38	4,189	5,783
Cash and cash equivalents at year-end	38	5,043	4,189

Comments on the consolidated cash-flow statement

Earnings in continuing operations were better for 2010 compared with 2009. All companies being discontinued, with one exception, have been divested, which resulted in an improvement for the earnings from discontinued operations compared with the preceding year.

The SAS Group's cash flow from operating activities before changes in working capital amounted to MSEK 232 (-2,342) during the year. Working capital was negatively impacted during the year by MSEK -387 (-1,072), mainly due to decreased current liabilities. Despite the Group's reduced operating revenue, the operating capital is essentially at the same level as the preceding year. Cash flow from operating activities amounted to MSEK -155 (-3,414).

Total investment including prepayments to aircraft manufacturers amounted to MSEK 2,493 (4,661). Aircraft investments in 2010 included delivery payments for one new CRJ900, one Boeing 737 NG and three Q400 NGs, as well as the repurchase of one Q400, which were then sold onward as part of the discontinuation of the Q400 fleet. In addition, one Boeing 737 Classic and one Q300 were purchased, both of which had been operationally leased.

In January, the subsidiary Air Maintenance Estonia was sold, and in June, SAS Ground Services UK was sold. Taking into account selling costs and the cash and cash equivalents of the discontinued companies, the Group's cash and cash equivalents increased by MSEK 68 as a result of the sales.

Sales of aircraft and buildings generated MSEK 614 (1,046), of which MSEK 581 (1,040) refers to disposals of aircraft. One Airbus A321 was sold in March, and in April, one Boeing 737 NG was divested through sale and leaseback. In December, selling contracts were signed pertaining to five Q400s and one MD-82 for delivery during 2011.

In April 2010, a rights issue of MSEK 4,960 was carried out, which after deduction for issue costs of MSEK 282, raised MSEK 4,678 for SAS. Moreover, the external financing decreased during the year by a net amount of MSEK 1,859 (1,524).

Overall, the SAS Group's cash and cash equivalents increased by MSEK 852 compared with a decline of MSEK 1,692 the previous year. After MSEK 2 (98) was reclassified from assets held for sale, cash and cash equivalents in continuing operations amounted to MSEK 5,043 (4,189).

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

Note 1 Significant accounting principles

General

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

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

The Company is domiciled in Stockholm, Sweden.

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that apply for the fiscal year starting on January 1, 2010. These standards have been consistently applied to all periods presented in the Group's financial statements. The financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets and liabilities. The principal accounting policies adopted are set out below.

Accounting estimates in the financial statements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that influence the application of the accounting policies and the carrying amounts of assets, liabilities, revenue and expenses. Actual outcome may differ from these estimates and assumptions.

The estimates and assumptions are regularly reviewed. Changes in estimates are reported in the period in which the change is made if the change affects only that period, or in the period in which the change is made and future periods if the change affects both the current and future periods.

Changed presentation of the Group's comprehensive income

The SAS Group previously elected to present the Group's comprehensive income in two statements, a statement of income and a statement on other comprehensive income. Starting in the third quarter of 2010, this has been changed, and the Group's comprehensive income is now presented as one report, a statement of income including a statement on other comprehensive income. The new presentation for comprehensive income is deemed to give reliable and more relevant information.

New and amended standards and interpretations 2010

The following new and amended standards and interpretations are effective and have been adopted as of the fiscal year 2010, with effects on the financial statements.

Standards and interpretations with effect on reported income

IAS 27 (Amendment) Consolidated and Separate Financial Statements

The amended standard requires that effects of all transactions with non-controlling interests be reported in a separate chapter as long as controlling influence remains. Such transactions will no longer result in goodwill or gains or losses. Where controlling influence is lost, any remaining interest in the entity is remeasured to fair value and a gain or loss recognized in the income statement. The amended standard was applied to transactions that have occurred during 2010, but had no material impact on the consolidated financial statements.

IFRS 3 (Amended) Business combinations

The amended standard means that the rules for reporting of conditional purchasing price are amended so that the acquisition value of a business combination is reported at one time. Later adjustments of acquisition value are reported in the result. Business combination-related costs are not included in the acquisition value for a business combination, and are reported as a cost when they arise. The approach to reporting of gradual business combinations has been revised, which leads to, at the time of acquisition (on receipt of controlling influence), the fair value is calculated based on previous holdings. The acquisition cost thereby consists of the fair value of the previously owned share plus the purchase price of the newly acquired share. Any change in value pertaining to the previously own share is reported as a gain or loss in the result. Each business combination, any non-controlling interest is measured in the acquired company either at fair value or at the value of the proportional share of the acquired operations' identifiable assets. The Group conducted no business combinations during 2010, so the revised standard for business combinations had no effect on the consolidated financial statements, but the amendments may have an effect on reporting of future business combinations.

In addition to the above standards and interpretations, the Group has implemented the following amendments to standards and new interpretations during 2010: IFRS 1 The first time that IFRS is applied, IFRS 2 Share-based Payment, IAS 39 Financial Instruments: Recognition and Measurement, Improvements to IFRSs 2009, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 17 Distribution of non-cash Assets to Owners and IFRIC 18 Transfer of Assets from Customers. The implementation of these amendments to standards and new interpretations has not had any material effect on the consolidated financial reports.

Early adoption of amendment to IAS 24 Related Party Disclosures

The amendment in IAS 24 Related Party Disclosures pertaining to some easing of disclosure requirements for companies with government links comes into effect for the fiscal year starting on January 1, 2011 or later. The SAS Group has chosen to adopt this amendment early, starting on January 1, 2010. The implementation of the amendment means that SAS does not need to inform about details of all transactions with the government and other companies with government affiliation.

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

The following standards and interpretations of existing standards have been issued and are mandatory for the accounting of the Group for financial years beginning on or after January 1, 2011, but have not been early adopted.

IFRS 9 Financial Instruments: The new standard is the first step in replacing IAS 39 Financial Instruments. The standard mainly regulates which financial assets should or could be measured at fair value and which should be measured at amortized cost. IFRS 9 must be applied not later than 2013. IFRS 9 is not yet endorsed by the European Union. The Group has not yet assessed all the effects that IFRS 9 may have on SAS's financial statements.

In addition to the new standard above, IASB has issued amendments to the following standards: IFRS 1 The first time that IFRS is applied, IFRS 7 Financial Instruments: Disclosures, IAS 12 Income Taxes, IAS 24 Related Party Disclosures, IAS 32 Financial Instruments: Classification. IASB has also issued Revisions to IFRSs 2010. IFRIC has issued a new interpretation, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments and an amendment to IFRIC 14 Limit on a Defined-benefit Asset, Minimum Funding Requirements and their Interaction. Amendments to IFRS 7 and IAS 12 have not yet been endorsed by the European Union. SAS deems that these new and amended standards and interpretations will not have any material effect on the consolidated financial statements in the period when they are applied for the first time.

Principles of consolidation

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

Entities in which the Group has an ownership interest of at least 20% and no more than 50% or where the Group has significant influence by other means but cannot exercise control are affiliated companies. Affiliates are accounted for under the equity method of accounting.

Results of subsidiaries acquired during the year are included in the Group's profit from the effective date of control. The separate net assets, both tangible and intangible, of newly acquired subsidiaries are consolidated into the financial statements on the basis of the fair value to the Group as at the effective date of control. Results of subsidiaries disposed of during the financial year are included in the Group's income up to the effective date of disposal.

Non-controlling interest in the net assets of consolidated subsidiaries is recognized in the consolidated balance sheet as a separate component of shareholders' equity in the balance sheet. The Group's results and components in other comprehensive income are attributable to the Parent Company's owners and to the non-controlling interests' owners, even if this generates a negative value for the non-controlling interest. All intra-Group transactions, balance-sheet items, income and expenses are eliminated on consolidation.

Note 1, continued

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange when controlling influence is achieved) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized when they are incurred. The acquisition value also includes fair value at the acquisition date for the assets or liabilities that are the result of an agreement on conditioned purchase price. Changes to fair value for a conditioned purchase price that arises due to additional information received after the date of acquisition regarding facts or conditions present at the acquisition date, qualify as adjustments during the measurement period and are adjusted retroactively, with a corresponding adjustment of goodwill. All other changes to fair value for a conditioned purchase price that are classified as assets or liabilities are recognized in accordance with the applicable standard. Conditional purchase price classified as shareholders' equity is not remeasured and the subsequent adjustment is reported in shareholders' equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for accounting according to IFRS 3 Business combinations are recognized at fair value on the acquisition date, with the following exceptions:

- Deferred tax receivables or liabilities and liabilities or assets attributable to the acquiree's agreement for remuneration to employees is recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.
- Liabilities or equity instruments attributable to the acquiree's share-related allocations or to the exchange of the acquiree's share-related allocations against the acquirer's share-related allocations are measured at the acquisition date in accordance with IFRS 2 Share-based Payment.
- Non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, are measured according to that standard.

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

Transactions with non-controlling interests

Changes in the Parent Company's share in a subsidiary that does not lead to a loss of controlling influence is recognized as equity transactions

(in other words, as transactions with the Group's owner). Any difference between the sum by which the non-controlling interest has been adjusted and the fair value of the payment made or received is recognized directly in shareholders' equity and distributed to the Parent Company's owners.

Loss of controlling influence

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

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

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

The fair value of the remaining holdings in the former subsidiary at the time when the controlling influence is lost is viewed as the fair value at the first accounting opportunity for a financial asset according to IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the acquisition value at the first accounting opportunity for an investment in an affiliated company or commonly governed company.

Investments in affiliates

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

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

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

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

Discontinued operations and assets held for sale

When the Group intends to dispose of, or classify as held for sale, a business component that represents a separate major line of business or geographical area of operations, it classifies it as discontinued. The net profit or loss from discontinued operations is shown as a single amount on the face of the income statements, separate from the other results of the

Group and the accounting for the comparative period is shown to present the discontinued operations separately from the continuing operations.

Assets held for sale are measured at the lower of carrying amount and fair value less selling costs. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when a decision has been made by the management and Board to dispose of the business, an active sales process has commenced, and the asset is available for immediate sale in its present condition, and it is highly probable that the sale will take place within one year.

Foreign currency translation

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

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

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

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

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

Exchange rates		Closing rate		Average rate	
		2010	2009	2010	2009
Denmark	DKK 100	120.75	139.15	129.15	143.13
Norway	NOK 100	115.20	124.30	119.53	120.78
U.S.	USD	6.80	7.21	7.25	7.68
U.K.	GBP	10.55	11.49	11.21	11.90
Switzerland	CHF 100	723.55	695.35	692.23	706.56
Japan	JPY 100	8.34	7.84	8.23	8.23
EMU countries	EUR	9.00	10.35	9.62	10.66

Financial instruments

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

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

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

Financial assets

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

Loans and receivables

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

Accounts receivable are categorized as loans and receivables. Since the terms of accounts receivable are expected to be 13 days, the value of each receivable is carried at its nominal amount with no discount, which is deemed to be a good estimate of fair value. Accounts receivable are assessed individually for impairment and all impairment losses are reported in the income statement as other operating expenses.

Cash and cash equivalents

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

Financial liabilities and equity

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

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

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

Accounts payable

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

Borrowings

Long-term borrowings, i.e., liabilities with a term longer than one year, consist of interest-bearing liabilities to banks and credit institutions as well as bond issues. Short-term borrowings comprise the current portion of interest-bearing long-term borrowings, i.e., the portion of the loans that is to be amortized in the coming fiscal year, as well as other current interest-bearing liabilities with a remaining term shorter than one year.

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

Composite financial instruments

The components in a combined financial instrument (convertible debenture) issued by SAS are classified separately as financial debt and equity instruments respectively in line with the contract terms and definitions of a financial debt and equity instrument. The conversion option regulated by an exchange of a fixed sum of cash to a determined number of the company's own shares is an equity instrument.

At the time of issue, the debt component's fair value is determined by discounting at current market interest rate for an equivalent debt without conversion option. This sum is reported as a debt and then measured at amortized cost until such time when the debt is extinguished on conversion or until the expiration date.

The conversion option is classified as an equity instrument and its value is determined by deduction of the debt component from the combined financial instrument's fair value. This value is reported as shareholders' equity and is net subsequently revalued. No profit or loss is reported on conversion or when the conversion option expires.

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

Derivative financial instruments

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

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

The accounting for changes in fair value depends on whether or not the derivative has been designated and qualifies as an accounting hedge and

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

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

Tangible fixed assets

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

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

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

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

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

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

Leasing

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

The Group as lessee

Finance leases - At the beginning of the leasing period, finance leases are

Note 1, continued

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

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

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

Operating leases - Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also distributed on a straight-line basis over the lease term.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, the Group recognizes any profit or loss immediately.

The Group as lessor

Finance leases - Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease, which is calculated based upon the minimum lease payments and any residual value discounted at the interest rate implicit in the lease. Finance lease income is allocated to different accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Intangible assets

Intangible assets comprise goodwill and capitalized costs for systems development. The Group is not engaged in any research and development (R&D) activity.

Intangible assets are recognized in the balance sheet when:

- an identifiable, non-monetary asset exists
- it is probable that the future financial advantages that can be attributable to the asset will accrue to the company
- the cost of the asset can be calculated in a reliable manner

Goodwill is recognized in the balance sheet as an intangible asset at cost less accumulated impairment losses. Goodwill represents the excess value over the fair value of the Group's share of net identifiable assets at the date of acquisition, of the cost of an acquisition, any holdings without controlling influence and fair value at the date of acquisition.

Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

Goodwill is assessed as having an indefinite useful life. Goodwill is allocated to the smallest possible cash-generating unit (CGU) and the carrying amount is tested at least once a year for any impairment. However, testing for impairment takes place more frequently if there are indications that a

loss in value has occurred. A discounted cash-flow analysis is carried out based on the cash flows of the CGU and comparing the carrying value of assets of the CGU with their recoverable amount. These cash flows are discounted at rates that the Group estimates to be the risk-affected average cost of capital for the particular businesses. Any impairment is recognized immediately in the income statement.

Development costs that do not meet the criteria specified above are expensed in the period they arise. Costs for systems development are reported as an asset provided that they meet the criteria specified above. Capitalized development costs are amortized on a straight-line basis over the estimated useful life of the asset, which amounts to no more than five years. Amortization of capitalized development costs is included in the depreciation/amortization item in the statement of income.

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

Impairment of tangible and definite lived intangible assets

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

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

Expendable spare parts and inventories

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

Provisions and contingent liabilities

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

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

Remuneration of employees

Pensions

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

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

Pension costs for the year comprise the present value of pension earnings for the year plus interest on the obligation at the beginning of the year, less return on funded assets. Amortization of actuarial gains and losses and plan amendments is added to this total for certain pension plans. The Group uses the "corridor approach" when recognizing actuarial gains and losses. Under the corridor approach actuarial gains and losses outside the lower and upper limits of the corridor, which is calculated as 10% of the greater of the defined benefit obligation as of that date or the fair value of plan assets are recognized immediately. Actuarial gains and losses outside the corridor are amortized over a 15-year period, which corresponds to the average remaining employment period.

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

Termination benefits

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

Revenue recognition

Passenger revenue

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

Note 1, continued

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

Charter revenue

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

Mail and freight revenue

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

Other revenue

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

Loyalty program

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

Under IFRIC 13, the awarding of loyalty points is considered a separately identifiable transaction in purchases of airline tickets. The portion of the ticket price allocated to loyalty points is measured at fair value and not recognized as revenue until the period in which the obligation is fulfilled.

Borrowing costs

Borrowing costs that arise in operations are expensed in the period in which they are incurred. Interest expenses on prepayments for aircraft not yet delivered are capitalized as part of the process of obtaining qualified production resources. If a decision is made to postpone deliveries of aircraft for which prepayments have been made, capitalization of interest expenses ceases. Amortization of capitalized interest expenses commences when aircraft are put into service, in accordance with the main principle for aircraft.

Taxes

Current tax for the period is based on earnings for the period, adjusted for nontax deductible costs and revenues not liable to tax. The current tax is calculated on the basis of tax rates applying on the closing date.

Deferred tax is reported according to the balance sheet method whereby temporary differences, differences between the reported and fiscal value of assets or liabilities, result in a deferred tax asset or deferred tax liability. A deferred tax liability is reported for all temporary differences liable to tax, while a deferred tax asset is reported to the extent it is probable that a taxable surplus will be created against which the deductible temporary difference can be utilized or before the right to utilize the loss carryforward is lost.

A deferred tax liability is reported for all taxable temporary differences attributable to investments in subsidiaries and affiliated companies except in cases where the Group can control the timing of reversal of the temporary differences, and it is probable that such reversal will not take place in the foreseeable future.

Deferred tax is estimated on the basis of the tax rates and tax rules that have been decided or announced as of the balance sheet date. Deferred tax is recognized in the statement of income, except when it relates to items charged or credited in other comprehensive income or to shareholders' equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are recognized net if the items pertain to the same tax authority.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements and application of accounting policies are often based on management's assessments or on estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

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

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

Estimated useful economic lives of tangible fixed assets

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

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

Impairment of assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit.

Management is required to make certain assumptions in estimating the value of the assets, including the timing and value of cash flows to be generated from the assets. The cash-flow projections are based on reasonable assumptions that represent management's best estimate of the set of economic conditions that will exist over the remaining useful life of the asset and are based on the most recent financial plan that management has approved.

Due to its subjective nature, these estimates will likely differ from future actual results of operations and cash flows, any such difference may result in impairment in future periods.

Pensions

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

The discount rate shall be determined on the basis of market yields on corporate bonds. When there is no deep market in high-quality corporate bonds, market yields on government bonds may be used instead. A lower discount rate increases the present value of the pension liability and the annual pension cost.

In order to determine the expected rate of return on plan assets, the Group considers the current and anticipated categories of plan assets as well as historic and expected returns on the various categories.

Gains or losses may arise if the actual return is higher or lower than estimated or by actual inflation levels and salary adjustments that deviate from the Group's assumptions. In addition, actuarial gains or losses are affected by changed parameters concerning the discount rate and life expectancy. Any change in these assumptions could potentially result in a significant change to the pension assets, commitments and pension costs in future periods.

Sensitivity to changes in individual parameters can be estimated as follows: A one percentage point change in the discount rate of interest has approximately a SEK 4 billion impact on the commitment. A one percentage point change in the inflation assumption has approximately a SEK 2 billion impact on the commitment and a one percentage point change in the parameter for payroll adjustment has approximately SEK 2 billion impact on the commitment.

Deferred taxes

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

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

Note 1, continued

Litigation

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

Segment reporting

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

The SAS Group's operational segments consist of Scandinavian Airlines, Blue1 and Widerøe. For management reporting purposes, the Group aggregates these along with other Core SAS activities and eliminates the transactions between these segments to produce total Core SAS results, which the CODM uses to manage the business. The other Core SAS activities include some common service and management functions.

The CODM does not regularly review the operating results of remaining operations, and accordingly these operations are not reported as separate segments. They are included in the tables in Note 41 as reconciling items to the Group's results. These other operations contain smaller subsidiaries which the Group plans to divest, including Estonian Air, Skyways, Air Greenland and other costs not allocated to the segments.

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

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

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

Information about revenue from external customers:

Traffic revenue from domestic service in Denmark, Norway and Sweden is allocated to Domestic. Traffic between the three countries is allocated to Intra-Scandinavian. Other traffic revenues are allocated to the geographical area where the destination is located.

Other revenues are allocated to a geographical area based on the customer's geographical location relating, for example, to goods exported to a customer in another country or, alternatively, the geographical location where the service is performed.

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

Parent Company accounting policies

The Parent Company has prepared its financial statements according to the Annual Accounts Act and Swedish Financial Reporting Board recommendation RFR 2 Accounting for Legal Entities as well as applicable statements from the Swedish Financial Reporting Board. Under RFR 2, the Parent

Company, in preparing the annual financial statements for the legal entity, shall apply all EU-approved IFRS and statements insofar as this is possible within the framework of the Annual Accounts Act and Tryggandelagen (the Swedish law on safeguarding pension obligations) and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS.

Revised accounting principles for the Parent Company

The amendments in RFR 2 Accounting for Legal Entities that has come into force and apply to the fiscal year 2010 have resulted in a revised presentation for the Parent Company. The Parent Company's revenues and expenses that were previously reported under shareholders' equity that did not refer to transactions between the owners, is now presented in other comprehensive income directly following the Parent Company's statement of income. The Parent Company's report of changes in shareholders' equity contains items reported in the overall result, separate from transactions with the owners. The Parent Company has no items reported in other comprehensive income, which means that this year's results are consistent with total comprehensive income. SAS has chosen to inform about this in text in connection with the Parent Company's statement of income and thereby do not present a separate report on comprehensive income for the Parent Company.

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

Pensions: Current pension premiums are recognized as an expense.

Shares in subsidiaries and affiliated companies: Stated at cost. Acquisition-related expenses for subsidiaries that are charged in the consolidated income statement, are included as part of the acquisition value for holdings in subsidiaries.

Other shares and participations: Stated at cost.

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

Note 2 Revenue

	2010	2009
Traffic revenue:		
Passenger revenue	29,939	32,674
Charter	1,933	2,176
Mail and freight	1,530	1,011
Other traffic revenue	1,906	1,869
Other operating revenue:		
In-flight sales	30	457
Ground handling services	1,182	1,349
Technical maintenance	263	604
Terminal and forwarding services	219	767
Sales commissions and charges	434	398
Other operating revenue	3,287	3,613
	40 723	44,918

Note 3 Payroll expenses

Average number of employees

In 2010, the average number of employees in the SAS Group's continuing operations was 14,862 (17,371). A breakdown of the average number of employees by country is provided in the table below.

Average number of employees totaled 4,527 (5,292) in Denmark, 5,264 (6,044) in Norway, and 3,861 (4,315) in Sweden.

	2010		2009	
	Men	Women	Men	Women
Denmark	2,986	1,541	3,083	2,209
Norway	2,545	2,719	2,864	3,180
Sweden	2,101	1,760	2,433	1,882
Finland	212	204	229	251
Estonia	23	71	159	87
U.S.	12	6	29	37
Other countries	373	309	469	459
Total	8,252	6,610	9,266	8,105
Total men and women	14,862		17,371	

Average number of employees in divested operations totaled 179 (1,415).

Gender breakdown among senior executives in the Group

	2010		2009	
	Total on closing date	of which men	Total on closing date	of which men
Board members	62	82%	85	76%
President and other senior executives	45	67%	79	67%

Salaries, remuneration and social security expenses

The SAS Group's total payroll expenses in continuing operations amounted to MSEK 12,634 (17,225), of which social security expenses comprised MSEK 1,644 (1,943) and pensions MSEK 1,604 (2,687).

	2010		2009	
	Salaries & other remuneration	Soc. sec. (of which pension cost)*	Salaries & other remuneration	Soc. sec. (of which pension cost)
SAS AB	77	66 (42)	204	126 (71)
SAS Consortium	4,734	2,040 (1,036)	3,435	1,642 (1,033)
Other subsidiaries	4,575	1,142 (526)	8,956	2,862 (1,583)
SAS Group total	9,386	3,248 (1,604)	12,595	4,630 (2,687)

* The pension cost for all CEOs and other senior executives of SAS Group companies amounted to MSEK 23 (30).

Note 3, continued

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

	2010		2009	
	Board, CEO & senior executives (of which variable salary)	Other employees	Board, CEO & senior executives (of which variable salary)	Other employees
SAS AB	37 (-)	40	37 (-)	175
SAS Consortium	- (-)	4,734	- (-)	3,436
SAS Ground Services Denmark A/S	2 (-)	901	3 (-)	1,177
SAS Ground Services Norway AS	7 (1)	918	11 (1)	1,055
SAS Ground Services Sweden AB	2 (-)	469	5 (1)	520
SAS Tech	6 (1)	972	16 (3)	1,372
Blue1	6 (-)	221	8 (-)	248
Widerøes Flyveselskap	2 (-)	937	2 (0)	970
SAS Cargo	7 (1)	111	9 (1)	206
Other subsidiaries	1 (-)	11	52 (15)	3,158
SAS Group total	70 (2)	9,314	143 (21)	12,317

Sick leave in the Parent Company SAS AB

	2010	2009
Total sick leave	1.3%	0.6%
Long-term sick leave >59 days	0.7%	0.2%
Sick leave for women	0.7%	1.2%
Sick leave for men	1.7%	0.3%
Sick leave employees <30 years	0.0%	0.0%
Sick leave employees 30-49 years	2.5%	1.1%
Sick leave employees >49 years	0.4%	0.4%

The total sick leave is stated as a percentage of the employees' total working hours. The data apply only to employees in Sweden.

Pension costs

	2010	2009
Defined benefit pension plans	977	1,773
Defined contribution pension plans	631	914
Total	1,608	2,687

Remuneration and benefits paid to senior executives

The fees and other remuneration paid to Board members of SAS AB shall be determined by the Annual General Shareholders' Meeting, which has also approved the principles for the remuneration of senior management.

Board of Directors

At the Annual General Shareholders' Meeting of SAS AB on April 7, 2010, the fees paid to directors and remuneration for serving on Board committees were set as follows:

Board chairman	TSEK 585
Board first vice chairman	TSEK 390
Board second vice chairman	TSEK 345
Other Board members (7 persons)	TSEK 295 per member
Employee deputies (6 persons)	TSEK 1 study fee/Board meeting TSEK 3.5 fee/Board meeting on participation
Chairman of audit committee	TSEK 95
Other members of audit committee (3 persons)	TSEK 45
Chairman of remuneration committee	TSEK 70
Other members of remuneration committee (2 persons)	TSEK 25

With the exception of the employee representatives and their deputies, no member of the Board was employed by the SAS Group in 2010. No Board member not employed by the SAS Group received any remuneration or benefit from any company in the SAS Group beyond customary travel benefits and the fees received for Board duties.

All Board members reduced their Directors' fees by 25% starting September 1, 2009.

Principles

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

The total remuneration must be market-based and competitive and must be in relation to the responsibility and authority. Remuneration shall consist of fixed salary, other benefits and pension. The removal of the variable salary for the President and five other members of SAS Group Management, has led to revision of the fixed salary. For each of the members of the Group Management, the fixed salary was raised from January 1, 2010 by a sum equivalent to 50% of the maximum variable salary as regulated by the individual employment contract.

The SAS Group's overall remuneration model is based on the following four cornerstones:

- Salary setting shall be individual and differentiated
- Salary setting shall be national and adapted to the market
- Salary setting shall be an important management tool in reaching the organization's targets
- Salary setting shall motivate professional and personal advancement

President and CEO

Mats Jansson, who was President and CEO until the end of September 2010, had an annual salary of SEK 10,339,995 (refers to salary set per January 1, 2010). A defined contribution pension plan where 35% of his fixed salary is paid as a premium to an agreed pension insurance.

Mats Jansson left his post as President and CEO on September 30, 2010. Mats Jansson's period of notice was 6 months and the date of notice was September 1, 2010. All financial transactions between SAS and Mats Jansson were finalized on the date of resignation, September 30, 2010.

Benefits consisted of:

Salary (gross) 6 months	SEK 5,169,998
Vacation pay (gross), pre-earned benefit	SEK 675,764
Vacation related to 2011 (gross)	SEK 697,950

	SEK 6,543,712
Pension premium 5 months	SEK 1,333,585

Total SEK 7,877,297

Deputy CEO John S. Dueholm has been President and CEO during the period October 1, 2010 - January 31, 2011. During this period, in addition to the conditions listed below as Deputy CEO, he has received compensation for the difference in salary up to a fixed monthly salary calculated to SEK 833,333 per month.

Rickard Gustafson, who took office as President and CEO on February 1, 2011, has the following remuneration components in his employment contract:

- An annual fixed base salary of TSEK 10,000, which is subject to salary revision in January of each year.
- A defined contribution pension plan where 30% of the fixed salary is paid as premiums to an agreed pension insurance. Retirement age is 62 years.

The notice period is six months mutually in the event the President resigns or if the termination of employment is by SAS AB. Severance pay for the President in the event his employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of his duties as President or criminal acts against the SAS Group is payable in an amount equivalent to 12 months of salary. Should new employment be obtained within 12 months after his employment ended the awarded severance pay shall be reduced by the remuneration received from the new position.

Deputy Presidents

In 2010 SAS Group had three deputy presidents, John S. Dueholm (Deputy President and CEO), Henriette Fenger Ellekrog (EVP, Corporate HR/Communication & Strategy) and Mats Lönnqvist (CFO).

John S. Dueholm has the following remuneration components in his employment contract:

- An annual fixed base salary of DKK 5,551,872, which refers to the salary set on January 1, 2010, and is subject to salary revision in January of each year.
- A defined contribution pension plan where 35% of salary is paid into a chosen insurance plan.
- On June 30, 2011, SAS will pay a lump sum pension premium of MDKK 5, equivalent to MSEK 6.4. On June 30, 2012, John S. Dueholm will receive a lump sum of MDKK 1, which in line with John S. Dueholm's request, will be issued either as salary or as a pension premium to the

Note 3, continued

pension insurance indicated by John S. Dueholm and agreed on with SAS. Retirement age is 61 years.

Henriette Fenger Ellekrog has the following remuneration components in her employment contract.

- An annual fixed base salary of DKK 3,910,392, which refers to the salary set on January 1, 2010, and is subject to salary revision in January of each year.
- A defined contribution pension plan where 25% of salary is paid into a chosen insurance plan. The percentage rate increases to 30% from July 1, 2011 and to 35% from July 1, 2012. Retirement age is 65 years.

Mats Lönnqvist has the following remuneration components in his employment contract:

- An annual fixed base salary of SEK 4,620,000, which is subject to salary revision in January of each year.
- A defined contribution pension plan where 29.8% of salary is paid into a chosen insurance plan. Retirement age is 62 years.

The notice period is 6 months in the event that Henriette Fenger Ellekrog and Mats Lönnqvist resign and 12 months if the termination of employment is by SAS AB.

Severance pay is payable to the deputy presidents in the event their employment is terminated by SAS AB for reasons other than material breach of contract, gross neglect of their duties as deputy president or criminal acts against the SAS Group is payable in an amount equivalent to 12 months' salary for Henriette Fenger Ellekrog and Mats Lönnqvist, with reconciliation against income from another appointment or engagement.

Severance pay is also payable if the senior executive resigns if his or her responsibilities or authorities are materially changed through ownership or organizational changes. However, severance pay in the above case is not payable if the senior executive is offered another position in the SAS Group and the position has the same classification level as the previous position.

Other senior executives

Of the two other members of Group Management, one has a defined contribution pension plan with a pension provision equivalent to 35% of the fixed base salary with a retirement age of 60 and the other has a defined benefit pension with a retirement age of 60. The notice period is 12 months in the event the termination of employment is by SAS AB and six months in the event the employee resigns.

REMUNERATION AND BENEFITS 2010

Name	Fixed base salary (TSEK)	Variable salary for (TSEK)		Other benefits (TSEK)	Pension cost ² (TSEK)	Financial instruments	Insurance (TSEK)	Total (TSEK)	Pension obligations ²
		2009 ¹	2010 ¹						
Mats Jansson	7,713	-	-	145	9,386 ⁴	-	-	17,244	-
Mats Lönnqvist	4,799	-	-	3	1,194	-	6	6,002	-
John S. Dueholm ³	7,251	-	-	207	2,510	-	7	9,974	-
Henriette Fenger Ellekrog ³	5,108	-	-	139	1,010	-	16	6,273	-
Other	5,136	-	-	277	3,721	-	10	8,801	-

¹ SAS's remuneration committee and SAS Group Management have decided that no variable salary for 2009 and 2010 will be paid.

² All retirement benefits are insured and vested. ³ Converted to TSEK. ⁴ Of which 7,202 TSEK pertains to settlement of final salary transferred to direct pension.

Severance pay for these senior executives is set according to the same principles as for the three deputy presidents, with, however, the difference that the severance pay, pursuant to already signed agreements, totals an amount equivalent to an annual salary for two years, with a deduction for income from a new appointment or engagement of no more than 50% of the total severance pay.

Share price-related remuneration

Because the SAS Group does not have a share price-related incentive program, no such benefits were allotted to any senior executives in the SAS Group.

Other

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

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

The SAS Group applies a remuneration model for this group that means that salary shall be performance-based. The division of salary into a fixed and a performance-based variable part shall be in proportion to the responsibilities and authorities of the position. A specific target-based variable salary is an important management tool and is aimed at ensuring that the priorities of senior executives are consistent with the Group's overall targets and strategies.

The variable salary shall be maximum and never exceed 50% of the fixed salary. At least 20% and maximum 75% of the variable salary is to be related to the Group's earnings. No earnings-based salary will be paid if the Group's earnings (EBT before nonrecurring items) are negative unless the remuneration committee has ruled otherwise. The outcome of the non-earnings based variable salary is based on achievement of the targets contracted between the employee and his or her superior.

Payment of the variable salary takes place after the SAS Group's annual report has been adopted by the Annual General Shareholders' Meeting.

Discussion and decision-making process

The issue of the Directors' fees is discussed by the nomination committee, which consists of representatives elected at the Annual General Shareholders' Meeting. The nomination committee presents its proposal concerning Directors' fees to the Shareholders' Meeting, which votes on it.

The primary task of the Board-created remuneration committee is to prepare for the decision of the Board proposals pertaining to the President's salary and other employment terms, and to prepare and propose the main principles and general conditions applying to the setting of salaries and other remuneration and employment terms (including, where applicable, variable salary, pension and severance pay policy) for the Group Management and other senior executives in the SAS Group. The Board presents the proposals for the principles regarding remuneration and other employment terms for the Group Management to the Annual General Shareholders' Meeting, which votes on them.

The remuneration committee has during the year discussed and presented recommendations to the Board regarding comprehensive guidelines for remuneration policies in the SAS Group, including principles and levels for variable salary based on the consolidated income. The remuneration committee has during the year discussed the Annual General Shareholders' Meeting's adoption of changed remuneration principles for Group Management and has proposed that no more than 50% of maximum variable salary be converted to fixed salary for the Group Management. The Board discussed the remuneration committee's recommendations and made decisions accordingly. Remuneration of other senior executives was decided by the President after consultation with the remuneration committee and in accordance with the principles approved by the Shareholders' Meeting. The remuneration committee held seven recorded meetings plus a number of informal discussions.

Note 4 Other operating expenses

	2010	2009
Selling costs	465	597
Jet fuel	6,601	7,685
Government user fees	4,198	4,399
Catering costs	869	1,187
Handling costs	1,712	1,767
Technical aircraft maintenance	2,410	2,938
Computer and telecommunications costs	1,823	2,130
Other	7,132	5,209
Total	25,210	25,912

Note 5 Depreciation, amortization and impairment

	2010	2009
Intangible assets	48	42
Aircraft	1,509	1,429
Spare engines and spare parts	123	157
Workshop and aircraft servicing equipment	59	83
Other equipment and vehicles	69	73
Buildings and fittings	59	61
Total	1,867	1,845

Note 6 Share of income and equity in affiliated companies

Share of income in affiliated companies:	2010	2009
Skyways Holding AB ¹	-13	-8
Air Greenland A/S ²	29	28
AS Estonian Air ³	-6	-186
Commercial Aviation Leasing Ltd ⁴	-	-95
Flyrail AB	-1	-
Malmö Flygfrakterminal AB	3	2
Other	0	1
Total	12	-258
Total revenue of affiliated companies	2,461	9,320
Income after tax in affiliated companies	40	-860
SAS Group's share of income	12	-258

¹ The share of income includes adjustment of last year's income figure by MSEK -5 (2).
² The share of income includes adjustment of last year's income figure by MSEK 2 (10).
³ The share of income includes adjustment of last year's income figure by MSEK -2 (-1).
⁴ The share of income includes adjustment of last year's income figure by MSEK - (-1).

Share of equity in affiliated companies:	Corporate identity number	Domicile	Share of equity %	Share of equity	
				2010	2009
Skyways Holding AB	556021-5872	Stockholm, Sweden	-	-	50
Air Greenland A/S	30672	Nuuk, Greenland	37.5	277	286
Flyrail AB	55677-5252	Norrköping, Sweden	50.0	5	-
AS Estonian Air	10076042	Tallinn, Estonia	-	-	8
Malmö Flygfrakterminal AB	556061-7051	Malmö, Sweden	40.0	9	10
Other				3	4
Total				294	358
Total assets in affiliated companies				1,496	2,317
Total liabilities in affiliated companies				726	1,469
Shareholders' equity in affiliated companies				770	848
SAS Group's share of equity in affiliated companies				294	358

Note 7 Income from the sale of aircraft and buildings

	2010	2009
Airbus A321	-9	-
Boeing 737	-1	-7
deHavilland Q400	-159	-68
MD-80 ¹	-101	-26
Properties	31	4
Total	-239	-97

¹ The income for the year includes sales of MD-80s of MSEK -97 related to disposals from previous year.

Note 8 Income from other security holdings

	2010	2009
Capital gain/loss from the sale of shares and other participation rights	-40	-
Impairment of shares	-229	-
Dividend	6	-
Total	-263	-

Note 9 Net financial items

Financial income	2010	2009
Interest income on financial assets not measured at fair value	96	91
Interest income on financial assets measured at fair value	89	208
Other financial income	1	5
Total	186	304
Financial expenses		
Interest expense on financial liabilities not measured at fair value	-684	-629
Interest expense on financial liabilities measured at fair value	-195	-205
Other financial expenses	-94	-53
Exchange-rate differences, net	-16	203
Net profit/loss on financial instr. categorized as:		
Held for trading	-30	-10
Other liabilities	-22	49
Hedge accounting		
Fair-value hedge	-	-
- of which change in fair value of hedging instr.	17	16
- of which change in fair value of hedged item	-17	-16
Ineffective portion of cash-flow hedge	-	-
Ineffective portion of net investment hedge in foreign operations	-	-
Total	-1,041	-645

Note 10 Tax

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

	Continuing operations		Discontinued operations		Total	
	2010	2009	2010	2009	2010	2009
Current tax	-89	95	-	-	-89	95
Deferred tax	888	708	52	-	940	708
Total tax costs recognized in the income for the year	799	803	52	0	851	803
Tax recognized in other comprehensive income	-167	-347	-	-	-167	-347
Total tax cost recognized in other comprehensive income	-167	-347	-	-	-167	-347

Note 10, continued

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

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

	2010	2010 (%)	2009	2009 (%)
Income before tax in continuing operations	-3,060		-3,423	
Income before tax in discontinued operations	-9		-327	
Income before tax	-3,069		-3,750	
Tax according to rate in Sweden	807	26.3	986	26.3
Tax effect of income in affiliated companies	-13	-0.4	-10	-0.3
Tax effect of non-deductible costs	-348	-11.3	-764	-20.4
Tax effect of non-taxable income	9	0.3	372	9.9
Tax effect of unrecognized loss carryforwards	64	2.1	92	2.5
Tax related to earlier years	332	10.8	127	3.4
Tax expense and effective tax rate for the fiscal year	851	27.7	803	21.4

Deferred tax liability/tax asset:	2010	2009
Deferred tax liability	2,303	2,832
Deferred tax asset	-1,187	-1,159
Deferred tax liability, net	1,116	1,673

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

Deferred tax liability in the balance sheet:	2010	2009
Non-current assets	1,866	1,739
Provisions	-336	-2
Cash-flow hedges	191	69
Pensions	1,376	1,174
Other temporary differences	401	746
Tax-loss carryforwards	-1,195	-894
Total	2,303	2,832

Deferred tax asset in the balance sheet:	2010	2009
Tax loss carryforwards	1,097	1,019
Non-current assets	28	68
Provisions/receivables	62	72
Total	1,187	1,159

Reconciliation of deferred tax liability, net:	2010	2009
Opening balance	1,673	2,067
Change for the year for cash-flow hedges	167	347
Change according to statement of income	-888	-708
Deferred tax recognized in equity	125	-36
Exchange rate differences etc.	39	3
Deferred tax liability, net, at December 31	1,116	1,673

On the closing date the Group had unutilized loss carryforwards in continuing operations totaling MSEK 9,675 (8,035). Based on these loss carryforwards, the Group recognized a deferred tax asset of MSEK 2,292 (1,913). Deferred tax assets are recognized to the extent it is probable that there are factors indicating that taxable profits will be created before the right to use the loss carryforwards is lost. The assessment of the respective Group company's future profit performance is based on earnings reported in recent years as well as improved profitability prospects. The recognized tax assets refer primarily to Blue1, SAS AB and the Group's operations in Denmark. For loss carryforwards amounting to MSEK 872 (709) no deferred tax asset is recognized due to uncertainty as regards future profit earnings. Of the loss carryforwards, MSEK 30 expires in 2011 and MSEK 584 in 2012-2020. There are no expiration dates for the remaining loss carryforwards.

No provision has been made for deferred tax on temporary differences relating to non-distributed profits in subsidiaries and affiliated companies, since these profits will not be distributed within the foreseeable future; alternatively a distribution can be made without the profits being subject to tax.

Taxes recognized directly in equity regarding cash-flow hedges reported according to IAS 39 amounted to MSEK 156 (227).

Note 11 Discontinued operations

Spirit is in the process of being sold and is reported as a discontinued operation. The sale of Spanair was concluded in 2009. Net income for the preceding year from the sale of subsidiaries was adjusted by the result from the sale of Aerolineas de Baleares and airBaltic in 2008.

Net income for the year from discontinued operations	2010	2009
Net income for the year in discontinued operations	43	-520
Income from sale of subsidiaries	-	193
Income from discontinued operations	43	-327

Net income for the year in discontinued operations	2010	2009
Revenue	694	2,177
Payroll expenses	-421	-856
Other operating expenses	-252	-1,527
Leasing costs for aircraft	-	-215
Depreciation, amortization and impairment	-18	-47
Operating income	3	-468
Net financial items	-12	-52
Income before tax	-9	-520
Tax	52	-
Net income for the year	43	-520

Assets held for sale and corresponding liabilities

Spirit is reported as an asset held for sale with corresponding liabilities in the balance sheet.

	2010	2009
Tangible fixed assets	173	165
Financial fixed assets	123	91
Total non-current assets	296	256
Current receivables	189	135
Cash and cash equivalents	8	10
Total current assets	197	145
Assets held for sale	493	401
Long-term liabilities	4	11
Current liabilities	128	146
Liabilities attributable to assets held for sale	132	157
Interest-bearing assets	85	56
Interest-bearing liabilities	-	7

Net cash flow from discontinued operations classified as assets for sale	2010	2009
Cash flow from operating activities	-10	-98
Cash flow from investing activities	-17	-77
Cash flow from financing activities	25	149
Net cash flow	-2	-26

Note 12 Intangible assets

	Goodwill:		Other assets ²		Total intangible assets	
	2010	2009	2010	2009	2010	2009
Opening cost	1,119	1,010	1,412	1,284	2,531	2,294
Investments	-	-	252	146	252	146
Sales/disposals	-	-	-	-11	-	-11
Sales of companies ¹	-27	-4	-	-	-27	-4
Reclassification to assets held for sale ¹	-	-17	-	-	-	-17
Reclassifications	-	-	7	-	7	-
Exchange-rate differences	-81	130	-5	-7	-86	123
Closing accumulated cost	1,011	1,119	1,666	1,412	2,677	2,531
Opening amortization	-124	-116	-1,111	-1,086	-1,235	-1,202
Amortization for the year in continuing operations	-	-	-48	-42	-48	-42
Sales/disposals	-	-	-	11	-	11
Sales of companies ¹	-	-	-	-	-	-
Reclassification to assets held for sale ¹	-	17	-	-	-	17
Reclassifications	-	-	4	-	4	-
Exchange-rate differences	11	-25	5	6	16	-19
Closing planned residual value	-113	-124	-1,150	-1,111	-1,263	-1,235
Carrying amount	898	995	516	301	1,414	1,296

¹ During the year, Air Maintenance Estonia and SAS Ground Services UK were sold. The sale of Spanair was completed in 2009. Cubic Air Cargo was also sold. Spirit is in the process of being sold and is classified as an asset held for sale.

² Refers to capitalized system development costs.

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

Goodwill:	2010	2009
SAS Scandinavian Airlines Norge	733	791
Widerøe	151	163
Air Maintenance Estonia	-	27
Blue1	14	14
Total goodwill	898	995

Testing for impairment of intangible assets

The value of the Group's goodwill items has been estimated through comparison with the recoverable amount. The recoverable amount has been based on the respective cash generating unit's value in use and is based on the cash flows in each unit's business plan, which covers four years' growth rate or cost development beyond the plan period has been adopted without a test based on a constant level of earnings for the period after the plan period.

The projected cash flows are based on assumptions regarding volume performance, unit revenue, operating margins and discount rates. Assumptions beyond the fourth year of the plan period are that cash flow will remain at the level of the final year.

The discount rate has been estimated based on a weighted capital cost after tax of 10.2%, which is the same for all companies in the Core SAS segment. The discount rate before tax for each company has subsequently been determined depending on each company's nominal tax rate and amounts to between 13.8% and 14.7% and has remained unchanged since the test in 2009.

To support the impairment tests performed on goodwill in the Group, an overarching analysis was conducted of the sensitivity in the variables used in the model. A weakening of any of the significant assumptions included in the business plans or a weakening of the annual operating revenue growth rate and operating margins beyond the plan period, or an increase in the discount rate that, individually, is reasonably likely, shows that a healthy margin still exists between the recoverable amount and carrying amount. Management therefore determined that there was no further need for impairment write-downs of goodwill at the close of 2010.

Note 13 Tangible fixed assets

	Buildings and land		Aircraft ^{1,2}		Spare engines and spare parts		Workshop & servicing equipment aircraft	
	2010	2009	2010	2009	2010	2009	2010	2009
Opening cost	1,347	1,600	22,972	19,846	2,238	1,891	1,307	1,322
Investment	-	67	1,652	3,700	252	253	12	15
Capitalized interest ³	-	-	-	-	-	-	-	-
Sales/disposals	-22	-16	-944	-2,280	-62	-71	-106	-93
Sales of companies ⁴	-3	-	-	-	-7	-	-34	-
Reclassification to assets held for sale ⁴	-	-369	-	-	-	-	-	-40
Reclassifications	12	36	321	1,506	13	106	-5	43
Exchange-rate differences	-36	29	-136	200	-49	59	-88	60
Closing accumulated cost	1,298	1,347	23,865	22,972	2,385	2,238	1,086	1,307
Opening depreciation	-908	-1,087	-9,885	-8,809	-939	-706	-1,146	-1,102
Depreciation for the year in continuing operations	-59	-61	-1,509	-1,429	-123	-157	-59	-83
Depreciation for the year in discontinued operations	-	-8	-	-	-	-	-	-4
Sales/disposals	19	14	73	434	39	56	103	72
Sales of companies ⁴	3	-	-	-	4	-	24	-
Reclassification to assets held for sale ⁴	-	248	-	-	-	-	-	33
Reclassifications	-	-4	-	80	6	-113	5	-37
Exchange-rate differences	22	-10	108	-161	21	-19	77	-25
Closing accumulated depreciation	-923	-908	-11,213	-9,885	-992	-939	-996	-1,146
Carrying amount	375	439	12,652	13,087	1,393	1,299	90	161

	Other equipment and vehicles		Investment in progress		Prepayment fixed assets		Total tangible assets	
	2010	2009	2010	2009	2010	2009	2010	2009
Opening cost	1,487	1,693	158	232	238	627	29,747	27,211
Investments	40	27	203	275	20	81	2,179	4,418
Capitalized interest ³	-	-	-	-	1	19	1	19
Sales/disposals	-135	-148	-	-	-	-	-1,269	-2,608
Sales of companies ⁴	-39	-	-	-	-	-	-83	-
Reclassification to assets held for sale ⁴	-	-47	-	-15	-	-	-	-471
Reclassifications	-50	-66	-243	-336	-231	-479	-183	810
Exchange-rate differences	-78	28	-	2	-4	-10	-391	368
Closing accumulated cost	1,225	1,487	118	158	24	238	30,001	29,747
Opening depreciation	-1,295	-1,375	-	-	-	-	-14,173	-13,079
Depreciation for the year in continuing operations	-69	-73	-	-	-	-	-1,819	-1,803
Depreciation for the year in discont. operations	-	-5	-	-	-	-	-	-17
Sales/disposals	129	116	-	-	-	-	363	692
Sales of companies ⁴	25	-	-	-	-	-	56	-
Reclassification to assets held for sale ⁴	-	25	-	-	-	-	-	306
Reclassifications	40	42	-	-	-	-	51	-32
Exchange-rate differences	75	-25	-	-	-	-	303	-240
Closing accumulated depreciation	-1,095	-1,295	-	-	-	-	-15,219	-14,173
Carrying amount	130	192	118	158	24	238	14,782	15,574

At the beginning of 2010, seven Boeing 737s, four Airbus A321s and five Airbus A330/340s had been acquired, formally through finance leases, with original terms of 9-10 years. During the year, no transactions pertaining to finance-leased aircraft were carried out.

With regard to finance-leased aircraft, the terms of the leases (particularly pertaining to SAS's call options during the contract period and at the expiration of the lease, as well as the economic risk SAS has regarding the value of the aircraft) are such that the agreements, from SAS's point of view, are comparable to a purchase.

The 16 (16) finance-leased aircraft are recognized in the balance sheet in the amount of MSEK 5,644 (5,919). In addition to these, owned aircraft include 18 (27) aircraft valued at MSEK 1,923 (3,125) placed in financing structures wholly owned by SAS together with appurtenant indebtedness of MSEK 1,293 (2,001), which are to be viewed as finance-leased.

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

	2010	2009
Owned	7,008	7,168
Finance leased	5,644	5,919
Carrying amount	12,652	13,087

Finance leasing

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

Lease payments consist in part of minimum lease payments and in part of contingent rent. In those cases where the lease payments are based on a floating interest rate they are included in minimum lease payments according to the current rate at the start of the agreement. Future changes of the interest rate are included in the contingent rent. Total lease payments amounted to MSEK 486 (551). Contingent rent impacted lease payments for the year by MSEK -79 (-47).

At the closing date, leasing of finance leased assets to third parties did not occur.

Carrying amounts of finance lease assets amounted on the closing date to:

	Aircraft	
	2010	2009
Cost	8,706	8,706
Less accumulated depreciation	-3,062	-2,787
Carrying amount of finance leased assets	5,644	5,919

¹ The insured value of aircraft at December 31, 2010 amounted to MSEK 31,130.

This includes the insured value of leased (operating leases) aircraft in the amount of MSEK 20,065.

² Modifications of aircraft under operating leases are included in planned residual value in the amount of MSEK 211 (218).

³ Capitalizing of interest was conducted at an average interest rate of 5.0% (5.0%).

⁴ During the year, Air Maintenance Estonia and SAS Ground Services UK were sold. The sale of Spanair was completed in 2009. Cubic Air Cargo was also sold. Spirit is in the process of being sold and is classified as an asset held for sale.

Note 13, continued

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

Due date:	2010		2009	
	Future minimum lease fees	Present value of future minimum lease fees	Future minimum lease fees	Present value of future minimum lease fees
Within one year	913	909	480	478
1-5 years	1,714	1,670	2,751	2,624
Over 5 years	410	352	583	461
Total	3,037	2,931	3,814	3,563

Operating leasing

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

	Aircraft		Machinery & equipment	
	2010	2009	2010	2009
Cost	3,604	1,543	2	5
Less accumulated depreciation	-2,273	-924	-2	-3
Carrying amount of assets leased out on operating leases	1,331	619	0	2

Depreciation for the year pertaining to assets leased out on operating leases was MSEK 158 (60).

Leasing revenues for the year did not contain any contingent rent. Future leasing revenues for operating leases on the closing date:

	2010	2009
Within one year	210	260
1-5 years	569	738
Over 5 years	38	263
Total	817	1,261

Contractual purchase commitments

On the closing date, the Group had the following commitments relating to future acquisition of tangible fixed assets.

	2010	2009
Aircraft	-	706
Other purchase commitments	114	23
Total	114	729

On the basis of external valuations, the SAS Group is of the opinion that the contractual future acquisitions are in line with expected market values.

Tax value

Buildings:	2010	2009
Sverigehuset, part of Arlanda 2:1	44	51
Flight Academy, part of Arlanda 2:1	124	190
Total	168	241

Note 14 Prepayments relating to tangible fixed assets

	2010	2009
Boeing	-	86
Bombardier	24	133
Other	-	19
Total	24	238

Note 15 Financial fixed assets

	Equity in affiliated companies		Other holdings of securities		Pension funds, net		Other long-term receivables		Total financial fixed assets	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Opening cost	358	622	285	58	10,286	9,658	1,940	1,331	12,869	11,669
Contributions	6	41	22	-	639	438	709	908	1,376	1,387
Share of income in affiliated companies:	12	-258	-	-	-	-	-	-	12	-258
Sales of companies ¹	-	0	-45	-	1	-	-	-	-44	0
Reclassification to assets held for sale ¹	-	-	-	-	-	-39	-	-45	-	-84
Amortization	-	-	-	-	-	-	-308	-210	-308	-210
Dividend	-4	-6	-	-	-	-	-	-	-4	-6
Reclassifications	-38	-	41	227	-	-	1,389	-15	1,392	212
Exchange-rate differences	-40	-41	-	-	-414	229	-164	-29	-618	159
Closing accumulated cost	294	358	303	285	10,512	10,286	3,566	1,940	14,675	12,869
Opening impairment	-	-	-51	-53	-	-	-52	-	-103	-53
Impairment losses	-	-	-229	-	-	-	-	-52	-229	-52
Reclassifications	-	-	-	2	-	-	52	-	52	2
Closing impairment	-	-	-280	-51	-	-	-	-52	-280	-103
Closing residual value	294	358	23	234	10,512	10,286	3,566	1,888	14,395	12,766

¹ During the year, Air Maintenance Estonia and SAS Ground Services UK were sold. The sale of Spanair was completed in the preceding year. Cubic Air Cargo was also sold. Spirit is in the process of being sold and is classified as an asset held for sale.

Note 16 Pension funds, net

	2010	2009
Pension funds, net, funded plans	12,818	12,605
Pension funds, net, unfunded plans	-2,306	-2,319
Total	10,512	10,286

Most pension plans in Scandinavia are defined-benefit plans. The majority are placed with insurance companies. The Group's pension plans for salaried employees in Sweden and for employees in Norway are defined-benefit pension plans managed by insurance companies. In Sweden, pension plans are mainly placed with Alecta and Euroben and in Norway with Vital. Employees in Denmark have mostly defined-contribution solutions.

The majority of SAS employees in Sweden are covered by ITP pension reinsured by Alecta (the Alecta plan). The Alecta plan is a multi-employer pension plan and has been classified by the Swedish Financial Accounting Standards Council as a defined-benefit pension plan. SAS has signed a special and specific agreement with Alecta whereby Alecta has undertaken to supply all basic data concerning employees and former employees (pay, age, benefit amount etc.), which supports SAS accounting according to IAS 19. The agreement with Alecta also means that SAS has received written confirmation that any surplus in the Alecta plan will benefit SAS and the insured indirectly through a pension bonus and paid-up increase and directly through dividends or cash payment to the policyholder. Based on the information SAS receives, SAS reports its proportional share of the Alecta plan's commitments, plan assets and costs in accordance with IAS 19 rules regarding defined benefit pension plans.

The normal retirement age for non-flight personnel mainly follows the respective country's rules regarding general retirement. The normal retirement age for SAS flight personnel is 60. According to agreements with SAS pilots in Denmark, Norway and Sweden, and with cabin crew in Norway, voluntary early retirement with pension is allowed from the age of 55 at the earliest. SAS has also undertaken to pay a pension up to normal retirement age, 60, to pilots who have lost their licenses. The retirement age for cabin crew employed in Sweden is 65, but once they reach the age of 50, the retirement age is reduced to 60. The estimated present value of all these obligations is included in SAS's estimated total pension commitment.

In calculating pension commitments, the year's pension earnings and returns, locally set parameters are applied in the respective countries on the basis of the local market situation and expected future trends. The following long-term economic assumptions represent a weighted average for the SAS Group:

	2010	2009	2008
Discount rate	4.6%	5.1%	4.9%
Long-term rate of return	5.9%	5.9%	6.0%
Inflation	1.7%	1.7%	1.7%
Future salary adjustments	2.2%	2.2%	2.6%
Future adjustments of current pensions	1.7%	1.7%	1.7%

The following interest parameters are used for the largest pension plans in Sweden and Norway:

Discount rate	4.3% (4.5%) in Sweden and 5.0% (5.5%) in Norway
Long-term rate of return	6.0% (6.0%) in Sweden and 6.0% (6.0%) in Norway

According to IAS 19 the discount rate is determined by reference to the market yields on corporate bonds at the balance-sheet date. In the absence of a deep market for corporate bonds, government bonds may be used instead.

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

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

The inflation assumption is 1.5% in Sweden and Denmark and 2.0% in Norway. Future salary adjustment has been set at half a percentage point above the inflation assumption for the purpose of including a real salary increase in the calculations of the pension commitments.

As of December 31, 2010 net pension funds were reported as an asset in the amount of MSEK 10,512. This item comprises plan assets totaling MSEK 31,651, liabilities amounting to MSEK 31,370 (of which MSEK 2,996 is unfunded) and unrecognized actuarial losses including plan amendments totaling MSEK 10,231.

Actuarial gains or losses may arise from actual returns being lower or higher than the expected level, or by actual inflation levels and salary adjustments deviating from assumptions. In addition, an actuarial gain or loss is impacted by changed parameters regarding the discount rate, life expectancy and early retirement.

IAS 19 permits the postponement of recognizing actuarial gains and losses arising by amortizing accumulated actuarial gains and losses that exceed the higher of 10% of the commitment or the funded amount over the average remaining period of employment. SAS estimates the remaining employment period for most pension plans is 15 years. A shorter amortization period is applied in some cases where the remaining employment period is deemed to be considerably shorter.

At the beginning of 2010, accumulated unrecognized actuarial gains and losses amounted to SEK 11.0 billion. The deviation has decreased compared with 2009 primarily due to personnel reductions and exchange-rate differences. The actuarial gains and losses were adversely affected due to lower discount rates in Sweden, Norway and Denmark and lower actual returns on plan assets. Amortization of the deviation for the year amounted to about

SEK 0.4 billion. At year-end, the accumulated unrecognized actuarial gains and losses amounted to approximately SEK 9.9 billion, to be amortized in coming years. The deviation will be amortized in future years at about SEK 0.6-0.7 billion per year. Any improvements in returns on assets in the pension schemes will improve the actuarial gains and losses.

Sensitivity to changes in individual parameters can be estimated as follows: A 1 percentage-point change in the discount rate of interest has approximately a SEK 4.2 billion impact on the commitment. A 1 percentage-point change in the inflation assumption has approximately a SEK 1.5 billion impact on the commitment and a 1 percentage-point change in the parameter for payroll adjustment has approximately a SEK 1.5 billion impact on the commitment.

Defined-benefit pension plans	2010	2009
Pension earned during the year	-893	-1,196
Interest on pension provisions	-1,485	-1,616
Expected return on funded assets for the year	1,795	1,878
Amortization of deviations from estimates and plan amendments for the year	-394	-839
Impact on income for the year, net, pertaining to defined-benefit pension plans in continuing operations	-977	-1,773

The above cost is recognized in its entirety as a payroll expense.

In the financial statements, the commitments of the SAS Group are included as specified in the table below.

Status at December 31	2010	2009
Funded assets	31,651	32,816
Pension commitments	-31,370	-33,578
Difference between funded assets and commitments	281	-762
Unrecognized deviations from estimates and plan amendments ¹	10,231	11,048
Book assets	10,512	10,286

¹ Of which actuarial gains and losses MSEK 9,901 (10,834).

Changes in present value of commitment for defined-benefit plans	2010	2009
Commitments for defined-benefit plans at January 1	33,578	32,615
Pensions paid	-1,308	-1,756
Cost of earning	893	1,196
Interest expenses	1,485	1,616
Actuarial gains and losses (+/-)	-1,340	-1,525
Effects of sold companies and companies held for sale	0	-163
Exchange-rate differences	-1,938	1,595
Commitments for defined-benefit plans at December 31	31,370	33,578

Note 16, continued

Change of plan assets' fair value	2010	2009
Plan assets' fair value at January 1	32,816	30,472
Paid-in premiums	1,594	1,829
Pensions paid	-1,285	-1,374
Expected return on plan assets	1,795	1,878
Actuarial gains and losses (+/-)	-1,589	-980
Effects of sold companies and companies held for sale	0	-163
Exchange-rate differences	-1,680	1,154
Plan assets' fair value at December 31	31,651	32,816

Plan assets consist of the following Group	2010	2009
Equities	30%	27%
Fixed-income securities	54%	61%
Properties	9%	9%
Other	7%	3%
	100%	100%

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

In some pension plans in earlier years, the real return rate was lower than the Group's estimated long-term return, which is reflected in the item, "Unrecognized actuarial gains and losses". The actual return on plan assets was approximately 7% in 2009 and approximately -1% in 2008. For 2010, the return is expected to be about 6%.

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

	Funded funds	Commitments (PBO)	Difference funded assets/commitments	Pension funds, net
Pension plans in Sweden	15,150	11,905	3,245	6,673
Pension plans in Norway	11,331	13,446	-2,115	2,475
Pension plans in other countries	5,170	6,019	-849	1,364
Total	31,651	31,370	281	10,512

"Pension funds, net" includes unfunded plans funded via operating income in the amount of MSEK 462 in Sweden and MSEK 1,844 in Norway.

Pension funds, net, including pension commitments, plan assets plus unrecognized plan amendments and actuarial gains and losses for the defined-benefit pension plans performed as follows:

	2010	2009
Opening balance	10,286	9,658
Impact on income for the year in continuing and discontinued operations	-977	-1,773
Paid-in premiums	1,594	1,829
Pensions paid	23	382
Pension funds in divested operations	-	-
Pension funds in companies held for sale	-	-39
Currency effect	-414	229
Closing balance	10,512	10,286

Of total pension commitments of MSEK 31,370 (33,578), MSEK 28,374 (30,468) was funded and MSEK 2,996 (3,110) was unfunded.

In 2011, paid-in premiums are expected to amount to approximately SEK 1.1 billion.

	2010	2009	2008	2007	2006
Present value of defined-benefit plan commitment	-31,370	-33,578	-32,615	-26,069	-27,307
Fair value of plan assets	31,651	32,816	30,472	30,585	27,954
Deficit/surplus	281	-762	-2,143	1,516	647
Experience adjustments arising on plan assets	-280	-735	-1,529	289	19
Experience adjustments arising on defined-benefit plan commitments	1,334	-21	318	610	286

Note 17 Expendable spare parts and inventories

	2010	2009
Expendable spare parts, flight equipment	455	519
Expendable spare parts, other	190	196
Inventories	33	43
Total	678	758
Measured at acquisition cost	678	758
Measured at net realizable value	-	-
Total	678	758

Note 18 Current receivables

Impairment of accounts receivable and recovered accounts receivable, net, in continuing operations came to MSEK 10 (-54), charged to income. In discontinued operations the corresponding amount was MSEK 0 (0).

The Group's combined accounts receivable amounted to MSEK 1,328 (1,629) of which MSEK 51 (48) was classified as assets held for sale.

Age analysis of accounts receivable	2010	2009
Accounts receivable not yet due	1,051	1,091
Due < 31 days	48	137
Due 31-90 days	46	108
Due 91-180 days	47	70
Due > 180 days	85	175
Total	1,277	1,581

Provision for doubtful accounts receivable	2010	2009
Opening provision	102	94
Reclassification to assets held for sale	-	-1
Provision for expected losses	8	65
Reversed provisions	-63	-42
Actual losses	-2	-6
Exchange-rate differences	-1	-8
Closing provision	44	102

Note 19 Current receivables from affiliated companies

	2010	2009
Air Greenland A/S	3	-
AS Estonian Air	-	92
Total	3	92

Note 20 Prepaid expenses and accrued income

	2010	2009
Prepaid expenses	618	523
Accrued revenues	221	535
Total	839	1,058

Note 21 Short-term investments

	2010	2009
Treasury bills	1,019	750
Mortgage bonds	499	1,835
Deposits	991	345
Commercial paper	598	550
Blocked deposits in tax deduction account in Norway	182	220
Total	3,289	3,700
Short-term investments attributable to holdings of assets held for sale	-8	-9
Total	3,281	3,691

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

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

Note 22 Share capital

Share capital

The Company has two classes of shares, common shares and subordinated shares. On February 2, 2010, the Board of Directors resolved to increase share capital by not more than MSEK 4,959.7 through the issue of not more than 7,402.5 million common shares. The Board's resolution was approved at an Extraordinary Shareholders' Meeting held on Saturday, March 13, 2010. The Group's existing shareholders received preferential rights to subscribe for the new common shares in relation to the number of shares they already owned. Every share entitled the shareholders to subscribe for three new common shares at a subscription price of SEK 0.67 per share. As of December 31, 2010 all common shares had been subscribed. As a result of the new rights issue, the share capital increased by MSEK 4,960.

On April 7, 2010 the Annual General Shareholders' Meeting decided on a 1:30 reverse split of shares. This meant that 30 shares in SAS, each with a quota value of SEK 0.67, would be combined into one share with a quota value of SEK 20.10. As a consequence the number of shares was reduced from 9,870,000,000 to 329,000,000.

Information on all shares and per share amounts in the Annual Report, have been retroactively adjusted, for all periods presented to reflect the rights issue and the reverse split of shares.

As of December 31, 2010, 329,000,000 common shares, which together constitute a registered share capital of SEK 6,612,900,000, had been issued and were outstanding. There are no issued or outstanding subordinated shares.

The common shares consist of 329,000,000 shares, with a quota value of 20.1 per share.

The common shares give shareholders all of the rights found in the Companies Act and the Articles of Association. The subordinated shares give shareholders the right to participate in and vote at the company's shareholders' meetings. Subordinated shares do not entitle shareholders to dividends or participation in bonus issues. If subordinated shares are redeemed or the company is dissolved and its assets are replaced, holders of subordinated shares receive compensation equivalent only to the nominal value of the shares plus an interest-rate factor.

The Articles of Association require a majority of the shares to be held by Scandinavian shareholders. To ensure this ownership ratio, the Board is entitled to make a decision on mandatory redemption of shares held by shareholders outside of Scandinavia without refund to affected shareholders. Should the redemption of such shares not be possible, the Board is entitled (following the approval of the Shareholders' Meeting) to transfer warrants with subscription rights to subordinated shares to Scandinavian shareholders to dilute the non-Scandinavian shareholding to below 50%.

Dividend policy

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

Note 23 Reserves

	2010	2009
Translation reserve		
Opening translation reserve	52	25
Translation differences for the year	-466	50
Less: Hedging of exchange risk in foreign operations	476	-137
Tax pertaining to hedging of exchange risk in foreign operations	-125	36
Less: Translation differences attributed to divested operations	-6	78
Closing translation reserve	-69	52
Hedging reserve		
Opening hedging reserve	227	-743
Cash-flow hedges:		
- Recognized directly in other compreh. income	591	896
- Change in statement of income	45	420
- Tax attributed to year's change in hedging reserve	-167	-346
Closing hedging reserve	696	227
Total reserves		
Opening reserves	279	-718
Change in reserves for the year:		
- Translation reserve	-121	27
- Hedging reserve	469	970
Closing reserves	627	279

Translation reserve

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than Swedish kronor. The translation reserve also comprises exchange-rate differences arising in conjunction with the translation of liabilities and forward exchange contracts reported as hedging instruments of a net investment in a foreign operation.

Hedging reserve

The hedging reserve includes the effective part of the cumulative net change in fair value on a cash-flow instrument attributable to hedging transactions that have not yet occurred.

Note 24 Long-term liabilities

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

	2010	2009
Subordinated loans	974	919
Bond loans	503	-
Other loans	1,898	1,949
Total	3,375	2,868

Note 25 Subordinated loans

A subordinated loan of MCHF 200 was issued during the 1985/86 fiscal year. There is no set maturity date for this loan. The interest rate is fixed for 10-year periods and amounts to 2.375% from January 2006. SAS has an exclusive right to cancel this loan every fifth year. When the loan is canceled in connection with an interest-rate reset, SAS is entitled to repay the loan at 100% of its nominal value. If it is canceled five years after an interest-rate reset, the loan shall be repaid at 102.5% of nominal value.

In previous years SAS repurchased MCHF 73 of the bonds, after which the balance of the loan is MCHF 127 (127), with a countervalue of MSEK 920 (884). The interest exposure of the loan has been switched from fixed to floating interest through an interest-rate swap. The loan is included in a fair-value hedge and the fair value amounted to MSEK 974 (919) on the closing date.

The loan is listed on the Basel Stock Exchange, Geneva Stock Exchange and Swiss Exchange. On the closing date, its total market value (including credit risk) amounted to MCHF 52 (49), with a countervalue of MSEK 375 (341).

Note 26 Bond loans

In May 2001 a MEUR 1,000 European Medium-Term Note program was established. The EMTN program makes it possible for the Group to issue bonds with fixed or variable interest rates in any currency. On the closing date the SAS Group's issued bonds amounted to MSEK 1,503 (2,290).

Below follows a specification of individual bond loans:

Original issued amount	Coupon interest	Outstanding Term debt currency	2010		2009	
			Carrying amount MSEK	2009 Carrying amount MSEK	Carrying amount MSEK	2009 Carrying amount MSEK
MEUR 60.0	14.9% ¹	2010/16	MEUR 55.8	503	-	-
MSEK 1,000.0	13.5%	2010/12	MSEK 1,000	1,000	-	-
MEUR 108.0	-	2003/10	-	-	-	1,101
MSEK 200.0	-	2005/10	-	-	-	200
MNOK 454.0	-	2005/10	-	-	-	564
MNOK 265.5	-	2005/10	-	-	-	330
MNOK 50.0	-	2005/10	-	-	-	62
MNOK 17.0	-	2005/10	-	-	-	21
MNOK 213.0	-	2006/10	-	-	-	12
Total				1,503		2,290
Less amortization 2011/2010				-		-2,290
Total				1,503		0

Outstanding debt in foreign currency and carrying amount in MSEK corresponds with amortized cost. No repurchasing was conducted in 2010.

The interest-rate exposure is managed by entering into interest-rate swap contracts to adjust the fixed-interest term for some of the loans. The Group has also entered into currency derivatives agreements for some of these bonds for the purpose of limiting currency risk.

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

Note 27 Other loans

	2010		2009	
	Carrying amount	Fair value	Carrying amount	Actual value
Finance leasing	2,903	2,931	3,511	3,569
Convertible	1,408	1,652	-	-
Other loans	3,868	4,149	6,695	6,973
Derivatives	70	70	55	55
Total before amortization	8,249	8,802	10,261	10,597
Less amortization 2011 and 2010	-1,383	-1,489	-3,452	-3,674
Total other loans	6,866	7,313	6,809	6,923

Maturity profile of other loans

	2011	2012	2013	2014	2015	2016->	Total
Finance leases	879	974	415	129	113	393	2,903
Convertible	-	-	-	-	1,408	-	1,408
Other loans	504	348	1,212	186	183	1,505	3,938
Total	1,383	1,322	1,627	315	1,704	1,898	8,249

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

In 2010 a convertible debenture was issued for MSEK 1,600 maturing in five years. The value of debt and share of equity on the convertible loan has been determined at the closing date to MSEK 1,408 and MSEK 226, respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226 respectively. The loan conversion price is SEK 46.50 and is convertible every three months.

In other loans, some borrowing is included within the framework of various revolving credit facilities (see Note 28 for further information). The interest rate of these loans is readjusted to the current interbank rate based on the currency of the loan plus a variable margin. The variable margin is based on certain key ratios calculated from the Group's quarterly results.

The average interest rate on the closing date amounted to 1.34% for financial leasing, 7.50% for convertibles and 2.97% for other loans.

Note 28 Financial risk management and financial derivatives

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

Fuel price risk

The SAS Group is exposed to changes in jet fuel prices. Exposure is handled by continuously hedging 40-70% of the forecast fuel consumption for the coming 12 months. The main financial derivatives used for hedging jet fuel are options and swaps. On December 31, 2010, the Group signed an agreement on derivatives covering approximately 54% of the Group's estimated fuel requirement for 2011. In 2010, jet fuel-related costs accounted for 17.1% of the Group's operating expenses, compared with 17.5% in 2009.

Foreign currency risk

The SAS Group has currency exposure to both transaction risk and translation risk.

The *transaction risk* arises when flows in foreign currencies are exposed to currency rate fluctuations. To manage the transaction risk that the SAS Group is exposed to, the projected commercial currency flows are hedged

using currency derivatives. According to the financial policy, the hedge level must be between 60-90% of a 12-month rolling liquidity forecast.

Future aircraft sales shall be hedged with currency derivatives and loans in USD. According to the policy, the hedge level for future aircraft sales must be 20-80% of the carrying amount of the aircraft fleet. Additionally, future contracted aircraft purchases denominated in USD can be hedged by up to 80% of the contracted amount.

The *translation risk* arises during conversion of balance-sheet items in foreign currencies due to changes in exchange rates. To limit translation risk the policy is to keep the financial net debt mainly in the accounting currency of the respective subsidiary. Furthermore, the SAS Group has hedged its foreign subsidiaries' equity through borrowing and derivatives.

Interest-rate risk

The SAS Group is exposed to interest-rate risk when the market value of the financial net debt (interest-bearing assets and liabilities) is affected by movements in the yield curve (market interest rates at different maturities). Group borrowing includes loans at both fixed and variable interest rates. To manage the interest-rate risk, interest-rate derivatives are used to change the fixed-interest term of the underlying financial net debt. The target of current policy is for the average fixed-interest term of the financial net debt to correspond to 3.5 years. In addition, the development of the financial net debt for the forthcoming 12 months and contracted future aircraft purchases will be taken into consideration. According to the policy the average fixed interest-rate term during the year was approximately 3.6 (2.9) years. At the end of 2010, the fixed-interest term was 3.1 (2.8) years.

The sensitivity analysis concerning fuel price shows the immediate revaluation effect of a 10% parallel shift in the price curve for underlying fuel.

The sensitivity analysis concerning currency shows the immediate revaluation effect on the closing date for cash-flow hedges, accounts receivable and accounts payable of a 10-percent strengthening or weakening of the Swedish krona against all currencies the SAS Group is exposed to. Beyond the above effect on equity, a 10% change in currency will impact equity by MSEK 353 (523) of changes in value for hedges of net investments. A corresponding change in value arises for net investments in foreign operations. The net effect of the above changes in value has no impact on equity.

The sensitivity analysis for market interest rates shows the immediate revaluation effect on the closing date for interest-rate derivatives, fair-value hedges and short-term investments with a 1-percent parallel shifting of the yield curve. Beyond the revaluation effect, the SAS Group's net interest for 2011 is affected by around MSEK -3 (-46) if short-term market rates rise by 1 percentage point. However, if short-term market rates fall by 1 percentage point the corresponding positive effect on net interest is MSEK 3 (46). The estimate also includes interest-rate derivatives.

Sensitivity analysis, revaluation effect on closing date

Market risk	Change	Earnings impact, MSEK	Earnings impact, MSEK	Equity impact, MSEK	Equity impact, MSEK
		2010	2009	2010	2009
Fuel price	+10%	-	-	400	245
Fuel price	-10%	-	-	-380	-256
USD	+10%	-32	-50	-489	-461
NOK	+10%	9	10	4	21
DKK	+10%	-23	8	-11	-26
Other currencies	+10%	-6	33	15	53
Currency	+10%	-52	1	-481	-413
USD	-10%	29	44	484	468
NOK	-10%	-10	-8	-4	-25
DKK	-10%	26	-9	14	32
Other currencies	-10%	4	-32	-16	-58
Currency	-10%	49	-5	478	417
Market interest rates	+1%	22	121	59	7
Market interest rates	-1%	-24	-130	-63	-7

Financial derivatives

Different types of currency derivatives, such as forward currency contracts, currency swap contracts and currency options, are used to manage currency exposure. Furthermore, interest-rate exposure is managed by different types of interest-rate derivatives such as Forward Rate Agreements (FRAs), futures, interest-rate swap contracts and currency interest-swap contracts.

As of December 31, 2010 the fair value of the SAS Group's outstanding derivative instruments totaled MSEK 231 (-290), broken down according to the table below.

	2010				2009	
	Out-standing volume	Fair value		Out-standing volume	Fair value, net	
	Assets	Liabilities	Net			
Currency derivatives	26,297	379	-517	-138	29,812	-363
Interest-rate derivatives	4,905	101	-106	-5	7,332	-27
Fuel derivatives	3,700	374	-	374	3,504	100
Total	34,902	854	-623	231	40,648	-290

As of December 31, 2010, fair value is consistent with carrying amount. The fair value is the amount received or paid if outstanding financial instruments are sold on the closing date. Derivatives not subject to hedge accounting are classified as financial instruments held for trading. Outstanding volume means the derivative contracts' nominal amount expressed in absolute terms.

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

	2010	2009
Other long-term receivables	80	34
Other receivables	774	340
Total derivative assets	854	374
Other loans	-70	-55
Current liabilities	-553	-609
Total derivative liabilities	-623	-664
Derivative assets/liabilities Net at end of the period	231	-290
Allocation of derivatives according to the following		
Cash-flow hedges:	159	-135
Fair-value hedges	97	70
Net investment hedge	101	-119
Derivatives not designated as hedges for accounting purposes	-126	-106
Derivative assets/liabilities Net at end of the period	231	-290

Hedge-accounted derivatives, cash-flow hedge

Investment in aircraft

Investment in aircraft and hedging of future contracted aircraft purchases represent hedging transactions since it is the payment flow in foreign currency during a future sale/purchase that is hedged according to the cash-flow method. The loans and the forward currency contracts included in hedging relationships are translated at the relevant closing rate and the change that is calculated as effective is recognized in other comprehensive

income. In 2010, the ineffective portion of the hedges had a negative effect of MSEK 60 on the statement of income. As of December 31, 2010 the accumulated currency effect on cash-flow hedged loans and derivatives relating to future aircraft sales and purchases was recognized in shareholders' equity in the amount of MSEK 471 (254).

Commercial flows

Currency derivatives are used to manage the transaction risk relating to projected commercial flows. These currency derivatives represent hedging transactions according to the cash-flow method and their accounting policies are matched with those of the underlying liquidity projection. Provided that the effectiveness of the hedges can be demonstrated, the accumulated change in market value of each hedging transaction is recorded in equity until it is recycled to the statement of income as a cost/revenue. As of December 31, 2010, the accumulated currency effect of these cash flow-hedged currency derivatives was recognized in equity in the amount of MSEK -113 (-92).

Interest-rate derivatives

When the SAS Group borrows at floating interest rates and changes its interest-rate exposure by entering into interest-rate swap agreements whereby floating interest is received and fixed interest is paid, the hedging relationship is classified as a cash-flow hedge. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in other comprehensive income. The accounting policies for the interest-rate derivatives used for hedging transactions are matched with those of the individual loans. As of December 31, 2010, the accumulated effect on these cash flow-hedged interest derivatives was recognized in equity in the amount of MSEK 17 (-9).

Fuel derivatives

Fuel derivatives are used to manage the price risk relating to jet fuel. These derivatives represent hedging transactions according to the cash-flow method and their accounting policies are matched with those of the underlying forecasted fuel need. As of December 31, 2010, the accumulated effect on these cash flow-hedged fuel derivatives was recognized in equity in the amount of MSEK 321 (74).

All together, MSEK 696 (227) relating to cash-flow hedges was recognized in equity at December 31, 2010, and is expected to affect the statement of income in the following years:

	2011	2012	2013	2014	2015	2016>	Total
Aircraft	18	263	28	33	126	172	640
Commercial flows	-154						-154
Interest-rate derivatives			-5		26	2	23
Fuel derivatives	435						435
Deferred tax	-79	-69	-6	-8	-40	-46	-248
Effect on equity	220	194	17	25	112	128	696

Hedge-accounted derivatives, fair-value hedge

In cases where the SAS Group borrows at fixed interest rates and changes its interest-rate exposure by entering into interest-rate swap agreements, whereby fixed interest is received and floating interest is paid, the hedging

Note 28, continued

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

Hedge-accounted derivatives, hedging of net investments in foreign operations

To hedge net investments in foreign operations, SAS has entered into currency derivative agreements and loans in the corresponding currency. When hedge accounting is applied, the effective portion of the change in value of the hedge instrument is recognized in equity. As of December 31, 2010, the Group's net investments were MDKK 1,438 and MNOK 1,553.

Derivatives not subject to hedge accounting

Other currency derivatives not subject to hedge accounting are remeasured on an ongoing basis at fair value in the statement of income. Nor are interest-rate derivatives that cannot be linked to specific borrowing subject to hedge accounting and are remeasured on an ongoing basis at their fair value in the income statement.

Credit risk

The Group's financial transactions give rise to exposure to credit risk vis-à-vis the financial counterparties. Credit risk or counterparty risk pertains to the risk of loss if a counterparty does not fulfill its contractual obligations. The financial policy prescribes that transactions may only be entered into with counterparties with high creditworthiness, defined as category A3/P-1 or better according to Moody's.

Limits are set for each counterparty and are continuously revised. To further reduce counterparty risks, ISDA agreements (netting agreements) are signed with most counterparties. 97% of the credit-related exposure is geographically concentrated in the Nordic countries. The breakdown of the remaining credit exposure is 0% in the rest of Europe and 3% in the rest of the world. The maximum credit exposure for derivative instruments is matched by carrying amount, see the table below the heading financial derivatives. For short-term investments, the size of the credit risk is the carrying amount and is distributed as follows:

Rating (Moody's)	Carrying amount in MSEK	
	2010	2009
Aaa/P-1	1,119	1,250
Aa1/P-1	199	-
Aa2/P-1	700	351
Aa1/P-1	1,263	1,393
Aa1/P-1	-	697
A2/P-1	-	-
A3/P-1	-	-
Total	3,281	3,691

In relation to the SAS Group's accounts receivable the credit risk is spread over a large number of customers including private individuals and companies in various industries. Credit information is required for credit sales

Liquidity risk, MSEK

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

with the aim of minimizing the risk of bad debt losses and is based on intragroup information on payment history supplemented with credit and business information from external sources.

The maximum credit risk for the SAS Group accords with the financial assets' carrying amount according to the categorization table.

Liquidity and borrowing risk

Liquidity and borrowing risks refer to the risk that sufficient liquidity is not available when required, and that refinancing of matured loans will be costly or problematic.

The target is for financial preparedness to amount to a minimum of 20% of the SAS Group's revenues, of which at least half is to be held in cash and cash equivalents. The financial preparedness equals cash and cash equivalents plus total unutilized credit facilities. As of December 31, 2010, financial preparedness amounted to MSEK 10,189 (7,818), with cash and cash equivalents amounting to MSEK 5,043 (4,189) and unutilized credit facilities totaling MSEK 5,146 (3,629). This provides a financial preparedness level of 25% (17). The SAS Group's cash and cash equivalents shall be held in instruments with good liquidity or short maturity with a credit rating of no lower than A3/P-1 according to Moody's or A-/A-1 according to Standard & Poor's.

The accompanying tables show remaining contractual terms for SAS's financial liabilities and assets excluding operations for sale. The figures

December 31, 2009	Up to 3 mos.	4-12 mos.	1-5 years	Over 5 years
Financial liabilities				
Subordinated loans	21		84	926
Bond loans	10	2,398		
Finance leasing	91	398	2,646	551
Convertible				
Other loans	138	3,106	2,690	1,605
Other liabilities	1	2	276	12
Short-term loans	192	51		
Fuel derivatives	-1	9		
Currency derivatives	498	60		
Interest-rate derivatives		43	39	16
Accounts payable	1,738			
Total	2,688	6,067	5,735	3,110
Financial assets				
Other long-term receivables			433	
Accounts receivable	245	1,336		
Receivables from affiliated companies	84			
Other receivables	418	2,648		
Short-term investments	3,693			
Cash and Bank	498			
Fuel derivatives	33	76	-1	
Currency derivatives	195			
Interest-rate derivatives	37			34
Total	5,203	4,060	432	34

shown are contractual undiscounted cash flows. The tables show the contracted date when SAS is liable to pay or receive, and includes both interest and nominal amount. Some loan facilities are linked to financial covenants, which means that in the event of default SAS can be liable for repayment earlier than the contracted maturity. Future interest flows at variable rates are estimated using the current interest rate on the closing date, which means the amounts may differ.

As of December 31, 2010 the Group's interest-bearing liabilities amounted to MSEK 11,897 (14,660); 11% (28%) of the interest-bearing liabilities have financial key ratio requirements for cash flow, debt/equity and liquidity. The term of the interest-bearing gross debt amounted to approximately 3.5 years (2.9) at year-end, excluding the subordinated loan of MCHF 127 which runs without stipulated maturity.

Measurement at fair value

For fiscal years beginning on or after January 1, 2009 the disclosure requirements in IFRS 7 have been extended concerning financial instruments measured at fair value in the balance sheet. The standard requires disclosure of methods used to determine fair value according to a fair value hierarchy consisting of three levels. The levels reflect the extent to which fair value is based on observable market data or own assumptions. Below is a description of the different levels for determining fair value.

Note 28, continued

Contracted credit facilities

The Group has entered into various credit facilities in order to provide additional funding if needed for future use. The schedule below provides details of the credit facilities on December 31, 2010.

Facility	Maturity	Total facility	Utilized facility	Unutilized facility 2010	Unutilized facility 2009
Revolving credit facility MEUR 366	2013	3,295	-	3,295	1,304
Revolving credit facility MNOK 74	2011	85	85	-	-
Revolving credit facility MUSD 121	2013	826	826	-	42
Revolving credit facility MUSD 125 ¹	2013	850	405	445	216
Bilateral bank facilities	2013	500	-	500	500
Bilateral bank facilities	2013	500	-	500	500
Bilateral bank facilities	2013	250	-	250	250
Other facilities	2011	382	226	156	817
Total		6,688	1,542	5,146	3,629

¹ Extended in February 2011 to maturity 2016.

Level 1

Quoted (unadjusted) prices in active markets for identical assets or liabilities. A market is considered active if quoted prices from an exchange, broker, industry group, pricing service or supervisory body are readily and regularly available and those prices represent actual and regularly occurring market transactions at arm's length.

This category includes mainly treasury bills and standardized derivatives where the quoted price is used in the valuation. Cash and bank balances are also categorized as level 1.

Level 2

Inputs other than the quoted prices included within level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Examples of observable data in level 2 is data that can serve as a basis for assessing prices, such as market interest rates and yield curves.

This category includes mainly certificates and non-standard derivative instruments (interest rate, currency and fuel swaps, currency and fuel options) not traded in an active market and the fair value is determined using valuation techniques based essentially on observable market data.

Level 3

Financial instruments for which fair value is established based on valuation models, whereby significant input is based on unobservable market data.

The SAS Group currently has no financial assets and liabilities where the valuation is essentially based on unobservable data.

Determination of fair value - valuation techniques

Other security holdings - Shares and participations

The balance sheet item "Other security holdings" MSEK 23 (234) is made up of strategic shareholdings that are not affiliated companies or subsidiaries. The entire balance-sheet item is measured at cost because its fair value cannot be reliably measured at justifiable expense. For this reason, the balance-sheet item "Other security holdings" is not included in the adjacent table "Financial assets and liabilities measured at fair value".

Derivatives

Interest-rate swaps

The fair value of interest-rate swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date.

Futures

Standardized futures contracts with daily settlement. Fair value is thus determined by daily "market to market" valuation.

Forward Rate Agreement, FRA

The fair value of OTC FRAs is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date.

Standardized FRAs with cash settlement are measured at fair value using quoted bid and ask rates at year-end for an FRA with similar remaining term to maturity.

Currency swaps

The fair value of currency swaps is determined by discounting estimated future cash flows in each currency and interest rate. Discounting is based on yield curves on the closing date. Translation of the currency component is based on exchange rates prevailing at the closing date.

Currency options

The fair value of options is determined by application of the Black and Scholes valuation model, a recognized and accepted valuation model in financial markets. The model is based primarily on observable data such as spot price, strike price, term to maturity, interest rate, volatility, etc.

Fuel options

The fair value of fuel options is determined by application of the Black-Scholes valuation model. The model is based primarily on observable data such as the fuel swap curve, strike price, term to maturity, interest rate, volatility, etc.

Financial assets and liabilities measured at fair value

	Dec. 31, 2010			Dec. 31, 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Other long-term receivables						
Interest-rate derivatives		80			34	
Other receivables						
Fuel derivatives		374			108	
Currency derivatives		379			195	
Interest-rate derivatives		21			37	
Short-term investments	1,019	1,096		750	2,385	
Cash and bank balances	1,762			499		
Total	2,781	1,950		1,249	2,759	
SHAREHOLDERS' EQUITY AND LIABILITIES						
Other loans						
Interest-rate derivatives		70			55	
Current portion of long-term loans						
Currency derivatives					119	
Short-term loans						
Fuel derivatives				8		
Currency derivatives		517			439	
Interest-rate derivatives		36			43	
Total		623		8	656	

Fuel swaps

The fair value of fuel swaps is determined according to the fuel swap curve at the closing date.

Short-term investments

Short-term investments classified as held for trading comprise treasury bills, mortgage bonds and commercial paper with a maximum remaining term to maturity of three months. Fair value is determined by discounting on the basis of yield curves on the closing date.

Cash and bank balances

Cash and bank balances comprise cash on hand and demand deposits. Carrying amount corresponds to fair value.

Note 28, continued

Categorization of financial assets and liabilities

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

¹ Fair value of short-term investments and subordinated loans has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.

Note 28, continued

Categorization of financial assets and liabilities

	Held for trading	Loans and receivables	Financial assets available for sale		Other liabilities	Hedging instruments, derivatives	Non-financial items	Continuing operations and operations held for sale		Assets held for sale	Total carrying amount
								Total carrying amount	Total fair value ¹		
December 31, 2009	<i>Fair value</i>	<i>Amortized cost</i>	<i>Fair value</i>	<i>Amortized cost</i>	<i>Fair value</i>						
ASSETS											
Long-term receivables from affiliated companies								0	0	0	0
Other holdings of securities			234					234	234	0	234
Other long-term receivables		433					262	695	695	0	695
- Interest-rate derivatives					34			34	34	0	34
Accounts receivable		1,629						1,629	1,629	-48	1,581
Receivables from affiliated companies		84					8	92	92	0	92
Other receivables		3,066					1,420	4,486	4,486	-46	4,440
- Fuel derivatives					108			108	108	0	108
- Currency derivatives	167				28			195	195	0	195
- Interest-rate derivatives	1				36			37	37	0	37
Short-term investments	3,135	565						3,700	3,700	-9	3,691
Cash and bank balances	499							499	499	-1	498
Total	3,802	5,777	234	0	206	1,690		11,709	11,709	-104	11,605
SHAREHOLDERS' EQUITY AND LIABILITIES											
Subordinated loans				919				919	341	0	919
Bond loans				0				0	0	0	0
Other loans				6,754				6,754	6,868	0	6,754
- Interest-rate derivatives	41				14			55	55	0	55
Other liabilities				276			102	378	377	0	378
Current portion of long-term loans				5,742 ²				5,742	5,739	0	5,742
Short-term loans				298				298	298	0	298
- Fuel derivatives					8			8	8	0	8
- Currency derivatives	192				366			558	558	0	558
- Interest-rate derivatives	41				2			43	43	0	43
Accounts payable				1,754				1,754	1,754	-16	1,738
Total	274	0	0	15,743³	390	102		16,509	16,041	-16	16,493

¹ Fair value of short-term investments, subordinated loans and one of the bond loans has been set entirely by the use of official price quotes. Fair value of other financial assets and liabilities has been set in part by the use of official price quotes, such as discounting of future cash flows at quoted interest rates.

² Contains loans used as hedging instruments of net investment in foreign operations.

³ Of which MSEK 1,332 was designated as hedging instruments in fair-value hedges and has been measured at fair value.

Note 29 Other provisions

	Restructuring		Loyalty program		Other provisions		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Opening balance, January 1	1,153	298	1,765	1,877	65	111	2,983	2,286
Provisions in continuing operations	1,053	1,767	878	778	45	36	1,976	2,581
Utilized provisions, continuing operations	-1,265	-885	-827	-890	-24	-94	-2,116	-1,869
Currency effects	-39	-5	-	-	-1	12	-40	7
Liabilities attributable to assets held for sale	-3	-22	-	-	-	-	-3	-22
Closing balance, December 31	899	1,153	1,816	1,765	85	65	2,800	2,983

Breakdown in balance sheet:

	2010	2009
Long-term liabilities	2,143	2,131
Current liabilities	657	852
Total	2,800	2,983

Restructuring provisions

In 2002, 2007 and 2009, respectively, the Group introduced its "Turn-around 2005", "Strategy 2011" and "Core SAS" programs. The main aim of these initiatives was to reduce the Group's cost base by reducing the number of full-time employees, centralize Group purchasing and increase the productivity of some of the Group's operations.

Other provisions

Other provisions include provisions for leasing costs relating to unused premises and maintenance costs for leased aircraft according to the lease.

Note 30 Short-term loans

	2010	2009
Issued commercial paper ¹	263	214
Overdraft facilities, utilized portion	241	0
Accrued interest	85	97
Derivatives	478	570
Other	6	26
Total	1,073	907

¹ On the closing date, the average interest rate amounted to 2.7% for issued commercial paper.

Note 31 Unearned transportation revenue (net)

Unearned transportation revenue liability consists of tickets sold and still valid but unused, see Note 1, Significant accounting policies, page 75 - revenue recognition.

On December 31, 2010, the estimated reserve in the unearned transportation revenue liability amounted to MSEK 434 (404).

Note 32 Accrued expenses and prepaid income

	2010	2009
Vacation pay liability	1,338	1,690
Other accrued payroll expenses	288	210
Selling costs	338	263
Government user fees	329	193
Handling costs	191	188
Other accrued expenses	51	448
Prepaid income	220	272
Total	2,755	3,264

Note 33 Pledged assets

	2010	2009
Related to long-term liabilities to credit institutions:		
Real estate mortgages	121	131
Aircraft mortgages	2,501	2,251
Company mortgages	0	36
Shares in subsidiaries	0	0
Related to deposits:	669	827
Total	3,291	3,245

Outstanding liability at December 31, 2010, relating to aircraft mortgages was MSEK 2,415 (2,180).

The item "Shares in subsidiaries" includes the carrying amount of SAS shares in SAS's wholly owned financing structures for aircraft. For additional information in this regard, please refer to Note 13.

Note 34 Contingent liabilities

Guarantees related to	2010	2009
Government user fees	108	124
bmi sale	200	217
Travel guarantees	-	7
Other	145	134
Total	453	482

The Group is involved in various other claims and legal proceedings arising in the ordinary course of business. These claims relate to, but are not limited to, its business practices, employment matters, and tax matters. The Group believes that it has recorded adequate provisions for such matters in accordance with probable and quantifiable loss risks. For matters not requiring any provisions, the Group believes on the basis of information currently available that they will not have a material adverse effect on the Group's financial result. However, litigation is inherently unpredictable and, although the Group believes that its provisions are adequate and/or that it has valid defenses in these matters, unfavorable results could occur. This could have an adverse material effect on the consolidated financial results in future accounting periods.

Note 35 Leasing commitments

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

	2011	2012	2013	2014	2015	2016>
Aircraft	1,587	1,434	1,213	1,101	948	2,145
Properties	968	970	962	898	885	1,071
Machinery and equipment	17	13	5	4	2	0
Total	2,572	2,417	2,180	2,003	1,835	3,216

Leases with an annual rental cost in excess of MSEK 0.5 are included. Total lease costs for continuing operations in 2010 amounted to MSEK 3,051 (3,784), of which MSEK 186 (16) pertains to contingent rent. Contingent rents vary according to different factors such as operating revenue, the consumer price index and short-term market interest rates. In 2010, payments received for assets subleased to a third party amounted to MSEK 186 (279). The value of future fixed payments for these assets subleased to a third party amounted to MSEK 339 (836).

The above table includes the following major items:

At the end of 2010, the SAS Group aircraft fleet totaled 230 aircraft, of which 127 were leased. In 2010, sale and leaseback transactions were carried out for one aircraft, corresponding to an annual leasing cost of approximately MSEK 24. The term of the leases is ten years.

SAS sold airport-related properties in December 2001. They were acquired by Nordisk Renting and GE Capital Real Estate for a purchase price of MSEK 3,020. At the same time, SAS leased back all the buildings for 20 years via operating leases and has an option, under certain terms, to buy back all or parts of the property portfolio after 10 years. The rent will amount to MSEK 173 in 2011.

In September and December 2003, properties in Copenhagen and Stockholm were sold. They were acquired by Keops and Nordisk Renting for a purchase price of MSEK 2,122. The properties are being leased back by SAS via operating leases for 10-20 years. The rent amounts to MSEK 169 in 2011.

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

	2010	2009
Share of income in affiliated companies:	-12	258
Dividends from affiliated companies	4	6
Capitalized interest on prepayments to aircraft manufacturers	-1	-19
Earnings impact from measuring financial instruments according to IAS 39	171	-252
Impairment losses and provisions	889	52
Other	14	-1
Total	1,065	44

Note 37 Disposals of subsidiaries and affiliated companies

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

In 2009, the purchase price was paid for airBaltic, which was sold in December 2008. Spanair was sold in March 2009. Cubic Air Cargo and the affiliated company British Midland were also sold.

The value of the sold assets and liabilities was the following:

	2010	2009
Intangible assets	27	103
Tangible fixed assets	27	436
Financial fixed assets	-1	683
Current assets	24	153
Current receivables	62	1,017
Cash and cash equivalents	26	1
Long-term liabilities	0	-53
Current liabilities	-47	-2,335
Total	118	5
Capital gain excluding selling costs	-4	431
Purchase price paid	114	436
Paid purchase price for sale 2008	0	216
Selling costs	-20	-46
Cash and cash equivalents in divested companies	-26	-1
Impact on the Group's cash and cash equivalents	68	605

Note 38 Cash and cash equivalents

	2010	2009
Short-term investments	3,280	3,700
Cash and bank balances	1,761	391
Cash and cash equivalents reclassified from assets held for sale	2	98
Cash and cash equivalents at year-end	5,043	4,189

Disclosure of interest paid:

During the year, interest received in continuing operations amounted to MSEK 156 (503), of which MSEK 61 (114) refers to forward premiums for currency derivatives. During the year, interest paid in continuing operations amounted to MSEK 747 (798), of which MSEK 125 (226) refers to forward premiums for currency derivatives. In discontinued operations, the interest received came to MSEK 0 (8) and interest paid to MSEK 0 (20).

Note 39 Auditor's fees

The following remuneration was paid by continuing operations to auditing firms for auditing.

	2010	2009
Deloitte		
Auditing services	11	13
Auditing in addition to the auditing services	19	21
Tax advice	4	7
Other services	2	5
Total Deloitte	36	46
Other auditing firms		
Auditing services	0	0
Total	36	46

Note 40 Transactions with affiliated companies

Revenue from sales to affiliated companies amounted to MSEK 34 (149). Cost of purchases from affiliated companies was MSEK 22 (116).

Note 41 Segment reporting

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

Scandinavian Airlines includes airline operations in the consortium of Scandinavian Airlines System, SAS Ground Services in Sweden, Norway and Denmark, SAS Tech and the remaining parts of SAS Cargo. Blue1 is an independent airline based in Finland. Widerøe is an independent airline based in Norway. Along with certain shared services and management functions, the three segments comprise Core SAS. Other operations include SAS Individual Holdings, the Parent Company SAS AB (Group functions) and other non reportable segments. The operations in SAS Individual Holdings are being successively discontinued through divestment.

January-December	Scandinavian Airlines		Blue1		Widerøe		Other		Eliminations		Core SAS	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
External revenue	35,135	39,118	1,773	1,785	3,470	3,325	575	805	-344	-465	40,609	44,568
Sales between segments	541	578	19	34	3	4	557	902	-1,039	-1,275	81	243
Revenue	35,676	39,696	1,792	1,819	3,473	3,329	1,132	1,707	-1,383	-1,740	40,690	44,811
Payroll expenses	-11,585	-15,226	-341	-371	-1,251	-1,260	-36	-385	0	0	-13,213	-17,242
Other operating expenses	-21,042	-23,349	-1,560	-1,532	-1,740	-1,746	-1,870	-928	1,246	1,651	-24,966	-25,904
Operating income before depreciation/amortization and leasing costs	3,049	1,121	-109	-84	482	323	-774	394	-137	-89	2,511	1,665
Leasing costs for aircraft	-1,725	-2,149	-106	-115	-121	-143	0	0	137	89	-1,815	-2,318
Depreciation, amortization and impairment	-1,670	-1,640	-4	-5	-151	-147	-34	-46	1	6	-1,858	-1,832
Share of income in affiliated companies	2	-93	0	0	0	0	0	0	0	0	2	-93
Capital gains/losses	-271	-99	0	0	0	1	0	1	0	1	-271	-96
Operating income	-615	-2,860	-219	-204	210	34	-808	349	1	7	-1,431	-2,674
Reconciliation with net income for the period from continuing operations:												
Income from other security holdings												
Net financial items												
Tax												
Net income for the year from continuing operations												

January-December	Other		Eliminations		The SAS Group	
	2010	2009	2010	2009	2010	2009
External revenue	205	521	-91	-171	40,723	44,918
Sales between segments	262	625	-343	-868	0	0
Revenue	467	1,146	-434	-1,039	40,723	44,918
Payroll expenses	-260	-756	0	0	-13,473	-17,998
Other operating expenses	-678	-1,047	434	1,039	-25,210	-25,912
Operating income before depreciation/amortization and leasing costs	-471	-657	0	0	2,040	1,008
Leasing costs for aircraft	0	-1	0	0	-1,815	-2,319
Depreciation, amortization and impairment	-9	-13	0	0	-1,867	-1,845
Share of income in affiliated companies	10	-165	0	0	12	-258
Capital gains/losses	-41	428	0	0	-312	332
Operating income	-511	-408	0	0	-1,942	-3,082
Reconciliation with net income for the period from continuing operations:						
Income from other security holdings					-263	0
Net financial items					-855	-341
Tax					799	803
Net income for the period from continuing operations					-2,261	-2,620

Note 41, continued

OTHER DISCLOSURES

	Scandinavian Airlines		Blue1		Widerøe		Reconciliation				Core SAS		Reconciliation				SAS Group	
	2010	2009	2010	2009	2010	2009	Other		Eliminations		2010	2009	Other		Eliminations		2010	2009
							2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Assets	26,354	33,253	529	507	1,905	1,938	31,039	30,801	-19,424	-21,665	40,403	44,834	23,251	13,763	-22,123	-16,460	41,531	42,137
Equity shares in affiliated companies	17	13	-	-	-	-	-	-	-	-	17	13	277	345	-	-	294	358
Total assets	26,371	33,266	529	507	1,905	1,938	31,039	30,801	-19,424	-21,665	40,420	44,847	23,528	14,108	-22,123	-16,460	41,825	42,495
Total liabilities	13,173	18,570	352	360	1,295	1,356	28,576	28,106	-19,415	-21,654	23,981	26,738	25,529	20,828	-22,123	-16,460	27,387	31,106
Investments for the year	2,220	3,961	14	2	216	485	5	30	-	-	2,455	4,478	4	43	-	-	2,459	4,521

Geographical breakdown

	Domestic		Intra-Scandinavian		Europe		Intercontinental		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Passenger revenue	9,745	11,388	3,368	3,683	11,683	12,737	5,143	4,866	29,939	32,674
Freight and mail revenue	76	110	13	31	85	178	1,356	692	1,530	1,011
Charter revenue	37	36	12	9	1,884	1,889	0	242	1,933	2,176
Other traffic revenue	614	894	194	173	758	600	340	202	1,906	1,869
Total traffic revenue	10,472	12,428	3,587	3,896	14,410	15,404	6,839	6,002	35,308	37,730

	Denmark		Norway		Sweden		Europe		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Other operating revenue, continuing operations	818	1,107	1,786	1,985	1,136	1,823	1,304	1,495	371	778	5,415	7,188
Other operating revenue, discontinued operations	117	74	171	116	156	75	-	7	-	0	444	272
	935	1,181	1,957	2,101	1,292	1,898	1,304	1,502	371	778	5,859	7,460

OTHER DISCLOSURES

	Denmark		Norway		Sweden		Europe		Other		Not broken down		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Assets ¹	1,412	1,522	2,390	2,723	13,418	14,351	593	644	192	193	2,635	3,104	20,640	22,537
Investment for the year in continuing operations	20	30	33	18	565	352	14	-	1	0	1,991	4,121	2,624	4,521

¹ Aircraft and spare parts are not broken down, see Note 1, Significant accounting policies - Segment reporting, page 77.

In 2010 and 2009, there was no single customer who accounted for more than 10% of Group revenue.

Note 42 Subsidiaries in the SAS Group

	Domicile	Corporate identity number	Total owned shares	Holding	Carrying amount, MSEK	Share of equity
<i>Owned by SAS AB:</i>						
SAS Sverige AB	Stockholm	556042-5414	70,500,000	100	737	1,617
SAS Norge AS	Bærum	811176702	47,000,000	100	628	2,160
SAS Danmark A/S	Copenhagen	56994912	47,000,000	100	571	1,209
Widerøes Flyveselskap AS	Bodø	917330557	364,196	100	1,440	610
SAS Individual Holding AB	Stockholm	556063-8255	610,000	100	756	787
SAS Tech	Stockholm	556137-6764	940,000	100	1,150	2,158
Nordair A/S	Tårnby	24176711	10,000	100	0	-70
Linjeflyg AB	Stockholm	556062-8454	2,000,000	100	237	206
OY Nordair AB	Vantaa	525.232	150	100	72	185
SAS Human Resources Sweden AB	Stockholm	556664-1485	30,000	100	30	17
SAS Accounting Services Sweden AB	Stockholm	556664-1493	16,000	100	38	5
SAS Revenue Information Services A/S	Tårnby	28098766	13,200	100	16	40
SAS Business Opportunities AB	Stockholm	556657-7358	8,000	100	8	16
SAS Trading AB	Stockholm	556406-9390	50,200	100	3	17
Other					0	68
					5,686	9,025
<i>Owned by SAS Danmark A/S, SAS Norge AS, SAS Sverige AB:</i>						
SAS Consortium	Solna	902001-7720	-	100	9,108	9,108
<i>Owned by SAS Consortium:</i>						
SAS Scandinavian Airlines Norge AS	Bærum	962308449	150,000	100	3,851	866
SAS Scandinavian Airlines Danmark A/S	Tårnby	10156858	1,290,500	100	1,570	1,358
SAS Scandinavian Airlines Sverige AB	Stockholm	556235-5908	710,000	100	1,010	797
SAS Investments A/S	Copenhagen	25578104	300,000	100	488	430
Linjeflyg Leasing HB	Stockholm	916644-1080	-	79	313	361
Cherrydean Ltd	Dublin	310983	12,633,198	100	113	84
SAS Capital B.V.	Rotterdam	167071	501	100	8	71
SAS Ground Services Sweden AB	Stockholm	556657-7374	101,000	100	300	240
SAS Ground Services Norway AS	Oslo	986978364	12,100	100	552	253
SAS Ground Services Denmark A/S	Copenhagen	27723454	184,000	100	211	84
URIS Ltd	Dublin	316438	1,620	100	3	4
Other					3	19
					8,422	4,567
<i>Owned by Nordair A/S:</i>						
SAS Cargo Group A/S	Tårnby	25736443	200,500	100	0	-813
<i>Owned by SAS Investments Denmark A/S:</i>						
SAS Trading Denmark A/S	Tårnby	42710814	700	100	0	2
<i>Owned by SAS Individual Holdings AB:</i>						
RASN A/S	Copenhagen	24202941	500	100	1	0
Spirit Air Cargo Handling Group AB	Stockholm	556604-2908	11,000	100	120	64
SAS Ground Services Finland OY	Helsinki	1749532-9	3,616	100	10	9
					131	73
<i>Owned by Uris Ltd:</i>						
Commercial Aviation Leasing Limited	Dublin	308550	1,613	6	5	5
<i>Owned by Cherrydean Limited:</i>						
Commercial Aviation Leasing Limited	Dublin	308550	25,266	94	112	80

Note 43 Significant events after the balance sheet date

Rickard Gustafson took over as President and CEO as of February 1, 2011. SAS was named Travel Marketer of the Year by the Norwegian trade association HSMAL.

SAS was officially named Europe's most punctual airline by the independent research company, FlightStats.

SAS completed the relocation of its head office from Frösundavik, Solna to Arlanda Airport.

Goran Jansson was appointed CFO and Deputy President on March 1, 2011.

SAS AB, Parent Company

Statement of income

MSEK	Note	2010	2009
Revenue		40	289
Payroll expenses	1	-145	-332
Other operating expenses		-83	-328
Operating income before depreciation/amortization		-188	-371
Depreciation		0	0
Operating income		-188	-371
Income from participations in Group companies	2	-45	-980
Income from participations in affiliated companies	2	-	-229
Income from other participations	2	-267	-
Interest income and similar income items		181	111
Interest expenses and similar income items		-202	-172
Exchange-rate differences		43	83
Income before tax		-478	-1,558
Tax	3	40	193
Net income for the year		-438	-1,365

The Parent Company recognizes no items in other comprehensive income for 2010 and 2009, respectively. Net income for the year for the Parent Company is thereby the company's comprehensive income

Balance sheet

ASSETS, MSEK	Note	2010	2009
Non-current assets			
<i>Intangible assets</i>	4	-	8
<i>Tangible fixed assets</i>			
Equipment	5	0	2
<i>Financial fixed assets</i>			
Shares in subsidiaries	6	5,686	5,669
Participations in affiliated companies	7	-	41
Other holdings of securities	8	2	231
Deferred tax asset		642	588
Other long-term receivables		1,367	0
Total non-current assets		7,697	6,539
Current assets			
<i>Current receivables</i>			
Accounts receivable		0	1
Receivables from Group companies		9,257	4,925
Receivables from affiliated companies		-	0
Other receivables		251	7
Prepaid expenses and accrued income		0	2
		9,508	4,935
Cash and bank balances		1	2
Total current assets		9,509	4,937
TOTAL ASSETS		17,206	11,476

Change in shareholders' equity

MSEK	Share capital	Restricted reserves	Unrestricted equity	Total equity
Shareholders' equity, December 31, 2009	6,168	306	2,299	8,773
Reduction of share capital	-4,516		4,516	0
Rights issue	4,960			4,960
Cost of rights issue			-282	-282
Tax effect of cost of rights issue			74	74
Other contributed capital		226		226
Tax effect of other contributed capital		-59		-59
Group contribution received			3	3
Tax effect of Group contribution			-1	-1
Net income for the year			-438	-438
Shareholders' equity, December 31, 2010	6,612	473	6,171	13,256

No. of shares: 329,000,000. Quota value 20.1 (2.5). Each share is entitled to one vote and all shares own equal rights to a share in the company's assets and profits.

There were no dilutions during the year.

SHAREHOLDERS' EQUITY AND LIABILITIES, MSEK

	Note	2010	2009
Shareholders' equity			
Restricted equity			
Share capital		6,612	6,168
Statutory reserve		473	306
Unrestricted equity			
Retained earnings		6,609	3,664
Net income for the period		-438	-1,365
Total shareholders' equity		13,256	8,773
Long-term liabilities			
Convertible loans	9	1,408	-
Long-term liabilities to Group companies		2,420	2,418
Pensions and similar commitments		1	14
Other liabilities		5	14
Total long-term liabilities		3,834	2,446
Current liabilities			
Liabilities to Group companies		36	56
Accounts payable		3	30
Other liabilities		17	129
Accrued expenses and prepaid income		60	42
Total current liabilities		116	257
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		17,206	11,476
Pledged assets and contingent liabilities			
Pledged assets		-	-
Contingent liabilities	10	341	392

Cash-flow statement

MSEK	2010	2009
Operating activities		
Income before tax	-478	-1,558
Depreciation and amortization	0	0
Income from the sale of shares, etc.	93	167
Impairment of shares	229	804
Impairment of receivables	-	294
Cash flow from operating activities before changes in working capital	-156	-293
<i>Change in:</i>		
Operating receivables	104	156
Operating liabilities	-199	-326
Cash flow from changes in working capital	-95	-170
Cash flow from operating activities	-251	-463
Investing activities		
Purchase of equipment	-	-
Investment in subsidiaries and affiliated companies	-21	-90
Disposal of subsidiaries/affiliated companies	1	171
Disposal of equipment	10	-
Cash flow from investing activities	-10	81
Financing activities		
Change in long-term receivables	-1,365	4
Change in current receivables	-4,674	-1,364
Change in long-term liabilities	1,620	-3,916
Change in current liabilities	1	-238
Rights issue	4,960	6,057
Cost of rights issue	-282	-249
Cash flow from financing activities	260	294
Cash flow for the year	-1	-88
Cash and cash equivalents at beginning of the year	2	90
Cash and cash equivalents at year-end	1	2

Note 1 No. of employees, salaries, other remuneration and social security expenses

The average number of employees was 55 (221). A breakdown of the average number of employees by country is provided in the table below.

	2010		2009	
	Men	Women	Men	Women
Denmark	4	6	35	26
Norway	-	1	2	1
Sweden	25	19	93	64
Total	29	26	130	91
Total men and women	55		221	

For salaries, remuneration, social security expenses and sick leave, see SAS Group Note 3 – Payroll expenses, pp. 77-78.

Note 2 Income from financial items

	Income from participations in Group companies		Income from participations in affiliated companies		Income from other participations	
	2010	2009	2010	2009	2010	2009
Dividend	3	-	-	-	6	-
Capital gain/loss from disposal of participations	-48	-167	-	-	-44	-
Impairment losses	-	-813	-	-229	-229	-
	-45	-980	-	-229	-267	-

Note 3 Tax

	2010	2009
Current tax	-	-
Deferred tax	40	193
Deferred tax	40	193

Note 4 Intangible assets

	2010	2009
Other assets		
Opening cost	8	8
Disposals/sales	-8	-
Cost for the period	0	0
Closing accumulated cost	0	8
Opening amortization	-	-
Amortization for the period	-	-
Closing accumulated amortization	-	-
Carrying amount	0	8

Note 5 Tangible fixed assets

	2010	2009
Equipment		
Opening cost	5	8
Disposals/sales	-2	-3
Cost for the period	0	0
Closing accumulated cost	3	5
Opening depreciation	-3	-6
Disposals/sales	0	3
Depreciation for the period	0	0
Closing accumulated depreciation	-3	-3
Carrying amount	0	2

Note 6 Participations in subsidiaries

See SAS Group Note 42 – Subsidiaries in the SAS Group, page 98.

Note 7 Participations in affiliated companies

	Domicile	Corporate ID no.	No. of shares owned	Holding		Carrying amount	
				2010	2009	2010	2009
AS Estonian Air	Tallinn	10076042	44,100 + 266 pref	-	49%	-	0
Skyways Holding AB	Stockholm	556021-5872	1,548,000	-	25%	-	41
						-	41

Note 8 Other holdings of securities

	2010	2009
Incorporate Cell Company	2	2
Spanair	0	229
Total	2	231

Note 9 Convertible loans

In 2010 a convertible debenture was issued for MSEK 1,600 maturing in five years. The value of debt and share of equity on the convertible bond loan has been determined at the closing date at MSEK 1,408 and MSEK 226, respectively. On the date of issue, these values were MSEK 1,374 and MSEK 226, respectively. The conversion price of the bonds was SEK 46.50 and is convertible every three months and has an interest rate of 7.5%.

The loan is categorized as "Other liabilities," which means recognition at amortized cost.

Note 10 Contingent liabilities

Other contingent liabilities benefiting:	2010	2009
Blue1	125	144
Spanair	216	248
Total	341	392

Effective December 31, 2003, SAS AB has pledged to guarantee as its own liability the SAS Consortium's current and future interest-bearing obligations, leasing commitments and other financial obligations (irrevocable undertaking).

Note 11 Fees to auditing firms

Fees paid to Deloitte were as follows:	2010	2009
Auditing services	4	4
Auditing in addition to the auditing services	18	21
Tax advice	-	0
Other services	-	0
	22	25

Corporate Governance

Chairman's comments



The Group's income for 2010 was, as expected, very negative, largely due to major nonrecurring items and the ash cloud effects in April. Adjusted for these items, the results were positive, an indication that SAS is on the right track.

I am impressed by the way the cost-savings program of SEK 7.8 billion has been

implemented. The fact that we were also successful in achieving savings of SEK 2 billion in the form of revised salary and pension costs and increased productivity in 2009-2010 shows that there is a sense of responsibility for Core SAS throughout the Group. But it will not end here; the cost focus must become a permanent feature of the SAS culture.

Financial stability

In 2010, SAS conducted a rights issue of SEK 5 billion to ensure that SAS would be able to cope with the financial crisis and the full implementation of Core SAS. The rights issue was oversubscribed by 50% and I would like to thank the shareholders for the confidence they have shown in SAS and the opportunity to complete Core SAS, thus consolidating the Group's position further.

With the rights issue of SEK 5 billion and SEK 3 billion in new long-term loans, SAS has a solid financial platform from which we can move the Group forward to a new phase of profitable growth.

A competitive SAS

In 2010, rumors regularly emerged of a consolidation process involving SAS. For SAS, the key aim is to be competitive and increase cash flow. If we can achieve this, we will also enhance SAS's market capitalization and provide shareholders with a genuine choice, whether SAS opts to be independent or not in the future.

Legal disputes

In 2010, SAS was hit by major nonrecurring items as a result of various legal cases, where the European Commission's fine imposed in the air cargo investigation was the most significant. We on the Board are very disappointed about the European Commission's decision, which we regard as incorrect.

SAS takes the rules of competition very seriously and accepts no breaches of these. We have a clear regulatory framework concerning compliance with competition regulations, which includes information, guidelines, training programs and control procedures. In connection with our own internal investigations, it unfortunately came to light that, during the period 1999-2006 SAS Cargo was involved in a few isolated incidents that constitute breaches of our internal regulations. This is unacceptable and the small number of employees at SAS Cargo who were involved are no longer employed by SAS. However, it is our firm conviction that these isolated incidents do not mean that SAS Cargo would have participated in any global cartel, and we have appealed against the decision.

New President in place

I would like to thank Mats Jansson for his nearly four years as President, during what was probably the most turbulent period ever experienced by SAS. We have made many major decisions together and I am able to say that we have enjoyed fantastic cooperation in these challenging times. I also want to thank John S. Dueholm for the time he has been in charge. John has been a key person in developing and implementing the Core SAS strategy that has been vital for the survival of SAS.

I am also very pleased that SAS Group's new President and CEO Rickard Gustafson is now in place. His main task is to complete Core SAS and ensure profitable growth for the Group in the years ahead. A lot is already in place, and I am confident that Rickard will strongly facilitate all SAS efforts towards a common goal.

*Copenhagen, March 2011
Fritz H. Schur
Chairman*

Annual General Shareholders' Meeting

The SAS Group's Annual General Shareholders' Meeting will be held on April 11 at 2:00 pm. Venues:

Copenhagen: Bella Center, Copenhagen Congress Center.

Stockholm: Berns Salonger, Berzelii Park.

Oslo: Radisson BLU Plaza Hotel, Sonja Henies Class 3.

General Information

One share is equal to one vote. At the Annual General Shareholders' Meeting, shareholders have the right to attend, speak and vote.

At the Annual General Shareholders' Meeting, shareholders exercise their voting rights by adopting the Annual Report, disposition of earnings, composition of the Board, election of auditors, remuneration to Board members and auditors, and other important issues in accordance with the Swedish Companies Act and Articles of Association of SAS AB. The Annual General Shareholders' Meeting can take place in accordance with the Articles of Association in Stockholm or Solna.

To make it easier for shareholders in Denmark and Norway to participate in the meeting, they can attend the meeting from locations in Copenhagen and Oslo via remote audio-video connections. Shareholders who participate in this way have the same rights as the shareholders attending the meeting in Stockholm or Solna. They may participate, speak and vote on the same occasions as the shareholders on site in Stockholm or Solna. This means, in practice, that the meeting will be held in three locations simultaneously.

Participation at the Annual General Shareholders' Meeting

Shareholders who wish to participate at the meeting must notify the company in advance. Details about the registration procedure will be published in the notice to the Annual General Shareholders' Meeting.

Proposals or questions for the notice of the Annual General Shareholders' Meeting

Shareholders who wish to address a specific question or have a proposal for the notice of the meeting may do so. In order to prepare the notice of the meeting SAS AB must have received this in writing by February 20, 2011 at the following address:

SAS AB /STODL
2011 Annual General Shareholders' Meeting
SE-195 87 Stockholm
Sweden

February 2011

March 2011

April 2011

Deadline for receiving business to be included in the notice: February 20

The notice is sent out: March
Record date: April 5
Access control cards: April 6

Annual General Shareholders' Meeting: April 11, 2011

Application deadline
Denmark/Norway: April 4
Sweden: April 5

Corporate Governance Report

Corporate Governance describes the approach and regulations relating to ownership and control of the company.

SAS AB is a Swedish public limited company headquartered in Stockholm, and the Parent Company of the SAS Group. Since July 2001, SAS AB has been listed on the NASDAQ OMX Stockholm and secondarily listed in Copenhagen and Oslo. In 2005, the Stockholm Stock Exchange introduced the Swedish Code of Corporate Governance (the Code) as part of the listing agreement. Since then, SAS AB has followed the Code in its different versions. The aim of corporate governance is for SAS to have effective management and control of its operations, in combination with adequate transparency, clarity and proper business ethics. This corporate governance report follows the Code's rules and application instructions. No significant changes were made to corporate governance compared with the preceding year.

Highlights 2010

- In the spring, SAS carried out a rights issue with subscription rights for SAS shareholders, of approximately SEK 5 billion.
- SAS refinanced SEK 2 billion in bonds during the spring with a combination of loans, issue of a convertible bond loan and the issuing of a corporate bond.
- The Core SAS cost-saving program was expanded by an additional SEK 2.5 billion and now amounts to SEK 7.8 billion.
- In April, large parts of European air space were closed due to a volcanic eruption on Iceland. The total impact on earnings for SAS amounted to approximately MSEK -700.
- Mats Jansson, President and CEO, left his post on October 1, 2010.
- Rickard Gustafson assumed the position of President and CEO on February 1, 2011. Until then, Executive Vice President John S. Dueholm was acting President and CEO.
- In November, the European Commission fined SAS Cargo MSEK 660 in the air cargo investigation.
- SAS was denied an appeal in the Norwegian Supreme Court in the dispute with Norwegian, resulting in a negative effect of MSEK 218 on the Group's earnings.

The Code

The Code is part of the Swedish business sector's self-regulation and builds on the principle "follow" or "explain". Companies may deviate from certain rules, but must then state and present the reasons.

The compilation below summarizes the Code's direct requirements where no assessment is needed. This list is not exhaustive, nor does it comprise items for variable salary as this is currently not applied for senior executives in the SAS Group.

Requirements according to the Code – summary	Fulfilled
Shareholders' Meeting	
Information about the time and venue of the Shareholders' Meeting shall be listed on the company's website no later than at the third quarterly report.	✓
At the Shareholders' Meeting, the Chairman and a minimum of other Board members must be present to constitute a quorum. The President must also be present.	✓
At least one member of the nomination committee and at least one of the company's auditors must be present.	✓
The nomination committee makes its recommendation to the Chairman of the Annual General Shareholders' Meeting in the notice.	✓
The language at the Shareholders' Meeting is Swedish.	—
Shareholders or their proxies that are not Board Members or employees in the company can be nominated to check the minutes.	✓
The minutes from the most recent Annual Meeting and all subsequent Shareholders' Meetings are available on the website.	✓
Elections and remunerations of the Board and auditors	
The company has a nomination committee, composed according to the Code's guidelines, which the Shareholders' Meeting elects or decides how it shall be elected.	✓
A majority of the nomination committee's members must be independent in relation to the company and the company management, at least one member must be independent of the major shareholders and the President or other member of the company management may not be a member of the nomination committee.	✓
The names of the members of the nomination committee must be listed on the company's website no later than six months before the Annual General Shareholders' Meeting.	✓
The nomination committee's recommendation follows the Code's guidelines, is entered in the notice and a motivation is available on the website.	✓
At Shareholder's Meetings where elections of the Board or auditors are held, the nomination committee presents its report.	✓
The size and composition of the Board	
No deputies are appointed for members elected by the Shareholders' meeting.	✓
No more than one of the Board members elected by the Shareholders' meeting may be a member of the management of the company or any subsidiary.	✓
The majority of Board members elected by the Shareholders' meeting must be independent of the company and the company management.	✓
At least two of the Members of the Board that are independent of the company and the management must be independent in relation to the company's major shareholders.	✓
Board Members are appointed for at most to the end of the next Annual General Shareholders' Meeting.	✓
The Chairman of the Board is elected by the Shareholders' Meeting.	✓

Requirements according to the Code – summary	Fulfilled
The Board's work methods	
At least once a year, the Board reviews the Board's work plan, instructions to the President and reporting instructions.	✓
Committees record their meetings and supply the minutes to the Board.	✓
The audit committee consists of at least three of the members of the Board and the majority are independent of the company and its management, of which at least one must be independent in relation to the company's major shareholders.	✓
The Board ensures that the company has solid internal control and formalized routines securing that reports comply with laws, financial reporting standards and listing requirements.	✓
The Board must hold at least one meeting per year with the company's auditor without the presence of the President or anyone else from company management.	✓
The company's six month or nine month report is subject to a limited review by the company's auditor.	✓
The Board annually evaluates the Board's work and reports relevant parts to the nomination committee.	✓
At least once a year, the Board evaluates the President's work without the presence of the management.	✓
Remuneration to senior executives	
A remuneration committee is to be set up.	✓
All members of the remuneration committee elected by the Shareholders' meeting must be independent of the company and company management.	✓
Fixed salary during the period of notice and severance pay may not, together, exceed a sum equivalent to the fixed salary for two years.	✓
Information about the Swedish Code of Corporate Governance	
The company reports any departures from the Code.	✓
The corporate governance report complies with the information requirements in the Code and the Annual Accounts Act.	✓
The three most recent corporate governance reports are available on the website.	✓
The Articles of Association are available on the company's website.	✓

This report constitutes the SAS Group's corporate governance report for the 2010 financial year and has been prepared in accordance with the Annual Accounts Act and the provisions of the Code based on the revision of the Code issued in February 2010.

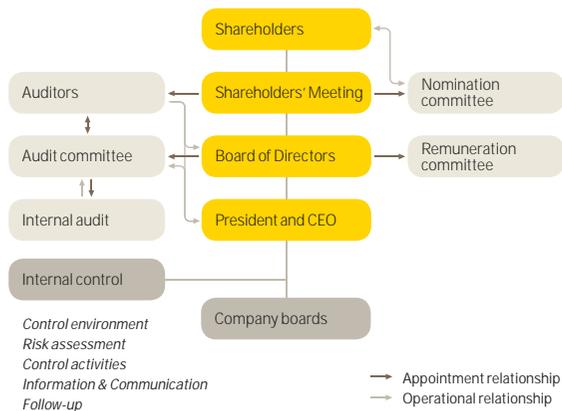
Legal regulations for the SAS Group

Corporate governance in the SAS Group is based on Swedish legislation, the Articles of Association, the Swedish Code of Corporate Governance, and the NASDAQ OMX Stockholm rules for issuers, as well as other applicable rules and recommendations issued by relevant Swedish and international organizations.

The SAS Group continues to follow developments in the area of corporate governance and adapts its principles for corporate governance with the aim of creating effective corporate governance and provision of information to shareholders and real owner influence. In accordance with the NASDAQ OMX Stockholm rules and regulations, the SAS Group has developed an information/IR policy, updated in 2010, to ensure adequate disclosures to the capital market.

Corporate Governance, governance structure

The SAS Group had 69,004 shareholders on December 31, 2010. The major shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, Unionen, Danmarks Nationalbank, the First Swedish National Pension Fund, the Second Swedish National Pension Fund and various bank mutual funds.



Meetings in 2010

The Board had 18 recorded meetings as well as five per capsulam decisions. The audit committee had five recorded meetings and the remuneration committee had seven recorded meetings. The nomination committee had three recorded meetings since the 2010 Annual General Shareholders' Meeting.

SAS did not breach stock-exchange rules or accepted practice in the stock market in accordance with the Stockholm Stock Exchange Disciplinary Committee or statements by the Stock Market Committee in 2010.

Departure from the Code

The SAS Group followed the Code in 2010 apart from the following instance: The Shareholders' Meeting is to be conducted in Swedish, Norwegian and Danish, which departs from clause 1.5.

Reason for the departure: Pursuant to provisions of the Articles of Association for SAS AB, the language of the meeting shall be Swedish, Danish or Norwegian, and, if the Board so decides, other languages as well. The reason is the SAS Group's strong Scandinavian character with the largest number of shareholders in Denmark, a management and Board comprising persons from all three Scandinavian countries, and a system for remote attendance of the Shareholders' Meeting from Copenhagen and Oslo. Meeting deliberations in SAS AB are held primarily in Swedish and meeting materials are available in Swedish, but contributions and speeches are regularly made at the meeting in Norwegian and Danish. Also, certain material presented at the Shareholders' Meeting of SAS AB is in Danish or Norwegian. In view of this, the Board believes that any one of the Scandinavian languages may be freely used at Shareholders' Meetings in the company. It is also the Board's view that the three Scandinavian languages' similarity means there is no reason for simultaneous interpreting.

Shareholders' Meeting

The shareholders' influence in the company is exercised at the Shareholders' Meeting, which is the company's supreme decision-making body. At the Shareholders' Meeting of SAS AB, one share is equal to one vote. There are no restrictions to the voting rights. Shareholders who are recorded in the share register as of the record date and have given notice of their attendance in due time have a right to attend the meeting and

vote for their total holding of shares. Decisions at the meeting are generally made by a simple majority. However, in certain matters, the Companies Act or SAS AB's Articles of Association require a motion have the support of a higher percentage of the shares represented and votes cast at the meeting. Decisions made at the Shareholders' Meeting are made public after the meeting in a press release, and the minutes of the meeting are published on the company's website. www.sasgroup.net

The Shareholders' Meeting is held in Stockholm or in Solna. According to a provision in the company's Articles of Association, shareholders can also attend the meeting from locations in Copenhagen and Oslo via remote audio-video connection. Shareholders attending the meeting from Copenhagen and Oslo have the same rights, including voting rights, as the shareholders attending in Stockholm or Solna.

Notice of the Shareholders' Meeting is published in daily newspapers in Sweden, Denmark and Norway and announced in press releases and published on the company's website. The company e-mails notices to the shareholders who have requested this.

Direct or indirect shareholding in the company, that represent at least one tenth of the voting rights of all shares in the company are listed on p. 62 in the Report by the Board of Directors.

Annual General Shareholders' Meeting in 2010

For 2009, the Annual General Shareholders' Meeting was held on April 7, 2010, in the company's head office in Solna. Information about the time and venue of the Annual General Shareholders' Meeting was available on the SAS Group's website well ahead of the third quarterly report 2009 in line with the guidelines of the Code. It also informed at which time a request from shareholders must be submitted to be heard at the Annual Meeting.

The Annual General Shareholders' Meeting 2010 adopted the Board's proposal for a rights issue with preferential rights for SAS shareholders, and also adopted the proposal for consolidation of shares (reverse split). In addition, the Board was authorized, on one or several

Fees decided at the 2010 Annual General Shareholders' Meeting

Name	Nationality	Independent	Board	Audit committee	Remuneration committee	Total, TSEK
Fritz H. Schur	DK	Yes	585		70	655
Jacob Wallenberg	SE	Yes	390		25	415
Dag Mejdell	NO	No*	345		25	370
Monica Caneman	SE	Yes	295	45		340
Jens Erik Christensen	DK	Yes	295	45		340
Gry Mølleskog	NO	Yes	295			295
Timo Peltola	SF	Yes	295	95		390
Carsten Bardrup Nielsen	DK	Yes	295			295
Ulla Grøntvedt	SE	Yes	295			295
Asbjørn Wikestad	NO	Yes	295			295
Total			3,385	185	120	3,690

* Dag Mejdell is not considered independent in relation to major shareholders (but is independent in relation to SAS and its management).

occasions, and no later than by the next meeting - with a departure from shareholders' preferential rights - to decide on issue of bond loans with conversion rights to new common shares in the company. Moreover, all Board members were reelected with the exception of Berit Kjøl and Anita Steen, who both declined reelection. Monica Caneman and Gry Mølleskog were elected as new Board members. Fritz H. Schur was re-elected Chairman of the Board. The meeting also decided on Board members' and audit fees, remuneration for work on Board committees, remuneration policies and other employment terms for company management and elected members to the nomination committee to serve until the end of the 2011 Annual General Shareholders' Meeting. The meeting approved the Board's recommendation not to pay a dividend for 2009.

Board of Directors

The Board consists of seven members elected by the Shareholders' Meeting without deputies and three employee members, each with two personal deputies, who are elected by the SAS Group's employee groups in Denmark, Norway, and Sweden, according to law and a special agreement. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. By a special Board decision, a representative of the SAS pilots' organization is an observer to the Board, in addition to the employee representatives. Shareholders' Meeting-elected members are appointed for no longer than to the end of the next Annual General Shareholders' Meeting, in accordance with the Code. There is no rule about the longest time that a member can be part of the Board. Board members and any relationships to the company's owners, etc. appear on pp. 110

The average age of members is 57 years and two of the seven members elected by the Shareholders' Meeting are women. All members elected by the Shareholders' Meeting are regarded by the Nomination Committee as being independent of the company and company management, while one member is not regarded as being independent of the company's major shareholders. SAS AB meets the requirements of the Code regarding Board independence vis-à-vis the company, company management, and the company's major shareholders.

The Board's responsibility and work

Pursuant to the Companies Act, the Board is responsible for the company's organization and management and proper control of its accounting, funds management and financial situation in other respects. The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year. The formal work plan regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. The work plan also contains provisions for meeting the

Board's needs for continuous information and financial reporting, and instructions for the President and the company's Board committees.

According to the Board's work plan: The Chairman, in close collaboration with the President, is to monitor the company's performance and plan and chair Board meetings. The Chairman shall be responsible for ensuring that the Board evaluates its work each year, scrutinizes its own work routines, and shall see to it that the Board always receives the information necessary to do its work effectively. The Chairman represents the company in owner matters. The Board's tasks are setting the overarching objectives and strategies of the SAS Group, adopting a budget and business plan, discussing and approving the year-end and interim reports, and setting important policies and regulations. The Board shall follow economic developments and ensure the quality of financial reporting and internal control and evaluate operations on the basis of the objectives and guidelines set by the Board. The Board shall decide on major investments and changes in the organization and activities of the SAS Group.

Board work in 2010

In 2010, the Board held 18 meetings, of which ten were ordinary and eight extraordinary. Additionally, five minutes of meetings were prepared per capsulam. Each ordinary meeting followed an approved agenda, and proposed agendas and support documentation were sent to the Board prior to each Board meeting. The President and certain other senior executives also attended Board meetings to make presentations, and the General Counsel of the SAS Group served as the Board's secretary. At its meetings, the Board discussed the regular business items presented at the respective meetings, such as business and market conditions, financial reporting and follow-up, the company's financial position, and investment.

Main issues considered at ordinary Board meetings in 2010

8/2	The SAS Group's financial statements for 2009, decision on proposal for rights issue to the Annual Meeting and expansion of Core SAS cost program.
12/3	SAS Annual Report.
13/4	Review of SAS's commercial strategies and SAS's intercontinental operations.
21/4	The first quarter report and management of the impact of the flights stopped due to the volcanic eruption on Iceland.
16-17/6	Strategy discussion and internal audit annual report and audit plan for 2010.
17/8	The second quarter report and revised Financial policy for the SAS Group.
29/9	Decision on expansion of short and long-haul routes, including the new Oslo-New York route.
9/11	Third quarter report, the auditor's review of the "hard close", revision of the Board's work plan and instructions to the President.
15/12	Budget for 2011 and evaluation of Board work.

The Board also discussed sustainability-related information of material importance and changes in sick leave.

Further information regarding the work of the Board in 2010 may be found in the Report by the Board of Directors in the Annual Report on p. 62. The Chairman and other members are remunerated for their work on the Board in accordance with a decision made by the Annual General Shareholders' Meeting. See Note 3 p. 78. A compilation of the fees approved by the Annual General Shareholders' Meeting appears on p. 103.

Outcome 2010 recorded fees for employee representative deputies, TSEK

Pär Anders Gustafsson	8
Bo Nilsson	12
Tore Hansen	12
Trygve Skogseide	12
Nicolas Fischer	12
Brian Daugaard	10
Sven Cahier, joined June 14, 2010	4
Anna-Lena Gustafsson, joined September 7, 2010	2

Board committees and committee work

To streamline and enhance the work of the Board there are two committees, the remuneration committee and the audit committee, whose members are appointed by the Board. The main duty of the committees is to prepare issues for the Board's decision. These committees do not imply any delegation of the Board's or its members' legal responsibilities. Reports to the Board on issues discussed at committee meetings are either in writing or given orally at the following Board meeting. The work on each committee follows written instructions and a work plan stipulated by the Board. The General Counsel of the SAS Group serves as the secretary to the committees. Minutes of committee meetings shall be provided to all Board members. Remuneration for work on Board committees is determined by the Annual General Shareholders' Meeting.

Auditors

Auditors are elected by the Annual General Shareholders' Meeting and tasked with scrutinizing the company's financial reporting and management of the company by the Board and the President. There was an election of an auditor at the 2009 Annual General Shareholders' Meeting, when Deloitte AB was reelected for the period until the end of the 2013 Annual General Shareholders' Meeting. The principal auditor is Peter Gustafsson (born in 1956), who has headed audit services for Deloitte since 2003. Besides SAS AB he has audit engagements for SAAB Automobile, Ledstiernan, Specialfastigheter, Semcon, Akademiska Hus, Göteborgs Hamn and Göteborgs Kommunala Förvaltning AB.

Peter Gustafsson was previously an auditor for Elanders, Connex Transport, Stockholms Hamnar, Nexus, Song Networks, Rezidor Hotel Group and Teleca, among others. On three occasions during 2010, the principal auditor met with the Board, presenting the program for auditing work, reporting observations from the audit of the financial statements, the examination ("hard close") of the interim accounts as of September 30, the limited review of the six-month report and an evaluation of internal control.

The auditor attended all meetings of the audit committee during the year. On one occasion the Board met with the company's auditor without the President or anyone else from company management present. Deloitte submits an audit report regarding SAS AB, the Group, and an overwhelming majority of subsidiaries. In the past five years, in addition to its auditing work, Deloitte performed advisory services for SAS Group companies in auditing-related areas, such as tax consulting, and the transition to IFRS, for a total invoiced amount of MSEK 97, of which MSEK 25 pertains to 2010. Of the invoiced amount in 2010, around MSEK 11 pertains to extensive work in connection with the company's rights issue. The auditor receives a fee for his work in accordance with a decision of the Annual General Shareholders' Meeting. For more information about the auditor's fee in 2010, see Note 39 p. 95.

President and Group Management

The Board appoints the President of SAS AB, who is also Group CEO. The President is responsible for the day-to-day management of company and Group operations. The members of Group Management report to the President. The Board's instructions to the President contain detailed rules for the President's authority and obligations.

Within the framework of the current work plan and instructions to the President, which regulate, inter alia, the relationship between the President and the Board, Group Management is responsible for the Group's operating activities, business management, financial reporting, acquisitions and disposals of companies, collaborations, financing, capital structure, risk management, communication with financial markets, as well as other matters of a Group-wide nature.

President and CEO was Mats Jansson until September 30, 2010. John S. Dueholm assumed the position of President from October 1 until February 1, 2011, when the SAS Group's new President Rickard Gustafson took over. Presentation of the President's background, experience, positions, and shareholdings, see p. 109.

The President works closely and exchanges information with the Chairman and also meets regularly with the Chairman to discuss the Group's activities and performance and to plan Board meetings. To enable the Board to monitor the Group's financial position on an ongoing basis, the President makes monthly reports to the Board. In addition to the President, SAS Group Management comprises five members

named by the President in consultation with the Board. The composition of Group Management appears on p. 109.

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Group Management normally has recorded meetings every second week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

Group Management's management and control of the Group's subsidiaries and major business units are primarily tied to active work on the boards of the respective subsidiaries and business units. For the Group's business units that are not separate legal entities, internal boards or similar management groups have been established that function like the boards of directors of the Group's subsidiaries.

The Boards' fully-owned subsidiaries are often composed of representatives of Group Management and Corporate Functions, with the responsible member of Group Management as chairman. In certain larger subsidiaries and business units there are external board members and representatives of the employees. Group Management's management and control of operations are based on a number of guidelines and policies regarding financial management and follow-up, communication issues, human resources, legal issues, the Group's brands, business ethics, and environmental matters.

Remuneration policies and other terms of employment for company management

Remuneration policies for company management are to be formulated and presented by the remuneration committee to the Board, which presents the proposal to the Annual Meeting for approval. The remuneration policies for 2010 remained unchanged compared with those that applied in 2009, with the exception of guidelines for variable salary.

For 2010, the following guidelines adopted by the Annual Meeting for remuneration and other terms of employment for senior executives (Group Management at SAS) were applied.

Remuneration policies are to be characterized by predictability regarding the costs to the company as well as the benefits for the individual concerned. The total remuneration must be market-based and competitive and must be in relation to responsibility and authority. Remuneration shall consist of fixed salary, other benefits and pension. As per decision by the Annual Meeting, no variable remuneration is paid to senior executives and the SAS Group has no share-related incentive program.

Remuneration to senior executives consists of a fixed annual base salary. The fixed salary reflects the position's requirements pertaining to skills, responsibility, complexity and in which way it contributes to achieving the business objectives. The fixed salary also reflects the ex-



ecutive's performance and can therefore be both individual and differentiated. Other benefits, including company car and health insurance, must be market-based and only constitute a limited part of the total remuneration. Pension benefits are to be defined-contribution, with premiums not exceeding 35% of the fixed annual salary. Agreements already concluded with some executives with partially deviating pension conditions and resignation and severance pay will be respected until they cease or are renegotiated.

Remuneration of the President is to be decided within the framework of policies approved by the Board of SAS AB and on the recommendation of the remuneration committee established by the Board. Remuneration of other members of Group Management is to be decided by the President within the framework of approved remuneration policies and after consulting with the remuneration committee. For detailed information about remuneration and benefits paid to the Board, President and senior executives in 2010, see Note 3 pp. 78-79.

Financial reporting

The audit committee is responsible for preparing the Board's work in quality assuring financial reporting. This quality assurance takes place whereby the committee discusses critical auditing issues and the financial reports that the company submits. Among the issues the committee discusses are those regarding internal control, compliance with rules, specifically identified focus areas, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected and verified irregularities, and other matters affecting the company's financial reporting.

The company's external auditor attends all meetings of the audit committee. The Board scrutinizes and approves the company's year-end and interim reports. To quality assure the Board's work on financial reporting and ensure the Board's access to and review and follow-up of auditing work, the Board normally meets the company's principal auditor on at least three occasions a year.

Nomination committee

The Code specifies that the nomination committee is the Annual General Shareholders' Meeting's body, whose only task it is to prepare the meeting's recommendation for nomination and remuneration issues, and where relevant, matters of procedure for the next nomination committee. Nomination committee members must address all the shareholders' interests, regardless of how they were appointed.

Nomination committee, three recorded meetings

Marianne Förander, Ministry of Finance, for the Swedish government, chairman

Peter Brixen, Danish Ministry of Finance

Knut J. Utvik, Norwegian Ministry of Trade and Industry

Peter Wallenberg Jr., Knut and Alice Wallenberg Foundation

Karsten Billoft, Danmarks Nationalbank

Anders Rydin, SEB Funds

Motions to be decided by the 2011 Annual General Shareholders' Meeting:

- Chairman of the Meeting.
- The number of Board members and the fee to the Board, broken down among the Chairman, Vice Chairman, other Board members and any remuneration for work in the committees.
- Election of Board members and Chairman of the Board.
- Audit fee.
- Nomination committee for 2012 Annual General Shareholders' Meeting.

The nomination committee evaluates the Board's work, qualifications and composition. The Chairman shall have a close dialog with the nomination committee, and the result of the Board's evaluation shall be made available to the nomination committee. At least one meeting with the Chairman and Group CEO must be held before the nomination committee makes its recommendations to the Annual General Shareholders' Meeting. The nomination committee's recommendations will be published in the notice of the Annual General Shareholders' Meeting, on the company website, and at the 2011 Annual General Shareholders' Meeting. Members did not receive from SAS any fees or other remuneration for their work on the nomination committee. As needed, the nomination committee utilizes outside advisers and consultants, with the SAS Group defraying the cost.

Attendance at Board meetings in 2010

	15/1	25/1	4/2	7/2	8/2	9/3	12/3	1/4	7/4 <i>Statutory</i>	13/4	21/4	5/5	16-17/6	17/8	15/9	29/9	9/11	15/12
Fritz H. Schur, <i>Chairman</i>	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg, <i>Vice Chairman</i>	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Monica Caneman, <i>member</i>	-	-	-	-	-	-	-	-	-	●	●	○	●	●	●	●	●	●
Jens Erik Christensen, <i>member</i>	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	○
Berit Kjöll, <i>member</i>	●	●	●	●	●	●	●	●	●	-	-	-	-	-	-	-	-	-
Dag Mejdell, <i>member</i>	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Gry Mølleskog, <i>member</i>	-	-	-	-	-	-	-	-	-	●	●	○	●	●	●	●	●	●
Timo Peltola, <i>member</i>	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Anitra Steen, <i>member</i>	●	●	○	●	●	○	●	●	●	-	-	-	-	-	-	-	-	-
Ulla Grøntvedt, <i>employee rep.</i>	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Carsten Bardrup Nielsen, <i>employee rep.</i>	●	●	●	○	●	●	●	●	●	●	●	●	●	○	●	●	●	○
Asbjørn Wikestad, <i>employee rep.</i>	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

● Present ○ Absent - Resigned / Not joined

Remuneration committee

Remuneration and other employment terms for senior executives are designed with a view to securing the company's access to executives with the skills necessary for the company, adjusted for costs, and with the intended effects on operations.

Remuneration committee, seven recorded meetings

	Number of meetings attended
Fritz H. Schur (chairman)	7
Jacob Wallenberg	7
Dag Mejdell	6

The Group's remuneration committee follows the Code's instructions. The Code specifies that members of the remuneration committee must be independent of the company or company management. Fritz H. Schur and Jacob Wallenberg are independent in relation to the company, company management, as well as major shareholders. Owing to his position as President and CEO of Posten Norge AS, wholly owned by the Norwegian government, Dag Mejdell is not regarded as independent in relation to major shareholders.

The remuneration committee is appointed by the Board. The committee discussed matters of principle about variable remuneration for senior executives and general matters regarding guidelines and policies for compensation to senior executives in SAS as well as approved certain changes in corporate management members' employment terms. The committee also discussed the new President's salary and other employment terms.

Prior to the 2011 Annual General Shareholders' Meeting, the committee will prepare the recommendation for remuneration policies and other terms of employment for company management that, pursuant to the Companies Act and the Code, the Board shall present to the Meeting for approval.

Audit committee

The audit committee supports the Board with monitoring and evaluation of the internal and external audit process, prepares the the Board's work in quality assuring financial reporting, continually meet the company's auditor and studies and evaluates reports from the external auditors.

Audit committee, five recorded meetings

	Number of meetings attended
Timo Peltola (chairman)	5
Jens Erik Christensen	5
Monica Caneman (joined April 9)	4

All members of the audit committee are independent in relation to the SAS Group, the management and the shareholders in line with the Code. Besides the committee secretary, the SAS Group CEO and CFO, the company's external auditor, and, depending on the nature of the business, the head of internal auditing attend meetings of the committee. The committee shall also scrutinize the auditors' independence vis-à-vis the company, including the extent of the auditor's nonaudit-related assignments for the company.

In 2010, in addition to the yearly recurring business regarding quality assurance of financial reporting, detailed review of the financial statements and interim report as of September 30, the committee focused particularly on the company's financial position and refinancing efforts. Moreover, the committee has worked with the conditions for the rights issue and the directed convertible bond issue, and handled matters of evaluation of the aircraft fleet, the internal audit work and function, special areas of focus in the auditing work, risk analyses and internal controls.

Internal control - financial reporting

The SAS Group applies COSO, the internationally most recognized and adopted framework for internal control to describe and evaluate the Group's control structure. Internal control over financial reporting is a process that involves the Board, company management and personnel and is designed to provide reasonable assurance of reliability in external reporting. The Group-wide control environment is described in detail elsewhere in the corporate governance report.

Internal control over financial reporting is described below in five areas that jointly form the basis of a sound control structure.

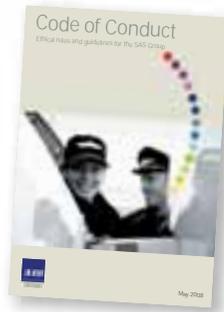
Control environment

The control environment constitutes the base of the internal control and includes the culture that the SAS Group communicates and works within. The ambition of the Group is that its values, reliability, openness, care and value-creation permeate the organization.

It is important for all actions, internal as well as external, to reflect these basic values. In 2005 a Code of Conduct was distributed to all employees, which describes well the desired approaches in various situations, including a structure for reporting deviations from desired approaches (whistle blowing). An updated version was published in 2008 with the requirement that all personnel complete the interactive training program on the Group intranet. The Code of Conduct is also described in the SAS Corporate Manual (see below).

The management of the Group is described in various internal documents that outline management philosophy, management model, roles and responsibilities of the units and subsidiaries, shareholder requirements, overarching follow-up, intra-Group business relations and segregation of job tasks. Information regarding the management of the Group is available to all employees on the Group intranet.

For the SAS Group's Board as well as for each subsidiary, there are instructions for its Board and CEO that clearly set out responsibilities and authority. In connection with the implementation of Core SAS, vital portions of management documents, description



of the organization and Group-wide policies, defining mandates and authorizations were compiled in a manual, the SAS Corporate Manual (SAS CM). This manual governs all subordinate SAS manuals and is digitally distributed on the SAS Portal to facilitate easy revision and access.

SAS Group control environment



Risk assessment

Every year, company management performs a risk assessment regarding financial reporting. The analysis of risks in various major balance sheet and income items is graded.

Critical processes regarding the Group's financial reporting



Moreover, company management has identified a number of critical areas, common to all units and companies in the SAS Group, where an analysis of internal control is to be performed, (see below). Beyond that, the SAS Group's internal audit function performs an ongoing overarching risk analysis, that results in an annual audit plan, which in turn is revised if the risk analysis is changed.

The audits performed by the internal audit are primarily aimed at operational auditing, but also focus on processes that impact financial reporting and risks of irregularities, improper favoritism of another party at company expense, and the risks of losses or embezzlement. The audit plan is approved by the audit committee and the SAS Group's Board.

Control activities

The SAS Group's ambition is to have adequate control activities to manage the risks affecting internal control over financial reporting. This also includes control activities that prevent irregularities. Control activities cover, inter alia, internal control in each Group company. Beyond this, there are control activities to ensure updating in accordance with IFRS using specific forms for reporting in the Group's corporate reporting system.

The SAS Group has financial officers, both centrally and locally, who are responsible for financial updates.

Control targets and evaluations

SAS has prepared a relatively comprehensive form with defined control targets in the management process, accounting process, revenue process, procurement process, payroll process and asset management process. These control targets also include IT controls that safeguard change management, user administration and procedures and responsibilities. The management of all units and subsidiaries conduct their own annual assessment of internal control in relation to the fulfillment of control targets, including documentation of the processes used in the control activities. This control and assessment also comprise processes conducted by third parties. The assessment is also reviewed by external auditors, who provide an independent evaluation of status and improvement potential. In the event of evaluations not being approved, in which the assessment by the external auditor prevails, action plans are prepared, which are subject to follow-up.

The evaluation carried out in 2010 showed marginally improved results compared with the preceding year. In addition to this, areas for in-depth study are focused on in the critical processes identified for most Group units and subsidiaries. The audits conducted by the internal audit always result in recommendations that are graded on the basis of a risk perspective. Over the year, the internal audit has focused on cost culture in the SAS Group from the viewpoint of internal control, follow-up pertaining to the process of travel reimbursement routines, the process for expense and revenue control in selected parts of the sales organization outside Scandinavia, selected parts of the marketing process, the general purchasing process, the process for management of government user fees and purchasing of jet fuel, as well as follow-up of the process for procurement of consulting services.

In addition, follow-up audits were conducted regarding commercial dealings including those pertaining to Singapore Technologies, Spanair and airBaltic.

Information and communication

The SAS Group's ambition is for information and communication paths regarding internal control for financial reporting to be appropriate and known in the Group. Policies and guidelines regarding the financial process are communicated to all affected parties in the Group through direct distribution via electronic mail, but also via the intranet, where all policies and guidelines in the financial areas are collected in the "SAS Group Financial Guide." The SAS Group's published external reports are based on reporting from all legal entities in accordance with a standardized reporting routine.

Financial information reported regularly:

- Year-End and interim reports
- Annual Report
- Press releases
- Presentations and telephone conferences focused on financial analysts, investors and media when publishing important information.
- Meetings with the capital market in Sweden and abroad

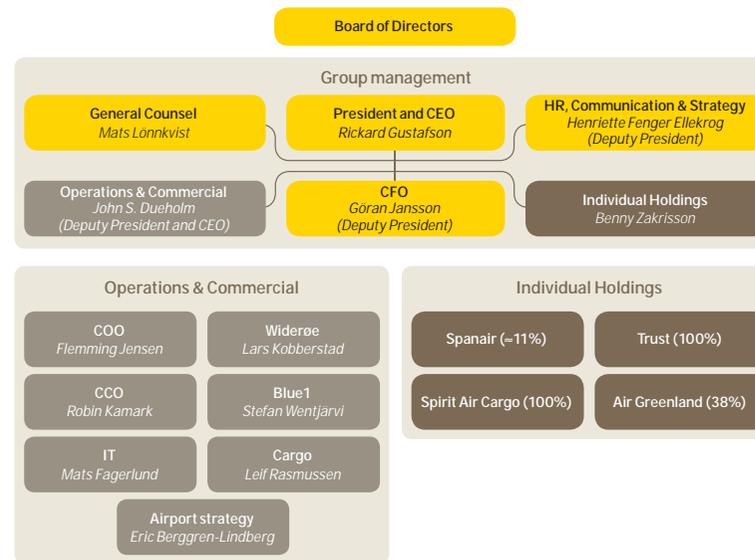
The above information is also available on the Group's website www.sasgroup.net

The SAS Group's accounting policies as well as any changes are always communicated by direct dispatch and at regular meetings with those responsible for financial matters in the units and subsidiaries. Moreover, every month all units and subsidiaries submit a report on their activities, including their financial status and performance. To ensure that the provision of external information is correct and complete, the SAS Group has an information policy regarding disclosures to the stock exchange and an Investor Relations policy that have been laid down by the SAS Group's Board. This policy, which is available on the SAS Group website under Investor Relations, states what, in what manner, and how information is to be dealt with.

Monitoring

Follow-up and continuous assessment of compliance with policies and guidelines as well as the follow-up of reported deficiencies are conducted regularly. In connection with following up plans of action for noted deficiencies in the "self assessment," the new or modified controls are tested. Recommendations from the external and internal audits and the status of measures are compiled in a clear manner and presented to Group Management and the audit committee. Financial reporting is discussed at each Board meeting and at meetings of the audit committee.

SAS Group's areas of responsibility March 15, 2011



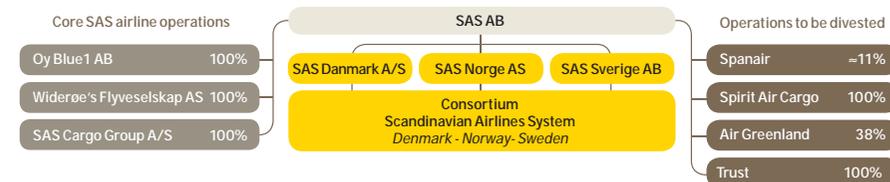
SAS Group's labor union structure within Scandinavia

Denmark
 Dansk Pilotforening, DPF (pilots) • Danish Cabin Attendants Union, (CAU) • HK Luftfart (white-collar employees) • LH (white-collar employees) • SALDA (white-collar employees) • Prosa (white-collar employees) • Klub 537 (aircraft mechanics) • Klub 222 (auto mechanics) • Craftsmen • Office workers, United Fed. of Danish Workers • Aircraft workers, United Fed. of Danish Workers • United Federation of Danish Workers, Cargo • SISAS (white-collar employees) • Civing (white-collar employees)

Norway
 SAS Pilots Association, Norway, NSF • Norsk Kabinforening, NKF (cabin) • SNF (former BU pilots) • SNK (former BU cabin) • SPK (white-collar employees) • PSP Parat (white-collar employees) • VKL, Verkstadsklubben (mechanics) • NFO (aircraft engineers) • FLT, Norwegian Engineers and Managers Association • Norwegian Union of Commercial and Office Employees (white-collar employees) • SMF (white-collar employees) • Lederne (managers) • NITO • Tekna • Widerøe: WFF, pilots

Sweden
 Swedish Airline Pilots Association, SweALPA • Scandinavian Cabin Crew Association, SCCA • Unionen (white-collar employees) • SAF (SAS Akademiker) (white-collar employees) • Ledarna (managers) • Transportarbetareförbundet (transportation workers)

SAS Group's legal structure March 15, 2011



The SAS Consortium is the SAS Group unit through which Scandinavian Airlines airline business operates and financing and aircraft leasing is carried out. SAS Danmark A/S, SAS Norge AS and SAS Sverige AB are taxable entities for the SAS Consortium's results.

The SAS Consortium also holds the traffic rights for Scandinavian Airlines and the Air Operator Certificate (AOC) for Scandinavian Airlines. The SAS Group has harmonized the legal structure with the Group's business structure. The most important changes in the legal structure were:

- February 2004: a number of subsidiaries were transferred from the SAS Consortium to SAS AB.
- July 2004: SAS Braathens was established as a subsidiary of the SAS Consortium.
- October 2004: SAS Ground Services and SAS Technical Services were incorporated. SAS Scandinavian Airlines Sverige AB and SAS Scandinavian Airlines Danmark A/S were newly established as subsidiaries.

- November 2006: Initial public offering of Rezidor Hotel Group.
- February 2007: SAS Flight Academy was sold.
- December 2008: airBaltic was sold.
- January 2009: 80.1% of the holding in Spanair was sold.
- March/April 2009: The operations in SAS Scandinavian Airlines were returned to the SAS Consortium.
- October 2009: The airline operations of SAS Scandinavian Airlines Norge AS were returned to the SAS Consortium.
- November 2009: British Midland was divested.
- September 2010: Skyways Holding AB was divested.
- November 2010: Estonian Air was sold.
- SAS Ground Services in Denmark and SAS Tech AB were no longer limited companies as of year-end 2010 and the operations are now included in the SAS Consortium.

Group Management

Group Management is responsible for the Group's business management, financial reporting, acquisitions/disposals, financing and communication with the stock market as well as other corporate matters. The members of Group Management are appointed and supervised by the President in consultation with the Board of Directors. Only the President reports to the Board, whereas the other members of Group Management report to the President. Group Management's responsibilities are divided among the members with regard to managing the Group's business affairs, and it normally has recorded meetings every second week.



Rickard Gustafson *Born 1964*

President and CEO

Member of SAS Group Management from February 1, 2011. Previous various executive positions at GE Capital, both in Europe and the US, and 2006-2011, President of Codan/ Trygg-Hansa.

External directorships: None

Education: Master of Science, Industrial economics

Shareholding: 40,000

Parties closely related to the President have no shares or other financial instruments in the company or in companies with which the SAS Group has significant business relations.



John S. Dueholm *Born 1951*

Deputy President and Vice CEO

Member of SAS Group Management since September 1, 2002. Responsible for SAS Commercial, SAS Operations, SAS Group IT, SAS Cargo, Widerøe and Blue1. Previously head of the business areas Scandinavian Airlines, Airline Support Businesses and Airline Related Businesses, CEO of SAS Data and Senior Vice President of SAS Technical Division 1996-1998. Senior Vice President of Group4Falck 1998-2002.

External directorships: Chairman of Addici AB, member of the Board of Storebrand ASA.

Education: Cand.merc. degree Financing & Business Administration.

Shareholding: 29,776



Henriette Fenger Ellekrog *Born 1966*

Executive Vice President and Deputy President, Human Resources, Communication and Strategy

Member of SAS Group Management since February 9, 2010. Since 2007 responsible for Human Resources, and since 2010 responsible for Communication and Strategy. Since 1998 executive positions in TDC A/C, most recently as HR & Chief of Staff Senior Executive Vice President. Prior to that, various positions and supervisory posts at Mercuri Urval A/S and Peptech (Europe) A/S.

External directorships: Chairman of Svenska Flygbranschen, Board member Daycatch A/S, Fonden for Dansk-Norsk Samarbejde, Advisory Board for women in management positions and the boards of the Confederation of Danish Industry and member of the University of Copenhagen expertise panel.

Education: Cand.ling.merc. degree from Copenhagen Business School.

Shareholding: 12,200



Göran Jansson *Born 1958*

Deputy President and CFO

Member of SAS Group Management since 2011.

From March 1, 2011 Göran Jansson succeeds former CFO Mats Lönnqvist, who left his post with SAS on April 1, 2011.

External directorships: Chairman of Bankit AB. Member of the Board of Human Care AB, Note AB, nWise AB, Stille AB and Axis Communication AB.

Education: Graduate in Business admin. from Stockholms Universitet.

Shareholding: -



Mats Lönnqvist *Born 1955*

Senior Vice President and General Counsel

Member of SAS Group Management since 2009.

Head of Legal, Insurance and Public Affairs and Board Secretary of SAS AB.

Previous engagements/posts: Various legal posts in the SAS Group 1988-2009.

Law firm of Mannheimer & Zetterlöf 1984-1988.

External directorships: None

Education: Law degree from Uppsala University.

Shareholding: 2,704



Benny Zakrisson *Born 1959*

Executive Vice President Individual Holdings

Member of SAS Group Management since June 14, 2007, and responsible for Individual Holdings. Previously Senior Vice President Corporate Advisory SAS Group, 2003-2007, Vice President Corporate Advisory/Finance SAS Group, 1993-2003, Director Corporate Taxes, SAS Group 1990-1993.

External directorships: Rezidor Hotel Group AB (publ), icell, iTell.

Education: Law degree from Stockholm University.

Share- and bond holding exists under other management.

Share convertibles and options

No share convertibles or options have been issued to the SAS Group Management.

Secretary for Group Management

Mats Lönnqvist, General Counsel, SAS Group.

Board of Directors

The Board is responsible for the Group's organization and management and proper control of its accounting and financial situation in other respects and for appointing the President. All members of the Board elected by the Shareholders' Meeting are independent of the company and company management. The Annual General Shareholders' Meeting 2010 adopted the nomination committee's recommendation for reelection of the following Board members in SAS AB: Fritz H. Schur, Jens Erik Christensen, Dag Mejdell, Timo Peltola and Jacob Wallenberg. Monica Caneman and Gry Mølleskog were elected as new Board members. Fritz H. Schur was reelected Chairman of the Board. No share convertibles or options have been issued to the Board of the SAS Group.

Auditors: Deloitte AB

Principal auditor:

Peter Gustafsson, born 1956, Authorized Public Accountant. Elected in 2003.

Other major engagements: SAAB Automobile, Ledstjärnan, Specialfastigheter, Semcon, Akademiska Hus, Göteborgs Hamn and Göteborgs Kommunala Förvaltning AB. Previously auditor at Elanders, Connex Transport, Ports of Stockholm, Nexus, Song Networks, Rezidor Hotel Group and Teleca, among others.

Corporate Secretary:

Mats Lönnkvist, General Counsel, SAS Group and Member of SAS Group Management.



Chairman

Fritz H. Schur *Born 1951*

Chairman of the Board of SAS AB since April 2008. Member of the Board of SAS AB since 2001.

Directorships: Chairman of the companies in the Fritz Schur Group. Chairman of Posten Norden AB, DONG Energy A/S, F. Uhrenholt Holding A/S., Relationscore ApS and C.P. Dyvig & Co. A/S. Vice Chairman of Brd. Klee A/S.

Education: B.Sc Economics and Business Administration.

Earlier directorships/positions: Chairman of Det Danske Klasselotteri A/S and Post Danmark A/S. Board member of ByrumLabflex A/S, De Post NV/La Poste SA, Belgium and A/S FH. President of F.L.B. International ApS. Universitetsbogbinder D.L. Clements EFTF.

Shareholding: 40,000



Vice Chairman

Jacob Wallenberg *Born 1956*

Vice Chairman of the Board of SAS AB since 2001.

Directorships: Chairman of Investor AB. Vice Chairman of Atlas Copco and SEB. Member of the Board of ABB Ltd, The Coca-Cola Company, the Knut and Alice Wallenberg Foundation and the Stockholm School of Economics.

Education: B.Sc. Economics and MBA Wharton School, University of Pennsylvania.

Earlier directorships/positions: Vice Chairman of Stockholms Handelskammarens Service AB, Electrolux AB and Board member of the Confederation of Swedish Enterprise and the Nobel Foundation.

Shareholding: 10,000



Second Vice Chairman

Dag Mejdell *Born 1957*

Second Vice Chairman of the Board of SAS AB since 2008.

President and CEO of Posten Norge AS.

Directorships: Chairman of Arbeidsgiverforeningen Spekter and International Post Corporation. Vice Chairman in Orkla ASA (corporate assembly) and EDB Ergo Group's Board. Board member of IK Investment Partners.

Education: MBA, Norwegian School of Economics and Business Administration.

Earlier directorships/positions: President and CEO of Dyno Nobel ASA.

Chairman of Svenska Handelsbanken, Region Norway. Board member of DYWIDAG System International GmbH.

Shareholding: 31,160



Monica Caneman *Born 1954*

Member of the Board of SAS AB since 2010.

Directorships: Chairman of the Fourth Swedish Pension Fund, Linkmed AB, SOS International AS and Arion bank hf. Board member in Investment AB Öresund, Poolia AB, Orexo AB, Schibsted ASA, Securia AB, Intermail AS, Point International AB and SPP AB.

Education: MBA, Stockholm School of Economics.

Earlier directorships/positions: Chairman of EDT AS and Interverbum AB. Board member of Resco AB, Nocom AB, Akademikliniken AB, Nya Livförsäkrings AB SEB Trygg Liv, Xpon-Card Group AB, Lindorff Group AB, Citymail Group AB, EDB Business Partner ASA, Nordisk Energiförvaltning ASA and Svenska Dagbladet AB.

Shareholding: 4,000



Jens Erik Christensen *Born 1950*

Member of the Board of SAS AB since 2006.
Directorships: Chairman of Scandinavian Private Equity A/S, Dansk Merchant Capital A/S, Tower Group A/S, Alpha Holding A/S, Core Strategy A/S, Ecsact A/S, Doctorservice Holding A/S. Vice chairm. in BankNordik A/S, Hugin Expert A/S, Lægernes Pensionsbank A/S. Board member of Andersen&Martini A/S, Lægernes Pensionskasse, Skandia Liv AB, TK Development A/S, Nordic Corporate Investment A/S, Your Pension Management S.A., member of the Danish Government's infrastructure commission.
Education: Cand. act., Univ. of Copenhagen.
Earlier directorships/positions: President of Codan A/S, President of Codan Forsikring A/S and President of TryggHansa AB, an member of the Executive Committee of the Royal & Sun Alliance plc 1999 – 2006; Prior to this directorships and business development in the financial sector.
Shareholding: 12,666



Gry Mølleskog *Born 1962*

Member of the Board of SAS AB since 2010.
Senior Client Partner in Korn/Ferry International.
Directorships: Chairman of Norsk Folkemuseum. Board member of Norwegian Property ASA.
Education: Studies at University of Oslo and Norwegian School of Management.
Earlier directorships/positions: Senior Vice President SAS Airlines, head of the staff of the Norwegian Crown Prince and Princess. Board member of the Norsk Folkemuseum, Hurtigruten ASA, Oslotrikken AS, Posten Norge and Steen og Strøm.
Shareholding: 666



Timo Peltola *Born 1946*

Member of the Board of SAS AB since 2005.
Directorships: Chairman of Neste Oil. Vice Chairman of TeliaSonera. Member of the Board of AW Energy Oy, CVC Capital Partners Advisory Board. Advisor i CapMan public market fund. Citigroup's Nordic Advisory Board member
Education: MBA, Turku School of Economics and Business Adm. Studied at IMI, Geneva.
Honorary doctorate in economics, Swedish School of Economics and Business Adm. in Helsinki and Turku School of Economics and Business Administration.
Earlier directorships/positions: Chairman of pension insurance company Ilmarinen, Board member of Huhtamaki Oyj, CEO of Huhtamaki Oyj 1988-2004.
Shareholding: 2,000



Employee representative
Carsten Bardrup Nielsen *Born 1957*

Employed at SAS Tech in Denmark.
Member of the Board of SAS AB since 2008.
Directorships: None.
Earlier directorships/positions: None.
Shareholding: 2,962
Deputies:
Nicolas Fischer, first deputy.
Shareholding: 5,927
Anna-Lena Gustafsson, second deputy.
Shareholding: 0



Employee representative
Ulla Grøntvedt *Born 1948*

Employed at SAS Scandinavian Airlines System.
Member of the Board of SAS AB since 2001.
Directorships: None.
Earlier directorships/positions: None.
Shareholding: 600
Deputies:
Bo Nilsson, first deputy.
Shareholding: 0
Sven Cahier, second deputy.
Shareholding: 0



Employee representative
Asbjørn Wikestad *Born 1948*

Employed at SAS Ground Services Norge AS
Member of the Board of SAS AB since 2008.
Labor union leader since 1976.
Directorships: Board member of Oslo Taxi BA
Earlier directorships/positions: None.
Shareholding: 0
Deputies:
Tore Hansen, first deputy.
Shareholding: 0
Trygve Skogseide, second deputy.
Shareholding: 0

The Board of Directors and President hereby give their assurance that the annual financial statements have been prepared according to the Annual Accounts Act and RFR 2.1 Accounting for Legal Entities and provide a true and fair view of the company's financial position and earnings and that the Report of the Board of Directors provides a true and fair overview of the performance of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared according to International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, March 17, 2011

Fritz H. Schur
Chairman of the Board

Jacob Wallenberg
Vice Chairman

Dag Mejdell
Second Vice Chairman

Monica Caneman
Board Member

Jens Erik Christensen
Board Member

Gry Mølleskog
Board Member

Timo Peltola
Board Member

Carsten Nielsen
Board Member

Ulla Gröntvedt
Board Member

Asbjørn Wikestad
Board Member

Rickard Gustafson
President and CEO

As stated above, the annual financial statements and consolidated financial statements were approved for issuance by the Board of Directors on March 17, 2011. The Group's statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on April 11, 2011.

Our auditors' report was submitted on March 17, 2011

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Audit report

To the annual meeting of the shareholders of SAS AB
Corporate identity number 556606-8499

We have audited the annual accounts, the consolidated accounts, except the corporate governance statement on pages 102-111, the accounting records and the administration of the Board of directors and the President of SAS AB for the year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 60-112. The Board of directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of directors and the President and significant estimates made by the Board of directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. Our opinions do not cover the Corporate Governance statement on pages 102-111. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of directors and the President be discharged from liability for the financial year.

Auditor's report on the Corporate Governance statement

It is the Board of directors and the President who is responsible for the Corporate Governance statement on pages 102-111 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance statement has been prepared and is consistent with the other parts of the annual accounts and the consolidated accounts, we have read the Corporate Governance statement and assessed its statutory content based on our knowledge of the company.

A Corporate Governance statement has been prepared and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, March 17, 2011

Peter Gustafsson
Authorized Public Accountant

The SAS Group Sustainability Report



SAS cares about **sustainability**

SAS is convinced that financially sustainable operations require social and environmental responsibility. In various ways, work on sustainability issues contributes to value growth and competitiveness.

The sustainability work in brief

SAS welcomes an open debate on aviation and the environment. With this Sustainability Report, we want to present a detailed view of the airline industry's actual environmental impact and help ensure a competition-neutral policy framework. This Sustainability Report comprises the entire SAS Group and fulfills EMAS requirements.

The sustainability work 2010 in brief

- All of the SAS Group's airlines are certified in accordance with both ISO 14001 and EMAS, and are thereby the only airlines in the world to hold both certifications.
- IATA and the aviation industry continued their efforts to include aviation in a global emissions trading scheme with the aim of reducing greenhouse emissions.
- SAS's climate index improved by 4 units to 90 (94).
- Despite a continued challenging market situation in combination with severe winter weather, which affected fuel consumption, SAS succeeded in reducing its relative emissions to 121 grams (127) per passenger kilometer.
- SAS was the only airline in Europe to receive authorization to perform advanced approaches with the help of satellite navigation (RNP AR).
- SAS shared first place in an evaluation of airlines' environmental work, which was carried out by International Consumer Research & Testing.
- During the year, SAS's fuel-saving program resulted in increased fuel efficiency of 0.5%.

Sustainability-related KPIs¹

	2010	2009	2008
Operating income, MSEK	40,723	44,918	52,870
EBT before nonrecurring items, MSEK	-435	-1,754	-339
EBT margin before nonrecurring items, %	-1.1	-3.9	0.6
Number of passengers, 1,000	28,148	27,382	41,741
Average number of employees	15,041	18,786	24,635
of which women, %	44	45	42
Sick leave, %	7.1 ²	6.9	6.5
Total number of work-related injuries	327	291	368
Climate index	90	94	98
Carbon dioxide (CO ₂) emissions, 1,000 tonnes	3,654	3,793	5,935
Nitrogen oxides (NO _x), 1,000 tonnes	14.8	15.4	24.7
Grams of carbon dioxide (CO ₂)/PK	121	127	131
Fuel consumption, airline operations, 1,000 tonnes	1,160	1,204	1,879
Fuel consumption, ground, 1,000 liters	3,668	3,869	3,969
Water consumption, 1,000 m ³	159	169	176
Energy consumption, ground, GWh	216	205	213
Unsorted waste, 1,000 tonnes	0.9	1.1	0.9
Hazardous waste, tonnes	0.3	0.4	0.5
External environmental-related costs, MSEK	356	364	451

¹ Change of method for environmental key data, see pp. 124 and 125, and Accounting Principles at www.sasgroup.net under Sustainability.

² Change in method. Applies only to Scandinavian Airlines, see p. 129.

Air transport's share of global carbon dioxide emissions (CO₂)

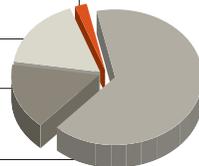
Air transport 2%

Other transports 17%

Agriculture 16%

Energy/other 65%

Source: IEA (2007)



Today, commercial air transport accounts for about 2% of global CO₂ emissions, which corresponds to 12% of the transportation sector's global emissions. The remaining 88% of the transport sector's global emissions is divided among road traffic, 76%, and sea and rail traffic, 12%. To manage its share, the airline industry has adopted an ambitious target to halve the total emissions by 2050 compared with 2005. SAS has adopted the even more ambitious target of reducing total emissions by 20% by 2020 compared with 2005. Read more on page 122.



Since 1995, the Group's carbon dioxide emissions have decreased by 34% from

183 to
121



grams per passenger kilometer.



The SAS Group has published environmental and sustainability reports for

15 years



All reports can be found at www.sasgroup.net under Sustainability



SAS's total emissions shall be reduced by

20% by
2020

as compared with 2005.



Energy use in SAS's buildings shall be reduced by

15% by
2015

as compared with 2010.



Sustainable development creates value

By constantly improving processes and enhancing the efficiency of production in a sustainable manner, value is created; not only in the form of growth for shareholders but also for stakeholders such as passengers, employees and suppliers. To communicate this work and its results, SAS strives to remain at the forefront of sustainability reporting, work that is driven by global demands and the expectations of stakeholders.

SAS's long-term targets remain unchanged and reporting on the sustainability work shall maintain a high standard for which SAS has received positive responses, both from sustainability analysts and other independent assessors.

SAS's stakeholders generally place the greatest importance on environmental responsibility, especially relating to how SAS handles the demand to reduce greenhouse emissions. Therefore, environmental responsibility is the largest part of SAS's reported sustainability work. For SAS, social responsibility on a wide scale is just as important, but is not given the same amount of space in this report.

Despite the turbulent market for the airline industry in recent years, SAS has chosen to continue with its comprehensive commitment regarding sustainability-related issues. By adapting capacity and taking emission-reducing action, emissions per passenger kilometer have been constantly reduced. A clear evidence that the structured actions are providing results.

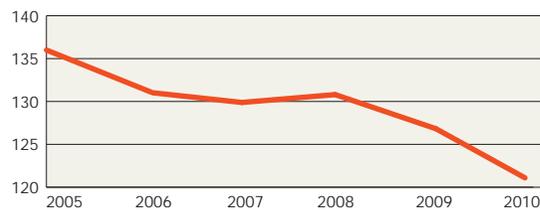
This is SAS's 15th sustainability report, which since 1997 has been audited, and since 2009, action is also includes EMAS requirements. The SAS Group has self-declared the SAS Group Annual Report and Sustainability Report 2010 to be Application Level A+, in accordance with the Global Reporting Initiative (GRI).

EMAS scope

The sustainability report includes the entire Group excluding Individual Holdings. The work is concentrated to the main airports, but comprises all destinations in Scandinavia and Finland. Other destinations are handled through checks and follow-ups of contracted sub-suppliers.

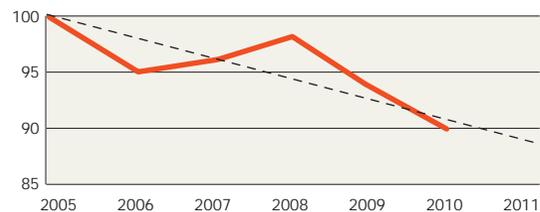
See More EMAS  www.sasgroup.net under Sustainability.

Carbon dioxide emissions per passenger kilometer
Grams



Since 1995, the Group's relative carbon dioxide emissions have been reduced by 34% from 183 to 121 grams per passenger kilometer. The relative emissions for 2010 were the lowest ever.

SAS climate index*
Index

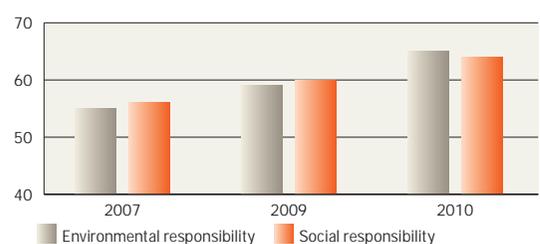


The climate index measures climate impact related to traffic measured in passenger kilometers and consists of 2/3 carbon dioxide and 1/3 nitrogen oxides (as an indicator of other greenhouse gases).

See Accounting principles at www.sasgroup.net under Sustainability.

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

Customer Satisfaction Index
Index



Result of sub-questions in SAS's recurring customer survey: "Rate SAS in regard to being an environmentally-aware company" and "Rate SAS in regard to its taking social responsibility".



Global Compact, EMAS, ISO 14001 and the Carbon Disclosure Project, together with GRI's guidelines, have been taken into consideration in the preparation of this sustainability report.

CARBON DISCLOSURE PROJECT



Responsibility for sustainable development

The sustainability work is based on SAS policies and the Group's commitment to adhere to the principles in the UN Global Compact, and is also based on the SAS Corporate Manual, SAS values and Code of Conduct.

SAS Corporate Manual

SAS's four values – consideration, reliability, value creation and openness – constitute the basis for the Group's sustainability work. The Corporate Manual describes SAS's organization, corporate form and the comprehensive policies, which together govern the Group's sustainability work and operation in general.

➔ See p. 107.

Code of Conduct

To summarize and clarify the Group's stated values, policies, and other regulations, the SAS Board of Directors has issued a Code of Conduct that covers all employees within the Group. To under-

score the Code's importance, there are clear rules and structures for reporting and addressing suspected violations.

Supervisors and other managers play a key role in implementing and following up the Code. An extensive training program supports the Code and the goal is that all personnel shall participate in the program. At the end of 2010, 71% of the employees had done so.

The Code's *whistleblower* function was used in eight cases, four of which were dismissed without further action. Three were dismissed after investigation and one case is still under investigation. The two cases that were reported as ongoing in 2009 were concluded during the year.

Business relations

Anti-trust issues are always in focus for the airline industry. The SAS Competition Law Compliance Program includes all affected employees and shall ensure that SAS adheres to laws, regulations and practices within the area. There are especially strict regulations in regard to bribery and other improper actions.

UN Global Compact and GRI

The SAS Group joined the Global Compact in 2003 and participates in the Global Compact's Nordic Network. One criterion for publishing company information on the Global Compact website is an annual update of the material, the Communication On Progress (COP). The most recent update of SAS's information was completed in June 2010.

SAS's sustainability reporting follows the guidelines of the Global Reporting Initiative (GRI) and is reviewed by an external auditor.

Sustainability-related business opportunities and risks

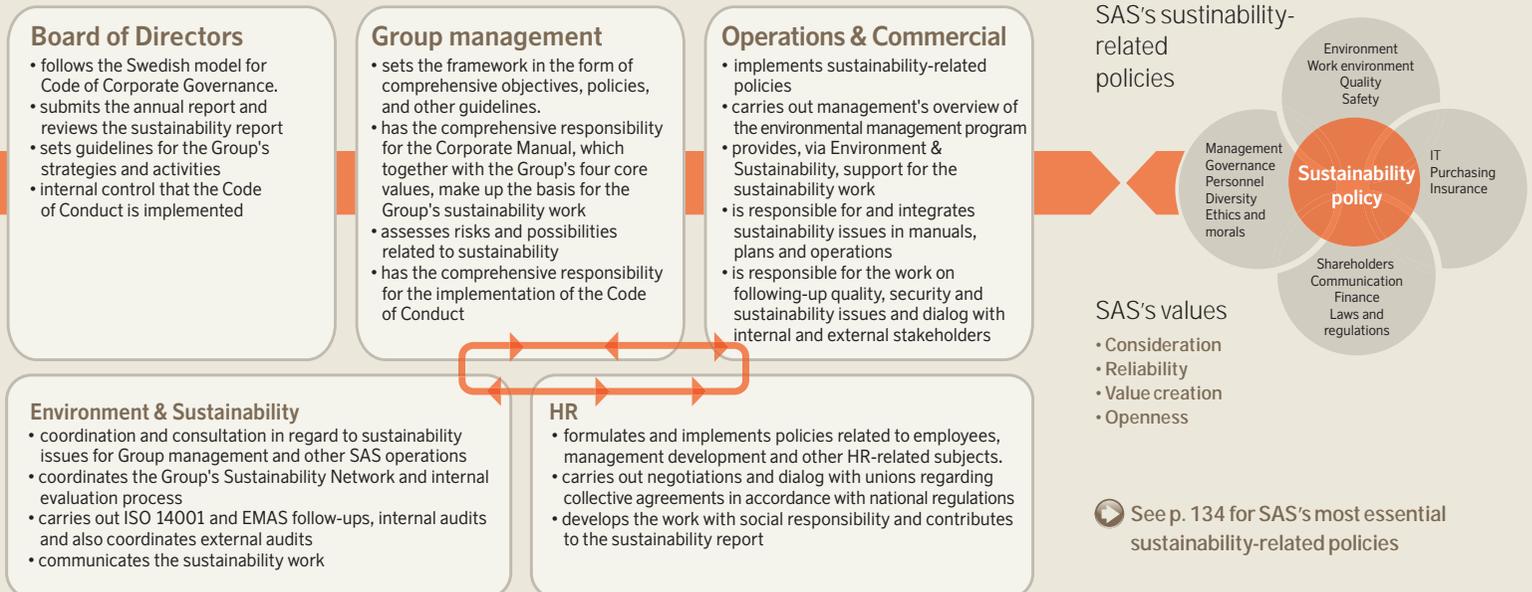
Management of sustainability-related risks is integrated with the SAS Group's comprehensive risk management.

By having proactive and effective sustainability work, risks are managed, and in certain cases can also be turned into business opportunities. For example, effective security procedures and credible environmental data can constitute a competitive advantage. ➔ See p. 52.

Organization and management 2010

Managing sustainability-related data

The affected operations report once a year on measures for the purpose of improving the Group's sustainability work through internal evaluation. Reporting concerns such areas as community involvement, supplier contacts, cooperation with internal and external stakeholders, work environment, training, conflicts and also work with the Code of Conduct and the UN Global Compact. Although the heads of the respective companies and units are responsible for reporting, in practice this is done by the coordinators in the Sustainability Network. Environmental data are reported annually, while data concerning employees are followed up at a local level on an ongoing basis. Data are compiled by the Group department for Environment & Sustainability and are then reported once a year to Group Management.



Stakeholders – dialog and commitment

In 2009, prior to COP 15 in Copenhagen, dialog and cooperation in stakeholder organizations, such as IATA, resulted in the industry formulating a platform for a global framework for how airlines shall reduce environmental impact. The work continued during 2010 with participation in COP 16 in Cancun. In the same way, SAS participates in national industry or employers' organizations with the aim of creating greater understanding for the airlines' conditions.

Together with other Nordic companies that are a part of the Global Compact, SAS participates in Global Compact Nordic Network. SAS is also a part of national or Nordic corporate networks whose primary task is to make social responsibility and social engagement a natural part of the companies' daily work and to also inspire the reporting of these issues.

Relations and cooperation with people who are responsible for airports and air traffic control are of great importance. For many years, SAS has participated in their adaptation and development work. In 2010, SAS signed a cooperation agreement in Sweden with Swedavia and LFV and also in Denmark with CPH A/S. Through measures efficiency-enhancing as increased punctuality, improved passenger and baggage flows as well as reduced waiting times, the environmental impact is also reduced. Cooperation with providers

of air traffic control has also been important in SAS's work to reduce the environmental impact of takeoffs and landings in 2010.

To promote sustainable development within all areas, cooperation with central players in aviation, components, equipment and catering is essential. SAS is planning to renew large parts of its aircraft fleet, where fuel consumption and environmental impact are important parameters in the decision-making process. Dialogs with possible suppliers are underway and will be intensified in 2011. SAS is also engaged in dialog with a series of possible suppliers of alternative fuel, which are expected to lead to agreement during the year.

Sustainability issues have gained increased importance for public administration and the business sector and SAS is taking the initiative for dialogs with these. SAS has an ongoing dialog with different groups in order to further develop and adapt products and the company to the ever-changing demands in the market. All stakeholders seeking contact with SAS will be given a chance of a dialog with the company.

Employees' attitudes towards the company and its ability to meet their demands for the work environment and other important factors that affect commitment and loyalty are measured continuously. Great emphasis is placed on ethical questions and the development of culture and the basis of values.



A systematic approach provides advantages

For some time now, SAS has worked with systematizing, strengthening and further developing relations with external, primary stakeholders, in other words, customers, politicians, financial analysts/ investors and the general public. This contributes to creating the premises for SAS's competitiveness and framework conditions.

Dialogs are conducted with stakeholder organizations, the media and universities. The large media focus on airlines' negative impact on the environment is a challenge for the entire airline industry. SAS has chosen to take a leading role in the debate as a feature of its work to connect the brand with responsible management of both climate issues and the work with social issues.

Stakeholder dialogs and commitment

Employees

- Employee index PULS
- Performance reviews
- Whistleblower function
- Employee meetings at all levels including meetings related to ISO 14001 and EMAS
- Dialog and close cooperation with labor unions

Customers

- Customer surveys
- Interviews
- Customer Satisfaction Index (CSI)
- Image index
- Contract customers are offered carbon dioxide compensation
- Direct dialog in meetings and ongoing contact with several thousand contract customers
- Social media

Owners, investors and financial analysts

- Regular Board meetings
- Annual General Shareholders' Meeting
- Surveys
- Teleconferences
- Regular meetings with investors and analysts

Authorities

- Close contact with relevant national and international authorities, politicians, airport owners and air traffic control management
- Together with AEA, IATA and Star Alliance, dialog meetings are held with relevant authorities

Suppliers

- Purchasing negotiations with prioritized suppliers based on the SAS Group's purchase policy and adherence to the principles of the Global Compact, etc.
- Dialog with energy suppliers

Manufacturers

- Ongoing dialog with manufacturers of aircraft, engines and equipment that are better adapted to the environment and work equipment products, services, chemicals, etc.

Partnerships and networks

- Star Alliance
- Global Compact Nordic Network
- CSR Sweden
- IATA, ATAG, SAFUG and Sustainable Biofuel Network
- NHO Klimatpanel, Baltic Development Forum etc.
- Green Light Project

NGOs

- Membership and cooperation with, for example, Bellona, WWF and Naturvernforbundet, Norway
- SAS is a main sponsor of Save the Children

Industry organizations

- ICAO's Committee on Aviation Environmental Protection (CAEP)
- Association of European Airlines (AEA)
- IATA
- Conf. of Swedish Enterprise
- Conf. of Danish Industries
- Conf. of Norwegian Enterprise, etc.

Mass media

- Daily communication and dialog with media
- Interviews
- Articles and opinion pieces
- Social media, for example, facebook.com/SAS or twitter.com/SAS

Schools and universities

- Support and dialog for essays and doctoral theses
- Presentations and participation in conferences and debates

Airports and air traffic control management

- Partnership and cooperative models established with airport owners and air traffic control management at the most important airports
- Focus on punctuality, efficiency and reduced environmental impact

Environmental responsibility

SAS's operation comprises of airline operations and ground activities. The largest environmental impact is caused by the actual flights, but ground operations and customer service onboard also affect the environment.

Environmental management system

SAS's environmental management system includes all activities in the SAS Group. The system is based on mutual environmental and sustainability policies, the Code of Conduct, UN Global Compact, airline operation standards and ISO 14001 and EMAS. It provides guidelines for a continuing cycle of planning, implementation and evaluation as well as improvement of processes and activities carried out to meet operational and environmental targets. SAS has a review process that integrates environmental reports in existing quality/security inspections. This is part of the ambition to achieve constant improvement.

SAS has a central department for environment and sustainability that reports to the top management through the head of HR, communication and strategy. The department coordinates the sustainability work within SAS through the SAS Sustainability Network. An annual internal evaluation is conducted of the sustainability work in

all concerned areas of the Group. The SAS Sustainability Network has a representative from every company/unit that is responsible for its own local environmental group, and which in turn supports the local management in the individual company/unit. The Network meets four times a year. All environmental work is governed through policies, key aspects, targets and control and follow-up of results. See the organizational chart on p. 108 (excluding Individual Holdings) as well as More EMAS at www.sasgroup.net under Sustainability.

Most important environmental aspects

To identify the most important aspects in normal and abnormal situations, SAS environmental aspects are identified using a proprietary method. The degree of the environmental aspect's significance is governed by

- the scope of the environmental consequences
- volume of emissions/wastewater
- legal requirements
- risk of incidents and deviations
- stakeholder groups' demands and expectations

All essential environmental aspects are measured and key figures and improvement activities are continuously followed-up.

In the SAS environmental management system, a distinction is made between direct and indirect environmental aspects. Direct environmental aspects are the environmental impact that SAS has direct control over, while indirect are such that can only be affected to a larger or smaller degree. This is of great significance for the improvement work where controllable impacts can be governed through guidelines and policies, while an indirect environmental aspect must be governed through purchases, contracts, cooperative agreement and dialogs.

One example of a direct environmental aspect is jet fuel, whose combustion causes emissions of greenhouse gases to the air. An indirect environmental aspect is an agreement regarding hotel stays for SAS crews, etc., where the service creates emissions to the air, soil and water.

Biodiversity

Biological diversity is affected by airline operations in different ways. The actual flight affects the biological diversity to a limited extent through emissions, primarily of nitrogen oxides. Another aspect is facilities and the use of airports, which, depending on geographic placement and by utilizing large areas, can affect water, flora, fauna and nearby residents.

Airlines purchase services from airports with private or public investors. Every new construction or other change in ground use requires authorization from local authorities. Biological diversity is normally an approval aspect.

See More EMAS www.sasgroup.net under Sustainability.

Impact of air transport

Today, commercial air transport accounts for about 2% of global CO₂ emissions, which corresponds to 12% of the transportation sector's global emissions (page 114). CO₂ emissions account for about two thirds of air transport's total impact on climate, while nitrogen oxides (NO_x), water vapor and particles are assumed to account for most of the balance.

So far, the climate impact of air transport has concentrated on CO₂ emissions. In the future, the focus will most likely also include other climate effects, primarily nitrogen oxides and water vapor.

The journey towards certification



Industry and scientists generally agree on the magnitude and impact of CO₂ emissions. There is less agreement, however, regarding NO_x, particles and water vapor. At the same time, more voices are being raised to introduce some form of duty on nitrogen oxides. SAS and the airline industry recommend ECAC's model of differentiated landing fees based on nitrogen oxide emissions. There is also a proposal to use a multiplier, but the size of this is, however, being disputed and not based on scientific findings. Ten years ago, a multiplier of 2–4 was discussed while today's indicative value is around 1.2–1.8. The issue is on the EU's agenda and some form of decision is expected not later than 2012. Until clearer directives are given, SAS has chosen to report every emission separately.

See the article about aircrafts' environmental impact from Cicero www.sasgroup.net under Sustainability.

SAS fully endorses the "polluter pays principle" and is prepared to account for its share. This assumes that any charges imposed on it are based on scientific findings and that the total climate impact of competing modes of transportation is taken into consideration.

SAS's main market is the Nordic region, with emphasis on travel to, from and between the Nordic countries. The Group share of total traffic in its main market is about 29%. Norwegian domestic traffic accounts for 2.3% of national CO₂ emissions. The corresponding figures for Danish, Swedish and Finnish domestic traffic are 0.2%, just under 1.1%, and 1.3%, respectively. (Sources: National statistics).

Market performance

After a strong downturn in the business cycle, the airline industry is now experiencing increased demand, primarily from business travelers who are the most important segment for the established network companies.

The market is characterized by continued increasing competition and rising price pressure, which is affecting margins and profitability for the entire industry. There are different perceptions about the future performance of air transport, but according to AEA it is likely that the Middle East and Asia are growing the fastest, especially China and India, while the mature markets in the industrialized western world will show lower growth figures. In addition, it is expected that the primary growth will be on longer routes, where there is no other real alternative to air transport.

Air transport is a key part of the infrastructure of a globalized world, and a prerequisite for economic and social progress.

Industry and IPCC estimates indicate a possible reduction in emissions by an average of 2% per year due to better technol-

What comes in and goes out ^{1,2}

IN	SAS's responsibility	In the air	Emmissions to			OUT
			Air	Ground	Water	
	Jet fuel		●	○	○	
	Engine oil		●	○	○	
	Halons		●	○	○	
	Carbon dioxide (CO ₂)		●	○	○	
	Nitrogen oxides (NO _x)		●	○	○	
	Hydrocarbons (HC)		●	○	○	
	Volatile organic compounds (VOC)		●	○	○	
	Oil aerosols		●	○	○	
	Jettisoned fuel		●	●	●	
	Noise		●	○	○	
	Water vapor (H ₂ O)		●	○	○	
	Sulfur dioxide (SO ₂)		●	○	○	
	Carbon monoxide (CO)		●	○	○	
	Halons (CFC)	●	○	○		

IN	SAS's responsibility	Onboard	Emmissions to			OUT
			Air	Ground	Water	
	Food and beverages		○	●	○	
	Packaging		○	●	○	
	Disposable/semidisposable items		○	●	○	
	Articles for sale		○	○	○	
	Newspapers		○	○	○	
	Chlorinated water		○	○	○	
	Germicides		○	○	●	
	Organic waste		○	○	○	
	Waste		○	○	○	
	Unopened packaging		○	○	○	
	Waste and recycling	○	○	○		
	Lavatory waste	○	○	●		
	Germicides	○	○	●		
	Airport-owner responsibility					
	Wastewater (disposal)	○	○	●		
	Lavatory waste (disposal)	○	○	●		

IN	SAS's responsibility	On the ground	Emmissions to			OUT
			Air	Ground	Water	
	Glycols		○	●	○	
	Water		○	●	○	
	Maintenance supplies		○	○	●	
	Energy		○	○	○	
	Vehicle fuel		○	○	○	
	Office supplies		○	○	○	
	Chemicals		○	○	○	
	Solvents		○	○	○	
	Equipment		○	○	○	
	Work clothes and uniforms		○	○	○	
	Airport-owner responsib.					
	Urea/Acetate		○	○	○	
	Wastewater (disposals)		○	○	○	
	Waste		○	○	○	
	Hazardous waste		○	○	○	
	Waste water, incl. flooded water	○	○	○		
	Sulfur dioxide (SO ₂), Carbon dioxide (CO ₂)	○	○	○		
	Nitrogen oxides (NO _x), Hydrocarbons (HC)	○	○	○		
	Soot och particulates, Hydrocarbons (VOC)	○	○	○		
	Heavy metals ⁴	○	○	○		
	Recycling	○	○	○		
	Airport-owner responsibility					
	Glycols (disposals)	○	○	○		
	Urea/Acetate	○	○	○		
	Wastewater (disposals)	○	○	○		

¹ Emission volumes for important environmental aspects are reported in the EMAS document at www.sasgroup.net under Sustainability.

² Definitions in the table of what we emit are immediate emissions.

³ Airline operations have an exemption to use halons and submit annual reports regarding usage to the authorities. See page 121.

⁴ Heavy metals such as cadmium and chromium are used as alloys and very small amounts can be cast off during washing and rainy weather, which during aircraft maintenance is caught in the closed sewage systems in the hangars. The process is strictly regulated through measurements and approval from municipalities.



ogy and short-term efficiency gains. This trend, in combination with the expected long-term growth, means that air transport's environmental impact will increase if no measures are taken. Therefore, the collective airline industry has agreed on ambitious, long-term environmental targets.

On the way to zero emissions

The industry's environmental work is primarily conducted in four areas, the so-called pillars: New technology, Infrastructure, Operational measures and Economic instruments. The airline industry's commitment to reducing environmental impact requires long-term investments that take time to carry out and are capital-intensive.

Aviation is a relatively young industry but there is significant potential for environmental improvements provided that they are economically justifiable and technically feasible. In the past 40 years, developments have obviously changed the conditions of air transport and CO₂ emissions per produced passenger kilometers have decreased by 70% according to IATA.

In 2007, IATA formulated a vision that by 2050 it shall be possible to fly commercially without climate impact. This vision is to be realized through a combination of new technology, more efficient air traffic management, new fuels and coordinated actions to improve the infrastructure and the conditions under which air transport operates and its infrastructure.

Achieving of zero emissions requires the total replacement of existing aircraft fleets with a new generation of aircraft and engines not yet on the market. The lead time for such a changeover is 20-30 years, which is why the vision of zero emissions should be interpreted to

mean that the necessary technology must be commercially available.

On the way to this vision, IATA and other areas of the airline industry agreed on a joint target, which later on will be adopted by the entire airline industry and shall now be further developed by ICAO:

- Improving fuel efficiency by an average of 1.5% annually until 2020
- Carbon neutral growth from 2020.
- 50% reduction in greenhouse CO₂ emissions by 2050, compared with 2005 levels.

See Summit Communiqué 2010  www.enviro.aero.

See SAS's ambitious targets  pp. 122–123.

Emissions trading

In the Kyoto protocol, whose commitment runs to 2012, it is stated that all industrialized countries shall reduce their emissions by 5% compared with 1990 levels. The EU has gone a bit further, pledging to reduce the community's total CO₂ emission in addition to emissions trading, by a total of 20% by 2020. In addition to the commitment, there is a target of a further 10% reduction. Air transport is included in the EU's trade with emission allowances 2012. The special directive to include air transport in EU-ETS, which was adopted by the EU in 2008, began to have an effect during the year when requirements for MRV (Monitoring-Reporting-Verifying) of CO₂ emission and produced tonne kilometers (TK) took effect.

TK reporting constitutes the basis for the allocation of free allowances for all airlines within EU-ETS. Many airline companies' TK production was strongly affected at the beginning of the year by the Icelandic volcano ash, which resulted in closed airspace in large areas of Europe for several days. An AEA report shows that SAS's total allocation of the number of rights was not affected by production interruptions in relation to other airlines.

All airlines in the SAS Group, Scandinavian Airlines, Blue1 and Widerøe, have approved and verified MRV plans and are verifying reports to meet statutory requirements in EU-ETS.

SAS expects that the allocation of rights will correspond to about 70% of the needs for the Group's airlines in 2010 and that the current price of EUR 15 per emission allowance will increase when airlines are incorporated in EU-ETS and additionally, following the start of the third trading period in 2013.

SAS supports the concept of a global solution for airline emissions rather than regional or local programs. A work group within AEA, where SAS has participated, has formulated a proposal for a global system that does not cause a distortion of competition,

called GAP (Global Approach for International Aviation Emissions). The proposal is based on a division of the world into three blocs, where the industrialized countries are given greater responsibility than developing countries, which takes into consideration the UN's CBDR principles (Common But Differentiated Responsibility). In addition, IATA is also working on a document outlining ideas for economic instruments for reducing air transports' CO₂ emissions.

Environmental policies

Airline operations are subject to the environmental policies set by each airport. These usually involve noise, rules for using deicing fluids and limits on emissions into the air, soil and water.

One of Stockholm-Arlanda Airport's environmental rules is a ceiling for how much CO₂ and NO_x airport activities may emit. Since 2008, Swedavia (previously a part of LFV), has been working with an application for a totally new environmental license that will be submitted during the first quarter of 2011.

 www.arlanda.se/en/Information-about/Environmental/Environmental-permit.

The established noise limit of 80dB(A) for night traffic at Copenhagen-Kastrup did not result in any complaints from the authorities regarding SAS operations in 2010. During a test run of aircraft engines on the ground after technical maintenance there was one run outside the established time limit. For other environmental policies decided by authorities, such as premature deviation from the takeoff path, unnecessary use of an aircraft's extra engine for energy provision (APU) and engine reversals, SAS did not exceed limits during the year. The total noise level decreased, which is due to reduced traffic volume and the phasing-out of many MD-80 aircraft.

Measuring the air quality at the airport is also a part of the environmental policies. Copenhagen-Kastrup was the first airport in Europe to measure air quality on the ramp in 2010, with a special focus on ultra-fine particles. This was carried out by DMU (Danish National Environmental Research Institute) and showed a periodic increased concentration of ultra-fine particles. The foremost sources are APU, aircraft engines, heavy traffic on the ramp and other ground transportation to and from the airport. There are no limit values for ultra-fine particles but they are considered to be health-impairing. The concentration of larger particles in exhaust emissions was below the limit values.

A new noise regulation is being formulated for Oslo-Gardermoen and will be implemented in the near future. The new regu-

lation, which together with the traffic regulation system that will be introduced in April 2011, gives the possibility for shortened flightpaths as well as green departure and approaches.

At Helsinki-Vantaa, the problems with polluted soil due to glycol have been identified. Analysis and actions are being managed by the airport owner. The airport has also introduced restrictions for night flights, which is expected to have an insignificant effect on the Group's operation.

In general, there is a trend towards introducing tougher restrictions regarding permitted approach and takeoff paths. Deviations generally result in fines for the airline. In general, the trend is toward increased use of environment-related charge systems and operational limits. The twofold purpose is to reduce local environmental impact and create incentives for airlines to use aircraft with the best available technology from an environmental perspective.

Read more in the Board of Directors' Report  pp. 64–65.

Environmental permits

Airline operations have no separate licenses or environmental permits for operation, but depend on permits that airport owners hold, such as for glycol handling, runway deicing, and noise and emission thresholds.

However, environmental approval is part of the process to certify aircraft followed in the three Scandinavian countries, as well as in the terms for technical aircraft maintenance.

Airline operations have a legal dispensation for halon use and submit annual reports to the authorities on consumption including leakage and storage. The reason for the dispensation is that there is no certified alternative to halons for extinguishing fires in aircraft engines, cabins and aircraft toilets. SAS estimates that around 1 kg of halon was emitted during 2010.

SAS Oil is a jet fuel purchasing company for the SAS fleet at Copenhagen, Oslo and Stockholm airports. Through SAS Oil, SAS is a minority owner of a number of smaller companies that deliver jet fuel. The Group has ensured that these companies have the necessary permits, contingency plans and insurance.

A detailed description of SAS's licenses and environment-related permits is found in the Board of Directors' Report on  pp. 64–65.

Carbon offsets

Offering its passengers carbon offsets for air travel is an important part of SAS's environmental efforts. This does not replace other mea-

asures but is a good solution for those who want to compensate for CO₂ emissions that are not offset by today's available technology.

All business travel by SAS is offset and corresponds to emissions of 4,000-5,000 tonnes per year. For organizers of conferences, seminars, trips, meetings, etc., SAS offers customized offsets, often when SAS is the Official Airline. This was the case at the conference in May 2010 in Copenhagen that concluded over five years of work with a new ISO 26000 standard for Social Responsibility (SR).

Major customers are encouraged to sign up for carbon offsets, which are based on estimates of travel volume on an annual or semi-annual basis. For individual customers, it is possible to purchase CO₂ offsets via SAS's website and continuous work is underway to make it simpler to compensate for CO₂ emissions.

Carbon offset revenues go entirely to SAS's partner, the Carbon-Neutral Company, which is responsible for funding energy projects based on renewable energy sources and verified/certified projects.

The much-used third-party reviewed emissions calculator that is available on SAS websites is most likely one of the most developed in the market. SAS also offers all major customers sustainability statistics as part of their agreements.

See also  www.sasgroup.net under Sustainability.

Purchasing

During the year, SAS's central purchasing function started a review of contracts with suppliers and products that are considered to have a substantial effect on the environment and society during the year. Existing contracts are being reviewed to ensure that suppliers are adhering to SAS's tender offer requirements, for example, following the UN's principles in Global Compact and the SAS Code of Conduct.

SAS has a total of almost 20,000 supplier contracts, of which several hundred are prioritized based on whether they directly or indirectly have a significant negative impact from a sustainability perspective. The process involves environmental, societal and risk evaluations of suppliers, the product's country of origin, transport method, and also to what degree the supplier works with responsibility issues and improvements in the environment and societal areas. The goal, through dialogs and cooperation, is to create greater awareness about suppliers' actual impact on the environment and society and to create the best possible conditions to reduce the negative effects.



In 2011, within the framework of the SESAR JU project, Green Connections, SAS will evaluate a shortening of the approach to Stockholm-Arlanda using satellite-based navigation (RNP AR).

Fuel-saving

There are many ways to reduce fuel consumption. Two of these are the fuel-saving program and green flights, which refers to the need to change procedures at air traffic control.

Fuel-saving program

In 2005, Scandinavian Airlines initiated a program whose purpose is to operate existing types of aircraft more fuel-efficiently. The goal is to carry out comparable flights with 6–7% enhanced fuel efficiency by the end of 2011 compared with the period June 2005 to July 2006. Examples of activities include using only one engine when taxiing after landing, using the aircraft's aerodynamics more efficiently in all phases of flight, to regularly clean the engines, to load the aircraft optimally and to connect ground current to the aircraft as quickly as possible after arrival at the gate. At the end of 2010, an improvement of 4.6% since the program started was reported.

Green approaches

Since the early 2000s, SAS has actively worked together with those responsible for air traffic control in Sweden, Norway and Denmark to find more effective methods of operating air traffic. This has resulted in tens of thousands of green approaches (Continuous Descent Approach from Top of Descent) and SAS being the only airline in Europe that is allowed to carry out so-called curved approaches at Arlanda. At Copenhagen-Kastrup, green departures have been introduced, which means that approximately 95 percent of all aircraft on certain start runways are allowed to deviate from standard procedures and therefore reduce the emission of carbon dioxide by 32,000 tonnes per year according to the airport's environmental report for 2009. A change in procedure is possible thanks to the fact that Kastrup is located by Öresund and is surrounded by water on three sides. In the majority of other European airports, due to geographic conditions with nearby cities, they are forced to mainly utilize a few, established start routes and let the aircraft rise gradually to different altitudes.

In 2011, SAS will participate in the SESAR JU project, Green Connections. The project intends to carry out over 100 flights between Gothenburg-Landvetter and Arlanda in a more efficient way than today. What is special about this project is that it uses satellite-based navigation (RNP AR) and a more advanced systems support, which improves forecasts significantly and shortens the flight route by 10 to 15 kilometers. See the illustration above.

Read more about SAS's fuel-saving program in More EMAS

 www.sasgroup.net under Sustainability.



Goals and strategies

The overall objective of SAS's sustainability work is to create long-term growth in shareholder value and help the SAS Group to reach its goals. The environmental goals through 2011 shall form the basis for the SAS operation becoming sustainable over the long term.

During 2010, SAS's sustainability work continued with a high level of intensity within the Group in line with the action plans that were established in 2008 to reach the goals not later than 2011. The worsening external conditions in the market have not affected the goals and schedules.

An important task for 2011 will be to formulate new short-term environmental goals for the period 2012 through 2015 and to update the long-term goals from 2020 onward.

This section reports the current status at the end of 2010 and measures planned for 2011.

Eco-political vision

SAS's eco-political vision is for all four transport sectors, road, rail, sea and air, to pay for both investments and for their infrastructure, other costs to society (such as accidents) and environmental impact according to the polluter pays principle. Subsequently they should compete in a competitively neutral transport system, based on a holistic approach.



An important task for 2011 will be to formulate new short-term environmental goals for the period 2012 through 2015 and to update the long-term goals from 2020 onward.

Environmental vision

- SAS intends to be a leader in work toward sustainable development in air transport, thus contributing to sustainable social progress.
- SAS intends to have the most ambitious long-term environmental program in the airline industry.

Strategies for sustainable development

SAS aims to

- create a culture among its employees based on interest in and commitment to environmental work
- actively influence political decision-making to counteract distortion of competition within as well as between various sectors
- have documented sustainability appraisals as a basis for all decisions
- engage in strategic environmental communication
- promote tomorrow's solutions, build alliances and support relevant R&D projects.

Strategic environmental targets

In line with IATA's vision, the overriding long-term objective of SAS's environmental work is to make it possible to fly without greenhouse emissions by around 2050.

Environmental goals for 2015 and 2020

On its way to achieving the long-term environmental goals, SAS has established two emissions goals in regard to the airline operation:

- 50% lower emissions per unit produced by 2020 as compared with 2005.
- 20% lower emissions by 2020 compared with 2005, with traffic growth included.

In addition, the goal is to reduce energy consumption, measured in kWh, in SAS's buildings by

- 15% in 2015 as compared with 2010.

Environmental goals 2008–2011

SAS will

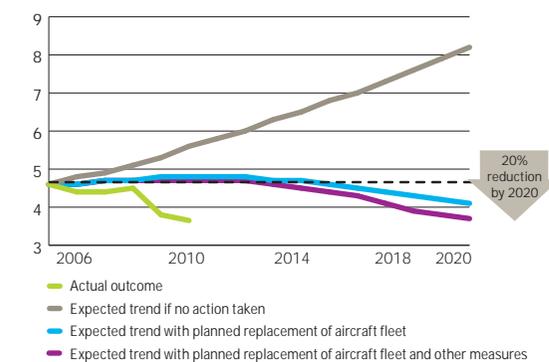
- be seen as the most environment-conscious airline in Europe
- have ISO 14001-certified environmental management systems
- have the industry's most effective fuel-saving program
- be among the first airlines to use alternative fuel blends once they are approved and commercially available
- have a long-term plan for its aircraft fleet that leads to a significant reduction of greenhouse emissions
- have reached the target for SAS's eco-efficiency index.

For the SAS Group's other sustainability-related policies, see  p. 134.

SAS's strategic environmental targets for 2020

Million tonnes CO₂

Based On 4% annual growth



Since 2005, absolute carbon dioxide emissions have been adjusted, to reflect the current Group. The improvement is explained by traffic reductions and increased fuel efficiency. In 2011, SAS will carry out an update of the long-term goals for 2020 and forward, partly due to the extensive reorganization work within the framework of Core SAS as well as increased insight into the plans of aircraft manufacturers for the next generation of aircraft, which will affect SAS's own plans for the aircraft fleet.

Goal 2008–2011	Goal attainment and actions 2010	Status	Measures in 2011
<p>SAS will be seen as the most environment-conscious airline in Europe</p>	<p>To realize the goal, during the year SAS has intensified its commitment and communication regarding the sustainability work. This is being manifested, for example, by being the only airline that is certified in accordance with ISO 14001 and EMAS, having more environmentally-adapted products onboard and in the lounge, more environmentally-adapted flights, great commitment in seeking suitable suppliers for future aircraft purchases and future purchases of fuel based on renewable sources. During the year, a number of communication activities were carried out for the purpose of supporting the goal. This involves participation in external contexts such as conferences and trade shows, but also independently in all those channels that SAS has at its disposal as well as activities that increase commitment among SAS employees.</p> <p>During the year, SAS remained to be a strong promoter in environmental and sustainability issues within international institutions such as IATA and AEA and by actively participating in public debates regarding these issues.</p> <p>Two indications that intimate that we are on our way to realizing the goal is that we share first place in an evaluation of different airline companies' environmental and communication work that has been carried out by International Consumer Research & Testing and also that the results from the SCI about whether we are perceived as an environmentally aware company have improved year by year since 2007.</p>	<p> According to plan</p>	<p>During 2011, SAS shall continue with its major commitment to the sustainability work. Those opportunities that the environmental certifications provide shall be further developed for the purpose of accelerating the development towards SAS's long-term, strategic environmental goals.</p> <p>During the year, SAS intends to make a decision regarding the next generation of aircraft and hopes to sign at least one agreement regarding the delivery of jet fuel based on renewable sources during the period 2015–2020. SAS plans to continue the extensive environmental communication work and put it in relation to the public benefits that air transport contributes to and also continue to be engaged in the international cooperation that is being carried out by IATA and AEA, the purpose of which is a global regulation of air transport.</p>
<p>SAS will have ISO 14001-certified environmental management systems</p>	<p>All of the SAS Group's three airlines were certified in accordance with ISO 14001 and EMAS in September 2010, and are therefore the only airlines in the world with both certifications. At the same time, SAS Cargo Group complemented its ISO 14001 certification with an EMAS certificate.  See p. 118.</p>	<p> Implemented</p>	<p>SAS will continue the improvement work through the operation's environmental program.</p>
<p>SAS will have the industry's most effective fuel-saving program</p>	<p>In 2005, Scandinavian Airlines initiated a program whose purpose is to operate existing types of aircraft more fuel-efficiently. The goal is to carry out comparable flights by the end of 2011 with 6–7% enhanced fuel efficiency as compared with the period June 2005 through July 2006. At the end of 2010, an improvement of 4.6% was reported since the program started. The sub-goal for 2010 was an improvement by 1%. The result was 0.5% enhanced fuel efficiency.</p> <p>SAS has amassed an extensive database (MRV) of fuel-related KPIs for each aircraft type, each aircraft and each route, which is constantly being evaluated and followed up with recommendations for improvements. The database provides documentation for the calculation for the emissions trading system prior to EU-ETS.</p>	<p> According to plan</p>	<p>A decision has been made to implement a new flight planning system that provides conditions for more efficient flights. SAS shall also intensify the development of data-based systems support in order to further refine the methods for measuring the attainment of goals, to increase employee commitment and establish future goals after 2011.</p>
<p>SAS will be among the first airlines to use alternative fuel blends once they are approved and commercially available</p>	<p>The future of air transport is highly dependent on the industry's ability to find alternative aviation fuels based on one or more renewable sources. SAS is part of the Sustainable Aviation Fuel User Group, which is tasked with speeding up the development of new long-term sustainable aviation fuels from renewable sources. The Group closely follows the certification work that is currently underway and that is aimed at certification of alternative fuels during 2011/2012. The basis for the development of renewable fuels is that they shall be synthetic and must have a performance level at least as good as today's fossil fuels and also have a minimal total impact on the eco-system. Moreover, production must be long-term and not compete with food production and must use as little drinking water and acreage as possible. Several production processes are already known and the challenge will be to achieve sufficient production capacity when the fuel is certified.</p>	<p> According to plan</p>	<p>During 2011, SAS will continue its commitment within SAFUG as well as the Biofuel Network within Copenhagen Capacity. SAS is making its competence and aircraft available in order to carry out possible evaluations. SAS will cooperate with and hopefully sign binding agreements with a number of potential suppliers in the Nordic market. It is SAS's ambition to use as much biofuel as possible when it is commercially available.</p>
<p>SAS will have a long-term plan for its aircraft fleet that leads to a significant reduction of greenhouse emissions</p>	<p>An important prerequisite for achieving SAS's strategic environmental goals for 2020 is a cost-efficient and fuel-efficient aircraft fleet that is adapted to the market's needs. The strategy is based on continually being able to replace aircraft with those that have the best possible technology when it is economically feasible. During 2010, the SAS Group placed five newly manufactured and four used aircraft in operation, and twelve older aircraft were taken out of operation. SAS has a beneficial fleet composition, which allows greater flexibility for future acquisitions of aircraft, and like several other airlines, SAS monitors the development work that is currently underway at the manufacturers in question. Read more  pp. 46–47 and 59.</p>	<p> According to plan</p>	<p>At the beginning of 2011, SAS decided to harmonize its aircraft types at its Oslo and Stockholm bases to Boeing 737NG. Negotiations to replace aircraft have commenced with manufacturers and leasing companies. A decision regarding the Copenhagen base will be made during the year. Also during the year, more Boeing 717s will be acquired to permit the discontinuation of the Avro RJ85 at Blue1.</p>
<p>SAS will have reached the target for SAS's eco-efficiency index.</p>	<p>The environmental index for most of SAS airlines improved during the year. Scandinavian Airlines and Blue1 are therefore, ahead or in line with their goals through 2011. One contributing factor to the positive development is the phasing-in of more efficient aircraft, higher load factor and a fuelsaving program that is providing continuing effects. Read more  p. 127.</p>	<p> According to plan</p>	<p>SAS is continuing to ensure a high load factor, the implementation of the fuel-saving program, and a high level of fuel efficiency within all operations. This bodes well for a continued positive development for all environmental indices.</p>

Results Environmental responsibility 2010

Although early 2010 was marked by a downturn in the business cycle and continued falling demand combined with severe weather conditions at the beginning and at the end of the year, the SAS climate index, which also includes emissions other than carbon dioxide, improved to 90 (94). Total carbon dioxide (CO₂) emissions were reduced by 3.7% compared with 2009.

During the year, the SAS Group's fuel efficiency improved significantly and relative CO₂ emissions were reduced to 121 (127) grams per passenger kilometer. This positive performance is primarily due to a higher passenger load factor thanks to timely adjustment of capacity to the market, but also due to a higher demand, high punctuality, success in the airlines' fuel-saving program and a rejuvenation of the aircraft fleet during the year. In comparisons with other airlines, it is important to compare airlines with similar traffic systems and use the same production measurements. SAS frequently serves shorter routes on average in order to meet business travelers' needs, compared with airlines that service the private travel market. A comparison of specific routes often gives the same results. Available seat kilometers are used relatively often as production measurements, giving lower emissions per unit but this does not relate to whether the emission provides a useful service to society. SAS exclusively uses passenger kilometers as a production measurement.

The SAS Group was certified in accordance with ISO 14001 and EMAS and is now the only airline in the world to hold both certifications. In connection with the ISO 14001 and EMAS certification, a large number of activities were carried out. For example, all employees received information about SAS's environmental aspects and how individuals can work to reduce the environmental impact. Read more  p. 118.

No significant emissions occurred in connection with technical maintenance.

During the year, small spills of Jet A1 fuel in connection with some isolated instances of aircraft fueling were reported. The fuel was taken care of according to current routines.

No fuel dumping occurred during the year.

Management of all the Group's own and leased properties is handled by Coor Service Management. SAS is thus taking part in Coor's environment and energy program for property management.

SAS has extensive cooperation with authorities and organizations on environmental issues. In 2010, there was a continued increasing interest from corporate customers in the company's

Key figures SAS Group's airline operations ^{1, 2}

	Scandinavian Airlines			Widerøe			Blue1		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Passenger kilometers, mill. ³	27,956	27,775	31,907	722	666	653	1,614	1,332	1,386
Available seat kilometers, mill. ³	35,382	36,790	42,532	1,157	1,110	1,098	2,309	2,054	2,146
Load factor, % ³	79.0	75.5	75.0	62.4	60.0	59.5	69.9	64.9	64.6
Fuel consumption, kg/passenger kilometer	0.037	0.039	0.041	0.063	0.061	0.066	0.045	0.050	0.050
Carbon dioxide (CO ₂), emissions, 1,000 tonnes	3,280	3,454	4,167	143	129	136	231	210	219
Nitrogen oxide (NO _x), emissions, 1,000 tonnes	13.5	14.2	17.3	0.50	0.43	0.46	0.80	0.71	0.81
Noise impact, km ² /85dB(A) at takeoff ⁴	2.35	2.35	2.64	0.23	0.21	0.21	1.88	2.09	2.17
Environmental index	93	97	101	90	82	88	79	86	90

¹ Change of method in 2010 due to introduction of new database (MRV). See Accounting Principles at www.sasgroup.net under Sustainability.

² Information for 2008 and 2009 have been adjusted due to changes of method regarding density for jet fuel, NO_x calculation, noise level contours and passenger kilometers.

³ Includes all passengers on board all flights undertaken (scheduled, charter, etc.), which means that the figures deviate from the SAS Group's monthly traffic reporting that is also presented on page 54. ⁴ Weighted average noise level contour regarding number of takeoffs using each aircraft type and/or specific aircraft in the traffic system.

environmental management system and sustainability work. A large number of sustainability-related presentations were held at various seminars and fairs during the year.

During 2010, an organizational change was carried out within the framework of Core SAS, and the three production units that formerly made up Scandinavian Airlines were merged in the SAS Consortium. Further, SAS Ground Handling, SGH and the majority of SAS Tech were transferred to the SAS Consortium. Widerøe, Blue1 and SAS Cargo Group, SCG, remain organizationally unchanged. This means that in terms of environmental responsibility, the result is now reported based on the airline operations consisting of Scandinavian Airlines, Widerøe and Blue1 as well as the three ground services SGH, SAS Tech and SCG.

Although SAS set goals for the airline operations for an eco-efficiency index until 2011 relating to an organizational division that no longer exists, these will be reported including the 2011 Sustainability Report.

SAS has, in light of the preceding year's organizational changes and work with the ISO/EMAS certification, analyzed which metrics provide the best potential guidance toward defined environmental targets. Consequently, SAS has decided not to report an environmental index for the ground services, where the environmental impact leaves no direct possibility to influence the scope, governed by weather and safety regulations, etc. However, SAS will continue to openly report its impact and consumption in the ground area, including services sold to external customers.

Scandinavian Airlines and Blue1 are early or in line with their environmental goals through 2011. As a supplement, key figures

are reported for the airline operations based on the geographic markets serviced by the airlines.

Historic data has been adjusted to reflect the development in the companies in Core SAS.

Airline operations

Scandinavian Airlines

Scandinavian Airlines serves destinations with large passenger flows within Scandinavia as well as internationally, with hubs in Copenhagen, Oslo and Stockholm.

In 2010, CO₂ emissions per passenger kilometer were the lowest ever, 117 grams.

During 2010, Scandinavian Airlines put two newly built and one used aircraft into service, while seven older aircraft were taken out of service. SAS often hears the allegation that an aircraft's age and its environmental performance are correlated. A brand new Boeing 737NG generally has the same environmental performance as one delivered in 1998. However, certain product developments have taken place, resulting in a 2-3 percentage point improvement, and SAS manages this through the ongoing engine upgrade program and by mounting winglets if it provides the desired effect. All the more important is how the aircraft is flown during its lifetime. For example, SAS has Boeing 737NGs with 120+, 140+ and 180+ seats that grant high flexibility depending on demand and ensure a total emission that is as low possible at any given moment. During the year, efforts have been made to identify potential replacements for today's short-haul fleet in the short- and long-term. This work takes into account

Key figures SAS Group's ground and office activities¹

	2010	2009	2008
Energy consumption, GWh	216	205	213
Water consumption, 1,000 m ³	159	169	176
Unsorted waste, tonnes	906	1,118 ²	928
Hazardous waste, tonnes	311	371	528
Fuel consumption, 1,000 liters	3,668	3,869	3,969
Glycol consumption ³ , m ³	5,559	4,003	3,700

¹ Pertains to the Group's total ground and office activities (SAS, Widerøe, Blue1, SAS Tech, SGH, SAS Cargo and administration, staff functions and management). Also pertains to services for other airlines. Information for 2008 and 2009 has been adjusted as a result of new measuring methods and improved data capture. The information for 2008 and 2009 also includes ground operations in Spanair and Air Maintenance Estonia, which have been divested. See Accounting Principles and More EMAS at www.sasgroup.net under Sustainability.

² Increase due to extreme weather conditions during the winter months.

sustainability-related aspects for the aircraft's whole life cycle, from construction to use and discontinuation.

Read more about SAS's aircraft fleet [▶](#) pp. 46–47 and 59.

During the year, Scandinavian Airlines' fuel-saving program resulted in increased fuel efficiency by 0.5%. This was lower than anticipated, since the target was a 1% improvement and much of

The airline operations' carbon dioxide emissions on the airlines' different markets

Carbon dioxide, 1,000 tonnes	Airline operations
Domestic in Denmark	34
From Denmark with destination within Europe	410
From Denmark with destination outside Europe	426
Domestic in Norway	553
From Norway with destination within Europe	266
From Norway with destination outside Europe	22
Domestic in Sweden	205
From Sweden with destination within Europe	236
From Sweden with destination outside Europe	139
Domestic in Finland	39
From Finland with destination within Europe	109
From Finland with destination outside Europe	11
From destination within Europe with destination in Scandinavia and Finland	611
From destination outside Europe with destination in Scandinavia and Finland	595
Total	3,654

this is attributable to the difficult winter months that affected the beginning and end of 2010. The program continues with undiminished commitment.

During the year, a decision was also made for a new flight planning program. Once it is implemented, it will provide conditions for more efficient flights and for an acceleration of future fuel-saving programs.

See More EMAS at [▶ www.sasgroup.net](http://www.sasgroup.net) under Sustainability.

Scandinavian Airlines did not violate any noise regulations during 2010.

At the end of March, SAS was the first airline to receive the formal authorization from the Swedish Transport Agency to carry out so-called curved approaches using the SAS Boeing 737NG on Stockholm-Arlanda's third runway. In practice, this means that the approach is made with the help of the satellite-based navigation system (RNP AR) instead of the traditional ground-based approach systems (ILS). In the method used on Stockholm-Arlanda's third runway, the approach is conducted in an S-shaped curve. Thereby, the noise is displaced in the vicinity of the airport and exposure in sensitive areas is reduced. Most often, this approach also implies a shorter flight route, which reduces greenhouse emissions. The curved approach development was started in 2004 through cooperation between SAS and LfV.

During the year, Scandinavian Airlines conducted as many green departures as possible from Copenhagen-Kastrup and green approaches to Stockholm-Arlanda.

Greater focus was placed on sustainability issues in product development during the year. For example, a large number of weight-reducing measures are being evaluated for the products offered onboard combined with offering greener products onboard and on the ground. Two specific examples of "every little helps..." is that the headsets used on long-haul flights have been reduced by a total of 15 kilograms and the comfort kits distributed in Business Class are now made from recycled PET bottles, while the inner packing is made from recycled paper.

The option to voluntarily carbon offset your trip via Scandinavian Airlines' homepage is used by less than 1% of customers, while the third party-reviewed emissions calculator is used extensively.

Widerøe

Widerøe's main market is Norway and the airline operates regional traffic with a significant proportion of procurement traffic, mainly in Northern Norway.

During the year, three Q400s were put into service as well as one Q100 in early 2011.

Widerøe took over Scandinavian Airlines' production with Fokker 50s in Western Norway, the so-called Westlink, in 2010. The F50 production was replaced by Bombardier Q300/400.

During 2010, the focus has been on the fuel-saving program. Since the start in March 2009, this has resulted in about 1,100 tonnes of fuel saved, or more than 3,500 tonnes of CO₂ emissions compared with the reference period 2008/2009.

Blue1

Blue1's main market is Finland with a large share of traffic to the rest of Europe.

On one occasion in 2010, an aircraft from Blue1 took off later than the permitted takeoff time in Paris, which led to a fine of approximately SEK 115,000.





Ground-based environmental measures

Energy

As part of the certifying processes for ISO 14001 and EMAS, a comprehensive energy plan was initiated during the year for all operations in all buildings owned or leased by SAS.

The plans were drawn up together with the supplier Coor Service Management. They include an inventory of buildings in order to identify immediate actions that can be taken, or that medium-sized investments can be made with a repayment time within the five years that the plans apply and an energy campaign that will run from 2011 till 2015. Plans also include development of energy consumption registration routines as well as a follow-up possibility and continuous reporting.

Follow-up and reporting are done at the Group's main bases in Denmark, Finland, Norway and Sweden. The energy campaign, "Common sense cuts expense" started in February 2011. An energy planning group measures, follows up via environmental audits and inspections, and ensures focus is on the most prioritized areas.

All operations have drawn up energy plans to reduce energy consumption.

Ground transportation

SAS fully endorses the airports' efforts to reduce CO₂ emissions and participates in "better air" projects. As a result, SAS ground equipment is being improved or replaced with "greener" units.

SAS is working to replace all company cars with green vehicles. Guidelines will be issued for all companies and units in SAS, but decisions are made locally, since green vehicles are defined differently in each country.

Deicing

Deicing is inevitable from a safety point of view. Deicing of the aircraft is done before takeoff using glycol. As this constitutes environmental impact, the search continues for alternative techniques. In the meantime, different methods to reduce glycol usage are evaluated. For instance, attempts continue with a system with electronic control of the glycol content and a preventive deicing method that leads to considerable reduction of glycol usage without compromising on SAS's or authorities' safety requirements.

During 2010, deicing and glycol usage became an important part of the ISO 14001/EMAS management systems. Activities are evaluated and revised with systematic follow-up of all deviations. During very cold winters, however, it is uncertain whether the efforts to reduce consumption per deicing offset the increasing number of deicings, which leads to a higher total glycol consumption. With extensive glycol usage in the winter months, emissions of glycol may occur in exceptional cases. On these occasions, specified measures are in place to limit or completely avert a possible environmental impact. The excess glycol is handled and recycled, whereby no glycol or a small quantity is released into the water.

More EMAS  www.sasgroup.net under Sustainability.

Blue1 replaced its MD-90s with Boeing 717s during 2010, and took a decision to replace its Avro RJs with additional Boeing 717s.

Blue1 focused its environmental efforts on reducing the relative emissions from its airline operations. CO₂ emissions per passenger kilometer lessened just under 10% to 143 grams thanks to a high load factor and the ongoing upgrade of the aircraft fleet.

SAS Ground Handling, SGH

SGH handles passenger and lounge services as well as loading and unloading, deicing and towage of aircraft, etc.

Glycol consumption increased by 40% compared with the preceding year due to the tough winter months with much snow and ice and generally severe weather conditions.

The tough winter months combined with higher production also explain the rise in energy consumption during the year.

The most important environmental aspects for SGH are diesel and gasoline consumption, energy usage and spills of gasoline and glycol. SGH's environmental goals focus on reducing the impact of these environmental factors. SGH works intensively to reduce emissions from vehicles and equipment, resulting in both a lower environmental impact and a better working environment. For example, this is done by improving punctuality, which benefits both SGH's own and the airline operations' environmental impact. In Denmark, an investment was also made in two electric tractors to replace the diesel tractors.

In March 2010, there was a glycol leakage of approximately 20 m³ in a glycol store provided by Swedavia at Arlanda. The safety procedures worked well, and the leakage could thereby be handled without emissions.

In all three Scandinavian countries, there are cooperations with different players at the airports within a number of areas, such as measuring electrical consumption in buildings and reducing emissions from vehicles. Discussions with airport operators in the Scandinavian countries indicate that the requirements for, among others, waste management and emissions requirements for machines and vehicles will be more stringent, which may also imply higher costs for SAS. For example, Swedavia will introduce stricter environmental requirements for vehicles at airports.

The employees show great interest in environmental issues and have submitted ideas and improvement proposals.

SAS Tech

SAS Tech, which provides technical maintenance of aircraft, operates primarily in Scandinavia. Its biggest customers are Group airlines.

SAS Tech is responsible for most of the activities in the Group requiring environment-related permits. It is also the biggest user of chemicals and generates the biggest share of hazardous waste. This is handled by approved waste management companies. In addition to hazardous waste, the most important environmental aspects are emissions related to energy consumption, combustion of gasoline and diesel.

SAS Tech has a contract with an external chemical supplier for purchasing and storing chemical products in order to reduce the quantity of hazardous waste, cut storage time and have better cost control. These efforts have led to a significantly reduced volume of discarded material, as well as smaller storages of chemical products kept by the operations. The number of products purchased has been reduced by one third in total and SAS Tech's own purchases have dropped by more than 90%.

SAS Cargo Group, SCG

SCG provides postal and air freight services within the framework of the operation in Scandinavian Airlines and other partners. The operation is controlled from Copenhagen and includes the freight forwarding company Trust.

The most important environmental aspect for SCG is the combustion of fossil fuels in the air freight operation. Other significant environmental aspects are combustion of fossil fuels in road transportation and energy consumption in buildings.

SCG started work with a new Revenue Management System in 2010. This will improve the possibility to plan and estimate the volume of freight per departure. Improved precision increases the possibility to optimize fuel amounts, leading to lower emissions.

In September 2010, SCG was recertified in accordance with ISO 14001 and is a part of the SAS Group's EMAS certification.

In 2008, SAS Cargo set an environmental goal for 2011 for road transportation provided by external shippers, of a reduction of CO₂ emissions from 153 to 148 grams/tonne km. The result for 2010 was 160 (163) grams. During 2009, the results deteriorated sharply, as SAS Cargo's road transportation is conducted in a network system. When demand and production declined, it was not possible to correspondingly adjust the number of transports. This generated a lower degree of utilization and thereby a higher relative environmental impact.

See More EMAS  www.sasgroup.net under Sustainability.

SAS environmental and climate index

Since 1996, SAS measured eco-efficiency using an environmental index in which environmental impact is measured relative to production. An environmental index is measured for each airline, but not for the Group as a whole. These indexes are a tool for managing and following up the Group's environmental performance. Starting in 2007, all environmental indexes have been reformulated according to a new model with 2005 as the base year. Airline targets have been set in consultation with Group Management. The index consists of 50% carbon dioxide, 40% nitrogen oxides and 10% noise in relation to the most essential production parameter, passenger kilometers.

Environmental index and target scenario for airline operations

Scandinavian Airlines's airline operation in Norway



Scandinavian Airlines's airline operation in Denmark



Scandinavian Airlines's airline operation in Sweden



Scandinavian Airlines's intercontinental traffic



Starting in 2007, SAS also reports a climate index, which pertains to weighted climate impact excluding noise, i.e., emissions of carbon dioxide (2/3) and nitrogen oxides (1/3). The climate index measures the Group's total climate impact relative to traffic measured in passenger kilometers.

The positive performance is primarily due to a higher passenger load factor thanks to timely adjustment of capacity to the market, but also due to a higher demand, high punctuality, success in the airlines' fuel-saving program and a rejuvenation of the aircraft fleet during the year. Widerøe's result declined due to factors including changes of methods in conjunction with the introduction of a new database (MRV).

Scandinavian Airlines total



Widerøe



Blue1



Climate index and target scenario for the Group



Ground operations' index

SAS has, in light of the preceding year's organizational changes and work with the ISO/EMAS certification, analyzed which metrics provide the best potential steering force toward defined environmental targets. SAS has, as a consequence, decided not to report an environmental index for the ground services, where the environmental impact leaves no direct possibility to influence the scope, governed by weather and safety regulations, etc. However, SAS will continue to openly report its impact and consumption in the ground area, including services sold to external customers.

Regarding accounting principles and More EMAS  www.sasgroup.net under Sustainability.

Corporate social responsibility

SAS is an important part of society's infrastructure, both nationally and internationally. SAS benefits society by providing citizens with the opportunity to participate in both private and work-related meetings on development and cooperation in a global perspective. In this context, it is important that SAS's employees see the challenges and can contribute with solutions to the questions that arise in daily work.

Competition in the airline business in Europe is fierce. Employees play a key role when creating added value in the customer offering. SAS's strategic cultural work is therefore focused on increasing employee satisfaction and commitment, as well as increasing understanding of the values that are the basis for how the business is run. The goal is to generate positive repercussions in the relationship to customers and strengthen SAS's competitiveness.

Cultural development

Development of social responsibility builds on a number of focus areas as the basis for developing the SAS corporate culture.

Management development

With regard to developing social responsibility, management is key in setting examples and interpreting and implementing SAS's strategies. SAS strives for clear leadership characterized by the watchwords *consistent, honest and reliable*. Managers must be self-aware and mature, and know how personal qualities are to be used to achieve a trustful working relationship with personnel.

In 2010, SAS continued to develop a "role model" for all managers in the organization. It contains an assessment module that once a year will show whether managers live up to the requirements and a leadership program for the requisite know-how. Both the assessment module and several parts of the leadership program were carried out during 2010. This includes a focus on the so-called SAS Leadership Program and a master's degrees for a number of managers in cooperation with BI Handelshøyskolen in Norway.



The SAS Group's primary societal responsibility is to its own employees and the communities dependent on and affected by SAS's operations in a number of countries, primarily in the Nordic region.

Organizational development

The Core SAS organization, introduced in February 2009, meant a fundamental restructuring of SAS's earlier organization. During the first six months of 2010, additional steps in the organization development were taken with focus on actions that ensure clearly controlled, efficient processes that lead to better profitability.

Adjustment and redundancy

During the year, SAS carried out additional cost reductions within the framework of Core SAS. Redundancy among the personnel has been handled through negotiations with labor unions that follow national laws and agreements. See Core SAS pp. 10–13.

Cooperation with labor union organizations

Cooperation with labor unions is mainly carried out nationally, where dialog is conducted with the labor unions that have collective agreements with SAS. Cooperation takes place within the frame-

work of national laws and agreements affecting the unit concerned.

Employee representatives from the Scandinavian countries sit on the SAS Group Board of Directors. The employees elect representatives from units in the Group's Scandinavian operations. Group Management is engaged in an ongoing discussion with union representatives above all on issues concerning the personnel and cost reductions, organization structure and the need for a more customer-oriented culture.

Work environment and sick leave

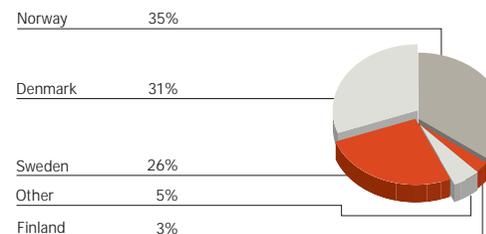
SAS's goal is that the work environment be as good as possible and that sick leave and the number of injuries be continuously reduced.

During 2010, total sick leave in Scandinavian Airlines amounted to 7.1%, in Blue1 at 9.2% and in Widerøe at 5.3%.

Sick leave is relatively high and an area of constant focus for SAS. The results show that sick leave is especially high among flight personnel and within SGH and Blue1. One explanation is that these personnel groups are in an environment with greater interaction with many people, a higher degree of changing work indoors and outdoors and more heavy tasks, while it is also not possible to work on board an aircraft with a mild cold, which might be manageable in an administrative environment.

During 2010, a new reporting system was introduced within Scandinavian Airlines. The system measures absence in relation

Geographical breakdown of employees in 2010



The SAS Group's operations are concentrated to the Scandinavian countries.



to actual and planned work time and not in calendar days, which in practice means that the result is not comparable with the preceding year. The system is expected to provide faster compilations and thereby the possibility to prioritize measures that will lead to lower sick leave through goal-oriented efforts.

In a national comparison, sick leave is highest in Norway, which in part can be explained by different national rules.

Long-term sick leave, 60 days and above, represents in total nearly half of the total sick leave. Staff and administration areas Group IT and Finance have low sick leave.

Scandinavian Airlines' sick leave

	DK	NO	SE	Total
No. of employees December 2010 ¹	5,211	5,161	4,513	14,883
of which women, %	35.4	39.6	38.8	37.9
Total sick leave, %	5.3	10.1	5.8	7.1
Long-term sick leave (more than 59 days), %	41.4	55.1	43	48.4
Sick leave for women, %	7.3	12.1	6.8	8.7
Sick leave for men, %	4.4	9.0	5.2	6.1
Sick leave employees < 30 years, %	3.9	5.7	7.0	5.4
Sick leave employees 30-39 years, %	6.3	10.1	5.3	7.7
Sick leave employees 40-49 years, %	5.4	9.9	5.5	6.9
Sick leave employees 50-59 years, %	4.9	10.9	6.2	7.2
Sick leave employees 60 years and above, %	4.3	9.7	6.1	6.8

¹ Deviates from the information in the financial accounting for full-time positions, FTE.

Occupational injuries

The number of occupational injuries has risen to 327 (291). The highest occupational injury frequency is present in SGH in Denmark, within Cargo and Spirit and among flight personnel. Within all three areas, however, it is worth noting that Sweden stands out with comparably low numbers of injuries. The extent of the occupational injuries means that SAS will continue to prioritize preventive efforts, in particular in the areas where the challenge is greatest.

Apart from sick leave and occupational injuries, each administrative unit works actively with issues pertaining to telecommuting where this is possible, flextime, health insurance, etc. It is each company's or unit's responsibility to ensure a well-functioning working environment.

This work takes place in collaboration with safety representatives, supervisors and labor-management joint safety committees that include all employees in each country. ▶ See Work environment policy p. 134.

Company health services

Besides medical staff, the company health services or health, safety and environment (HSE) department that includes the whole Group, employs therapists, stress and rehabilitation experts, and ergonomic engineers. The department has also developed and offers special services, including aviation medicine, stress management, follow-up of sick leave, health profiles, ergonomics and advice in handling chemicals.



SAS Group's sick leave¹

	Scandinavian Airlines airline operations			Scandinavian Airlines ground operations									The Group's administrative functions ²					The SAS Group ³		
	DK	NO	SE	SAS Tech			SGH			SCG & Spirit			Commercial	Finance	HR & Comm.	Group IT	Stab & øvriga	Scandinavian Airlines	Blue1	Widerøe
No. of employees December 2010 ¹	1,707	1,792	1,276	540	452	499	1,927	2,232	1,608	420	257	285	931	292	286	198	181	14,883	416	1,186
of which women, %	49.1	55.9	52.7	3.9	3.5	6.4	29.6	32.2	34.5	20.7	18.3	18.9	53.4	52.5	58.0	37.6		37.9	47	31
Total sick leave, %	9.1	11.8	7.6	3.1	6.4	3.5	4.3	10.8	7.8	4.2	7.9	5.2	6.0	2.2	3.7	2.0		7.1	9.2	5.3
Long-term sick leave (more than 59 days), %	41.4	54.8	45.6	3.3	52.3	36	42.7	56.7	38.7	46.6	44.3	44.1	53.3	57.4	59.6	46.2		48.4	27.4	3.4
Total number of occupational injuries with more than one day's sick leave	65	29	8	16	6	3	94	48	15	15	5	4						308	13	6
Occupational injury frequency lost-time-to-injury rate (H-value)⁴	26.7	11.6	4.1	16.6	7.3	5.6	28.7	15.0	7.0	19.6	11.3	11.8						15.9	15.7	3

¹ Deviates with the exception of Blue1 and Widerøe from the information in the financial accounting for full-time positions, FTE. ² Registration and follow-up of the total number of occupational injuries within the administrative functions is not organized in the same way for operating activities. ³ Staff & other is the post remaining after a division of employees in reported groupings. These employees are included in key figures for Scandinavian Airlines, but are not reported separately. ⁴ Lost-time-to-injury rate (H-value): No. of occupational injuries per million work hours. ⁵ Lost-time-to-injury rate for Scandinavian Airlines, excl. administrative functions.



RampSnake as profit for the work environment, the environment and the economy

A baggage conveyor belt that goes round corners and lowers and lifts the baggage into the aircraft's cargo hold to reduce employees' physical activity, has been tested for a couple of years. 20% faster, 80% fewer lifts and 30% fewer manhours was the goal for RampSnake when it was introduced, and this is still the goal. The first years were marked by teething problems. Technical problems as well as function errors and deficiencies led to the goals not being reached. During recent years, however, a number of problems have gradually been resolved and RampSnake is used to an increasing extent. Operating stability in Copenhagen-Kastrup is at 80-85%, but the goal is 90%. With an extended cooperation between the users and the ones handling service of RampSnake, the prospects are good to achieve the goals.



Another exciting view prospect with RampSnake is that it can replace Sliding Carpets, which were installed in many SAS aircraft. Sliding Carpet also reduces the physical activity of the load worker, but is not nearly as effective as RampSnake. In addition, Sliding Carpet is a fixed installation with a varying weight and thereby generates extra fuel costs and increased CO₂ emissions. If conditions are right, RampSnake as a replacement of Sliding Carpet may thus be a gain for both the work environment, the environment and the economy.

Within large parts of the Group, investments are made in different forms of health-promoting activities both in the workplace and in leisure time. During 2011, all SAS employees in Sweden will be offered an attractive wellness concept and a cost-efficient approach with less administration.

Improvement work

SAS Tech in Sweden has conducted health profiles on all employees who have wanted to take the opportunity to improve their health by exercising more and eating better with the help of individual coaching. The results are striking, as the aggregate weight dropped by 1,000 kg and the participants feel that their health has improved considerably.

SGH in Sweden has started a project in cooperation with AFA Försäkring that offers a reporting tool, TRIA, for occupational injuries and near-accidents. The project started already in 2008/2009 with data entered into the system, which is unique for the airline industry. During the second half of 2010, a pre-study was started, with good results.

Cooperation in Denmark between SGH, cabin and flight deck for improvement of cleaning on board was conducted with good results, thereby reducing the risk of infection, etc.

The pilots' psychological work environment was charted and results in great focus on handling the most important items in the coming year, including influence on worktime planning.

Tragic death

In March, a SAS employee was killed in a hotel in connection with passive duty. The tragic incident has prompted additional measures that aim to avoid similar events in the future.

Diversity and equality

The SAS Group's diversity policy is based on equal treatment of all employees and job applicants. Work on equal treatment includes promotion of diversity and equality in all its forms.

Union membership is high within SAS in the Nordic region and labor organizations hold a strong position. Collective agreements govern working hours, pay and other terms of employment in great detail. With the same conditions for the same tasks, there is complete equality between men and women in these issues as well.

In general, SAS is dominated by women in such professions as cabin crew, administrators, assistants and passenger service

at the airports, while men dominate in the areas of pilots, technicians, aircraft maintenance, loading and unloading of baggage. Women also work more part-time than men.

Of the company's pilots, 95% are men, and among captains, the share is 97%. At the same time, the recruitment base for female pilots is small, since few opt for the profession. SAS has also not recruited pilots during the past ten years. When it comes to cabin crew, 79% are women.

Top management in the Group is dominated by men. Since February 2010, Group Management for SAS has consisted of one woman and five men. The figure for the Top100 management forum is approximately 23% women.

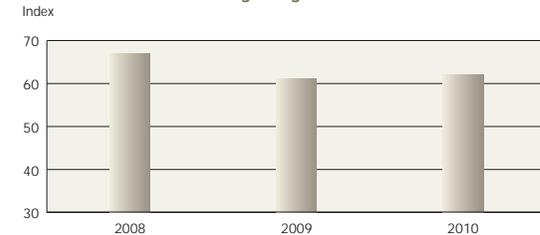
Each year, equal treatment plans are drawn up based on analysis and surveys of a number of factors, ranging from sick leave to bullying and harassment. A reference group representing the parties provides support. See Diversity policy  p. 134.

Employee surveys

PULS, SAS's annual employee survey, was conducted at the end of the year. The response rate was 76%, which, together with 2008 and 2009 is the highest response frequency ever. Nearly 13,000 employees responded to the questionnaires that were sent out.

The result of the survey shows that job satisfaction at SAS is rising at 62 (61) following an index drop by 6 percentage points in 2009. Measures were taken at all levels in the Group to create action plans and activities that have together contributed to increase job satisfaction except Blue1, which had a lower result in 2010. Of all the operations, Widerøe has the highest job satisfaction. The survey generally indicates a continued strong commitment, as loyalty and motivation are high among employees in SAS. Great focus is now placed on improving job satisfaction through a number of specific activities that are based on the action plans drawn

Result in total index PULS regarding "Job satisfaction"



up after each function or department has analyzed its results.

Approximately 73 percent of SAS's employees replied that they have had performance reviews during the past 12 months.

Human resource development

SAS has approximately 1,000 managers on different levels in the Group. More than half of the managers are located in operations with direct customer contact such as sales, airport services and onboard service. The managers' skills development is based and evaluated on SAS's role model for leadership. A systematic survey is continuously ongoing in the whole Group, of existing managers as well as to identify persons who may meet the need for managers in the slightly longer term. The aim is for all potential managers to have an individualized development program. The manager process is based on the "role model", which reflects general personal attributes as well as SAS's business objectives. Evaluation focuses on the individual's performance, ability to change, leadership, potential and ambition.

Human resources development is an important, ongoing activity in the entire SAS Group. Flight staff and operational ground staff are covered by a number of license and competency requirements from EU-OPS and the IATA through the IOSA (IATA Operational Safety Audit). The mandatory training programs were carried out according to plan for different personnel groups for hazardous goods, passengers' rights, IT security and food safety, etc.

Training in the Code of Conduct and SAS's environmental efforts is continuous. During the year, 71% of SAS's employees have conducted e-learning in Code of Conduct and 31% have conducted e-learning in SAS's environmental work.

SAS's employees had access to nearly 110 different web-based courses during the year. Within SAS, virtually all employees are involved in e-learning, both flight personnel and ground employees.

Contract negotiations and disputes

2010 was marked by a stable dialog between SAS's management and the labor union organizations about outsourcing and redundancy as a result of the Core SAS strategy and agreement changes regarding personnel at SAS.

SAS was involved in four conflicts during the year. Three of these were linked to three different collective agreement negotiations regarding national agreements for Swedish technicians, Finnish technicians and Finnish cabin crew. In the fourth conflict, Scandinavian Airlines' Swedish pilots were drawn into a sympathy

strike linked to collective agreement negotiations with pilots in Swedish regional airlines.

During the year, and based on historic disputes, SAS has been involved in disputes relating to sustainability, including pertaining to fines related to the airfreight investigation. In light of the fact that SAS is a publicly traded Swedish limited company, all legal disputes of material importance are reported in the statutory Report of the Board of Directors [▶ pp.64–65](#).

Humanitarian work

SAS has an agreement with the Swedish government in the case of an emergency, to make available two specially equipped Boeing 737s as air ambulances within the framework of the Swedish National Air Medevac (SNAM). A training exercise with SNAM was conducted in November during an Armed Forces exercise and SAS supported evacuation of injured soldiers from Ronneby to Arlanda in a remodeled Boeing 737-800.

A corresponding agreement exists with the Norwegian Defense which implies that within 24 hours, SAS must make available a remodeled ambulance service 737-700 for medical evacuation along the same principle as with SNAM. Maintenance and development of the concept is conducted in collaboration between the Swedish Transport Agency, The National Board of Health and Welfare, Västernorrland County Council and SAS. In Norway, collaboration is conducted between the Armed Forces and SAS.

SAS's personnel participated in a number of fundraisers for Save the Children. SAS is one of the main sponsors of the organization. In Norway, a decision was also taken to donate the proceedings from the collection of recyclable cans to Save the Children.

As in earlier years, Widerøe's employees and Widerøe together organized a trip for children with cancer to Copenhagen and Norrlöping.

All parts of SAS have had varying degrees of contact with schools and universities and participated in a dialog about flight and its environmental impact.

ISO 26000

SAS has carefully followed the development of the new standard with regard to social responsibility, ISO 26000. It is now published and SAS intends to evaluate its content during 2011 and assess the possibility of applying it to operations.



The interior of a Boeing 737-800 remodeled to enable advanced and simpler air ambulance transportation within the framework of SNAM.



Christmas flight to children in Tallinn

For 25 years, SAS Norway has sent a Christmas flight to different destinations in Eastern Europe. In the most recent years, the relief supply has gone to the district of Kopli in Tallinn, Estonia. In 2010 as well, SAS filled an aircraft with gifts for the inhabitants of Kopli. The Christmas flight is a relief action organized by SAS's employees, who work together with other volunteers all year to collect goods and contributions from different companies and private individuals. The airline makes an aircraft available, while a majority of the gifts are shipped by truck.

Financial responsibility

SAS is convinced that it is impossible to have economically sustainable operations in the long term without being socially and environmentally responsible. The connection between sustainable development and the bottom line is obvious to SAS.

An analysis of the SAS Group's statement of income reveals that major portions of revenue and expenses, and essential industry-specific earnings measurements are items relevant from an environmental and/or social perspective. In short, the highest possible financial return is generated by the best possible resource utilization and management of the company's assets, both human and financial.

Optimal resource utilization means flying fuel-efficiently and making the most of capacity for carrying passengers and freight. Lower fuel consumption leads to lower fuel costs and at the same time reduces the charges the SAS Group pays for CO₂ emis-

sions. The same applies to all other activities that, in addition to environmental considerations, have strong financial incentives to reduce consumption of energy and other resources. One way to look after the company's assets is to have positive and improving relations with employees and in a responsible fashion ensure maintenance of aircraft and other plant and equipment. Conversely, long-term sustainable profitability and growth are essential for being able to meet and preferably surpass environmental standards and demands for social responsibility and for ethical conduct placed on SAS. If the financial resources are lacking for long-term investment and maintaining extensive sustainability work, progress in these areas will not be realized.

SAS aims to show clearly how its strategic sustainability work helps to create long-term value. This means that the ability to work to improve SAS's environmental performance and to communicate this work has a direct positive impact on the Group's earnings. The ability of the SAS Group to increase its revenues relies on the ability to retain current customers as well as attract new ones.

One of the aims of systematic and proactive sustainability work is to prevent or at least reduce the risk of being surprised by new and tougher government and market demands. This is crucial, in view of the fact that bad press and direct costs in the form of fines and civil damages can also result in indirect costs owing to a tarnished brand and poor market image. The ultimate consequence may then be that customers abandon SAS for other operators.

Goals and goal attainment

Scandinavian Airlines has an ambitious fuel-saving program. The goal for the program, launched in 2005, is a fuel efficiency enhancement of 6-7% by 2011 compared with the period June 2005 to July 2006. At year-end, improvement of 4.6% had been attained since the introduction of the program. The fuel-saving program is presented in more detail on page 121.

SAS Group's financial goals and results  see pp. 4-5 in the Annual Report

Financial aspects of environmental responsibility

SAS's environmental work has several overriding purposes: Besides making resource use more efficient and improving environmental performance, it includes ensuring that the Group's operations comply with environmental laws and regulations. Below is an account of some of the most important financial aspects of environmental work.

Infrastructure charges and security costs

Air transport pays the costs for the infrastructure it needs and uses to conduct flights, i.e., airports and air traffic control. For 2010, these declined by just over 3% to MSEK 7,210. Correspondingly way, the SAS Group also pays MSEK 1,309 in safety expenses, which for most other modes of transportation are financed by taxes.

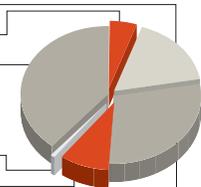
Environment-related costs

The SAS Group's external environment-related costs declined by 2% to MSEK 356 during 2010. These costs consisted of environment-related taxes and charges that are often linked with the aircrafts' environmental performance and are part of the landing fee. The costs are declining in spite of the fact that the number of passengers has increased. Other environment-related costs such as costs for waste management, purification plants and the costs for environmental staff amounted to MSEK 50.1 (38.4). The increase is primarily a result of higher costs for waste and glycol management.

The SAS Group has no known major environment-related debts or contingent liabilities, for example in the form of contaminated soil.

Breakdown of costs in 2010

Jet fuel	16%
Leasing costs	5%
Payroll expenses	33%
External environmental costs	1%
Government user fees	10%
Other	35%



Environment-related investment

The investment made by the SAS Group in accordance with the Group's policies shall be both environmentally and economically sound, thus contributing to the Group's value growth and helping to ensure that the Group can meet adopted future environmental standards. It should be noted that investment not emphasized in this section may also have a positive impact on the environment. Investment that can clearly be linked to structured environmental work is disclosed in this section.

Investments in 2010 totaled MSEK 2,493 (4,661), of which MSEK 10.9 (16.5) consisted of environment-related investments primarily in the form of winglets for a delivered Boeing 737NG and the replacement of diesel-run tractors with electric ones at SGH.

Scandinavian Airlines has an ongoing engine-upgrade program within the framework of the regular technical maintenance on the majority of the Boeing 737NG fleet. In practice, this means that the engines have been upgraded to the latest version, so-called Tech Insert. To date, approximately half of the fleet's engines in the Boeing 737NGs delivered before 2006 have been upgraded and are thereby approximately 3% more fuel efficient than the engine with which the aircraft was delivered. Aircraft delivered after 2007 are already equipped with Tech Insert.

Research and development (R&D)

SAS contributes in many ways to the emergence of a sustainable society. Among them are the Group's commitment to and support of the development and dissemination of green technologies such as bio-based jet fuel and environmentally adapted flights. In 2010, SAS was involved in the Sustainable Aviation Fuel User Group whose goal is to hasten the development, certification and commercial use of environmentally and socially sustainable aviation fuel. SAS also cooperates with the Scandinavian suppliers of air traffic control for the purpose of speeding up the development of a more efficient use of air space.

The SAS Group engages in – and to a certain degree pays for – technology development benefiting the entire industry. The Group and its airlines also play a leading role internationally in drafting environment-related norms and standards for air trans-

port. SAS is represented on a number of committees, projects and working groups related to the environment and corporate social responsibility in such bodies as IATA, ICAO, AEA, N-ALM and SESAR JU.

Financial aspects of social responsibility

SAS's first social responsibility is to its own employees and the communities dependent and affected by SAS's operations. For employees this includes issues concerning human resources development, pay and work environment. In addition, the Group is to contribute to social progress wherever it operates and be a respected corporate citizen.

Air transport helps improve labor market conditions in rural areas in the Scandinavian countries and makes business travel easier in Europe and to other continents. Given increasing globalization, airlines facilitate business and other contact opportunities where efficient transportation to, from and within the countries is more or less a prerequisite for economic development and progress. The airlines also contribute expertise and transfers of technology and make necessary investment in infrastructure.

SAS's contribution to the economy

SAS's airline operations are powerful engines of job creation. According to the report "Civil Aviation in Scandinavia – value and importance" from 2004, each employee in SAS's airline operations generates approximately one more job opportunity in other industries and companies indirectly creating employment for many in the Scandinavian countries.

In 2010, the SAS Group paid wages and salaries totaling MSEK 12,634 (17,225), of which social security expenses were MSEK 1,644 (1,943) and pensions MSEK 1,604 (2,687).

SAS endeavors to achieve market pay to all employee groups.

Courses and training

To retain and develop employee skills, extensive training programs are carried out each year. During 2010, SAS's employees attended an estimated 468,000 hours of training, of which the major part pertains to obligatory training. A growing share of

SAS's training takes place through web-based courses, or e-learning. E-learning cannot always replace classroom instruction, but thanks to its greater flexibility and availability, more courses can be offered at a lower cost.

Costs of sick leave and accidents

Sick leave and occupational injuries constitute a large expense for the individual employee and the employer, as well as for society at large. Sick leave is affected by a number of factors such as risk of infection and accidents as well as physically and mentally stressful working environments. The SAS Group's companies employ various methods to prevent short-term as well as long-term sick leave.

SAS's own calculation of costs for sick leave at Scandinavian Airlines is just under MSEK 290. The calculation is made possible by the reporting system for sick leave that was introduced in 2010 and differs from earlier years' estimates of social costs for sick leave.

Sustainability-related charges, costs and investments

MSEK	2010	2009	2008
Infrastructure			
Infrastructure charges	7,210	7,466	7,680
Security costs	1,309	1,373	1,372
Environmental costs*			
External environment-related costs of which environment-related charges	356	364	451
of which environment-related taxes	66.3	76.2	88.6
Other environment-related costs	289	288	362
	50.1	38.4	33.7
Environment-related investment			
Airline operations	7.0	15.6	16.7
Ground operations	3.9	0.9	0.9
Total	10.9	16.5	17.6
Share of SAS's total investment in %	0.4	0.4	0.4

* Environmental costs have been adjusted to reflect the changed Group structure.

SAS's sustainability-related policies

SAS's values – consideration, reliability, value creation and openness – constitute the basis for the Group's sustainability work. In the Corporate Manual, SAS's organization, corporate form and the comprehensive policies, which together govern the Group's sustainability work and operation in general, are described.

Sustainability policy

To contribute to sustainable development, SAS employees must, in their day-to-day work, take the Group's financial performance into account as well as its environmental and social impacts on the community.

For SAS, sustainable development means a simultaneous focus on financial growth, environmental improvements and social responsibility. The Group's task, based on its core values, is to create long-term growth in shareholder value. This requires integrating environmental and social responsibility into business activities. Maintaining and developing human resources is vital for the Group to reach its goals.

Environmental Policy

SAS will contribute to sustainable development by optimizing resource use and minimizing its environmental impact in all its operations.

SAS's environmental goals are based on constant improvement and on each subsidiary setting specific targets and working to reach them.

SAS will seek to use renewable energy.

SAS will have an environmental program as good as or better than leading industry competitors' that attracts customers and capital.

SAS's environmental goals and activities are to be coordinated and harmonized with other production, quality and financial targets and will comply with applicable legislation and other requirements.

Work Environment Policy

SAS values an active leadership that:

- Creates a work environment that supports the SAS Group's strategies as well as the rules and regulations in each country.
- Plans work in a way that considers organizational needs but also enables employees to be actively involved, in the work and socially.
- Ensures SAS's position as a good role model within the work environment area.

In order to achieve this it is the responsibility of the management to ensure that:

- Goals and preventive plans for working environment are a natural part of the ongoing business planning within each company.
- Leaders and employees at all levels and in all units are actively involved in work environment matters.
- Annual work environment studies are carried out.

Diversity Policy

SAS bases all external recruitment, internal recruitment, promotion, skills development and other contacts between company and employee on the concept of the equality of all persons. All employees and job applicants shall be treated in a proper and impartial manner, where work competence and conformity with the safety and security requirements of the SAS Group are of primary importance. All employees and applicants for vacant positions also have the right to be treated on an impartial and formal basis and not on the basis of what, on proper or improper grounds, might be thought of as characteristic for the gender or group to which he or she belongs. All employees are responsible for behaving and acting in the workplace in a manner that is in accordance with the values expressed by this policy.

Action plans

To achieve diversity in the long term, without compromising competence, qualifications and security, within the various business operations of the Group and at various job levels within these operations, the respective business unit shall prepare an annual action plan for certain prioritized activities with the purpose of increasing diversity.

Sustainability-related part of Purchasing Policy

In choosing suppliers, the value of long-term and continuous access to the best product/service at the lowest total life cycle cost must be taken into account.

As set forth in SAS Group Code of Conduct, SAS Group has committed to social issues and by joining the UN Global Compact, the SAS Group has pledged in all activities to defend and promote human rights and to combat corruption, discrimination and all forms of forced labor. It is essential that the same requirements are undertaken also by SAS suppliers.

Moreover, as also set forth in SAS Group Code of Conduct, SAS Group aims to be leaders in sustainable development efforts in the airline industry and thereby contributing to sustainable society development. Hence, SAS Group's primary focus is to create responsible and sustainable traffic growth while reducing its environmental impact and optimizing resource management by reducing emissions, reducing consumption of energy and water, reducing noise and treating waste as a resource, among other measures.

In view hereof, suppliers shall be able to demonstrate environmental management according to ISO 14001 or equivalent or as a minimum be able to document an environmental program or system.

All purchasing agreements must be signed by two duly competent persons.

Each purchasing activity must be satisfactorily documented from specifications up to a signed agreement.

This is in order to permit subsequent review and to guarantee the availability of documentation in the event of any claim and/or legal dispute.

Any agreement at variance from SAS General Terms & Conditions must be approved by SAS Corporate Legal Affairs before being concluded.

Contracts must be filed in accordance with the applicable filing rules.

All purchasing activities must be conducted in a professional manner, demonstrating sound ethics, high moral standards and in accordance with applicable legislation.

All information concerning purchasing, potential tenderers or suppliers must be held confidential in the interests of competition.

Entertainment may not be accepted except to the extent it is clearly motivated and modest in scale.

Auditor's Review Report on the SAS Group's Sustainability Report

To the readers of the SAS Group's Sustainability Report

Introduction

We have been engaged by the Executive Management of the SAS Group to review the SAS Group's Sustainability Report for the year 2010. The Sustainability Report includes the SAS Group's Annual Report and Sustainability Report 2010, pages 113-135, as well as accounting principles and GRI cross reference list presented on SAS group's website (www.sasgroup.net under "Sustainability"). The Executive Management is responsible for ongoing activities regarding the environment, health & safety, quality, social responsibility and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with the applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

The Scope of the Review

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by Far. A review consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review are based are the parts of the Sustainability Reporting Guidelines G3, published by The Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed and disclosed. These criteria are presented on SAS Group's website (www.sasgroup.net under "Sustainability"). We consider these criteria suitable for the preparation of the Sustainability Report.

Our review has, based on an assessment of materiality and risk, e.g. included the following procedures:

- a. an update of our knowledge and understanding of the SAS Group's organization and activities,
- b. an assessment of suitability and application of the criteria regarding the stakeholders' need for information,
- c. an assessment of the outcome of the Company's stakeholder dialogue,
- d. interviews with the responsible management, at group level, subsidiary level, and at selected business units in order to assess if the qualitative and quantitative information stated in the Sustainability Report is complete, accurate and sufficient,
- e. shared internal and external documents in order to assess if the information stated in the Sustainability Report is complete, accurate and sufficient,
- f. an evaluation of the design of the systems and processes used to obtain, manage and validate sustainability information,
- g. an evaluation of the model used to calculate carbon dioxide, nitrogen oxides and noise emissions,
- h. analytical procedures of the information stated in the Sustainability Report,
- i. a reconciliation of financial information with the Company's Annual Report for the financial year 2010,
- j. an assessment of the Company's declared application level according to GRI guidelines,
- k. an assessment of the overall impression of the Sustainability Report, and its format, taking into consideration the consistency of the stated information with applicable criteria,
- l. a reconciliation of the reviewed information with the sustainability information in the Company's Annual Report for the financial year 2010,

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in the SAS Group's Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm, March 17, 2011

Deloitte AB

Elisabeth Werneman
Authorized Public Accountant

Torbjörn Westman
Expert member FAR SRS

About the SAS Sustainability Report 2010

The SAS Group Sustainability Report 2010 describes the most essential environmental and societal aspects impacted by its operations. It reports what is felt, after continuous dialog, to be of interest to its main target groups: financial analysts, customers, suppliers, employees, authorities, policymakers and shareholders.

SAS Group has self-declared the SAS Group Annual Report and Sustainability Report 2010 to be Application Level A+, in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines version 3.0. Deloitte AB has reviewed the SAS Group's Sustainability Report 2010 and has confirmed it to be Application Level A+.

Accounting principles

The SAS Sustainability Report has been prepared on the basis of the SAS Group's accounting principles for sustainability reporting. They are based in part on Deloitte's "Checklist for preparing and evaluating information about the environment, ethics, corporate social responsibility and corporate governance," 2008 edition. In preparing the Sustainability Report, the SAS Group has followed the GRI Sustainability Reporting Guidelines, version 3.0 and all key principles of the UN Global Compact.

- The Sustainability Report comprises all sustainability information in the SAS Group Annual Report & Sustainability Report 2010, as well as accounting principles and GRI cross references. In addition to the Sustainability Report, "More EMAS" provides more detailed information regarding the SAS Group's environmental impact. See www.sasgroup.net under the heading Sustainability.
- The main principle for sustainability reporting is that all units and companies owned by the SAS Group are to be accounted for. This means that sustainability-related data for divested companies owned by the Group during 2010 will be reported wherever possible.
- Material departures from GRI Sustainability Reporting Guidelines, version 3.0, are commented on in the SAS Group's accounting principles for sustainability reporting or in GRI cross-references on SAS's website. Cross-references also include the tables "GRI Application Levels."
- For financially related information in the Sustainability Report, we are aiming for the same accounting policies as in the financial portion of the Annual Report. In cases where other principles are applied, this is commented on in the SAS Group's accounting principles for sustainability reporting.
- Uniform environmental and social indicators are aimed for Group-wide. Aside from primarily national discrepancies regarding social data without material importance for the information reported, all operations in the Group were able to report in accordance with these definitions for 2010.

The Sustainability Report was approved by SAS Group Management in February 2010. The SAS Group Board of Directors submitted the annual report in March 2011, and was informed of the sustainability report at the same time. SAS Group Management is responsible for organizing and integrating sustainability work with the operations of the Group. SAS Group Annual Report and Sustainability Report 2009 was published in March 2010.

External review

Material sustainability information

All material sustainability information in the Annual and Sustainability Reports for 2010 has been reviewed by Deloitte. The Auditor's review of sustainability report can be found on this page.

EMAS

This published report has been EMAS-verified by Bureau Veritas, EMAS verification and registration will be issued when all underlying data for each business area mentioned in this report has been verified. The review was conducted as part of the periodic assessment of the overall ISO 14001 and EMAS environmental certification. Bureau Veritas, accreditation number DANAK 6002.

EU-ETS

External auditors have verified systems and reports regarding the EU trading scheme for emission allowances. PricewaterhouseCoopers for SAS and Widerøe, and Bureau Veritas for Blue1.

Contact

For further information and views on the SAS Group's sustainability work, contact Lars Andersen Resare, Director for Environment and Sustainability: lars.andersen@sas.se

Definitions & concepts

A

Adjusted capital employed (AV Asset value) → Total shareholders' equity, plus surplus value in the aircraft fleet, plus 7 times the annual cost of operating aircraft leasing, net, plus financial net debt, less equity in affiliated companies

Adjusted debt/equity ratio → Financial net debt plus capitalized leasing costs (x7) in relation to equity and non-controlling interests.

Adjusted equity assets ratio → Equity divided by total assets plus seven times annual operating leasing cost.

AEA → The Association of European Airlines.

Affiliated company → Company where the SAS Group's holding amounts to at least 20% and at the most 50%.

AOC → Air Operator Certificate.

ASK, Available seat kilometers → The total number of seats available for passengers multiplied by the number of kilometers which they are flown.

ATK, Available tonne kilometers → The total number of tonnes of capacity available for the transportation of passengers, freight and mail multiplied by the number of kilometers which this capacity is flown.

Available seat kilometers → See ASK.

Available tonne kilometers → See ATK.

B

Block hours → Refers to the time the aircraft leaves the departure gate until it arrives at the destination gate.

Book equity → Total shareholders' capital attributable to Parent Company shareholders excluding non-controlling interests.

C

CAPEX (Capital Expenditure) → Future payments for aircraft on firm order.

Capital employed → Total capital according to the balance sheet less non-interest-bearing liabilities.

Capital employed, market adjusted → See adjusted capital employed (AV).

Capitalized leasing costs (x 7) → The annual cost of operating leases for aircraft multiplied by seven.

Cash flow from operations → Cash flow from operating activities before changes in working capital.

CFROI → Adjusted EBITDAR in relation to AV.

Code-share → When one or more airlines' flight number is stated in the timetable for a flight, while only one of the airlines operates the flight.

CSI → Customer Satisfaction Index measures how customers perceive SAS's services.

D

Debt/equity ratio → Financial net debt in relation to shareholders' equity and non-controlling interests.

Dividend yield, average price → Dividend as a percentage of the average share price during the year.

E

Earnings per share (EPS) → Income after tax divided by the total number of shares.

EASA → European Aviation Security Agency.

EBIT (including capital gains) → Operating income.

EBITDA margin → EBITDA divided by revenue.

EBITDA, Operating income before depreciation → Income before net financial items, tax, depreciation, share of income in affiliated companies and income from the sale of fixed assets.

EBITDAR margin → EBITDAR divided by revenue.

EBITDAR, Operating income before depreciation and leasing costs → Operating income before net financial items, tax, depreciation, share of income in affiliated companies, income from the sale of fixed assets and leasing costs for aircraft.

EBT → Income before tax.

EEA → European Economic Area

Equity method → Shares in affiliated companies are taken up at the SAS Group's share of equity, taking acquired surplus and deficit values into account.

Equity per share → Book equity divided by the total number of shares.

Equity/assets ratio → Book equity plus non-controlling interests in relation to total assets.

EV, Enterprise value → Market capitalization (market value of shareholders' equity) plus net debt and 7 times the net annual cost of operating leases for aircraft.

F

Finance leasing → Based on a leasing contract where the risks and rewards of ownership of the asset remain with the lessee. The asset is reported as a fixed asset in the balance sheet because the lessee has an obligation to purchase the asset at the end of the lease. The commitment to pay future leasing charges is entered as a liability.

Financial net debt → Interest-bearing liabilities less interest-bearing assets excluding net pension funds.

Financial net debt, market adjusted (x 7) → Financial net debt plus capitalized leasing costs, multiplied by seven.

Financial net debt, market adjusted, NPV → Financial net debt plus present value of leasing costs for aircraft, NPV.

FTE → Full-time equivalent.

G

Gross profit margin → Operating income before depreciation (EBITDA) in relation to revenue.

I

IATA → International Air Transport Association. A global association of more than 200 airlines.

ICAO → International Civil Aviation Organization. The United Nations' specialized agency for international civil aviation.

Interest coverage ratio → Operating income plus financial income in relation to financial expenses.

Interline revenues → Ticket settlement between airlines.

IPCC → Intergovernmental Panel on Climate Change, scientific panel appointed by the United Nations Environmental Program, UNEP, and the World Meteorological Association, WMO, to assess what is happening to the global climate and the impact of climatic disturbances.

IRR → Internal Rate of Return- discount rate where the present value of a project's cash flow, from investment to sales, is equal to zero.

J

JAA → Joint Aviation Authorities.

L

LCC → Low Cost Carrier.

M

Market capitalization → Share price multiplied by the number of outstanding shares.

N

n.a. → Not available (data missing).

Net debt → Interest-bearing liabilities less interest-bearing assets.

NPV, Net present value → Used to calculate capitalized future costs of operating leases for aircraft, for example.

O

Operating leasing → Based on a leasing contract in which the risks and rewards of ownership remain with the lessor and is equivalent to renting. The leasing charges are expensed on a current basis in the statement of income.

P

P/CE ratio → Average share price divided by cash flow per share after paid tax.

P/E ratio → Average share price divided by earnings per share after standard tax.

Passenger load factor → RPK divided by ASK. Describes the capacity utilization of available seats. Also called occupancy rate.

R

RASK → Total traffic revenue/ Total ASK (scheduled+charter).

Regularity → The percentage of flights completed in relation to flights scheduled.

Return on book equity after tax → Net income for the period attributed to shareholders in the Parent Company in relation to average shareholders' equity excluding non-controlling interests.

Return on capital employed (ROCE), % → Operating income plus financial income in relation to average capital employed. Capital employed refers to total capital according to the balance sheet less non-interest-bearing liabilities.

Revenue passenger kilometers (RPK) → See RPK.

Revenue tonne kilometers (RTK) → See RTK.

RPK, Revenue passenger kilometers → Number of paying passengers multiplied by the distance they are flown in kilometers.

RTK, Revenue tonne kilometers → The number of tonnes of paid traffic (passengers, freight and mail) multiplied by the distance this traffic is flown in kilometers.

S

Sale and leaseback → Sale of an asset (aircraft, building, etc.) that is then leased back.

T

Total load factor → RTK divided by ATK.

Total return → The sum of change in share price including dividends.

U

Unit cost, operational → The airline's operational operating costs adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).

Unit cost, total → The airline's total operating costs including aircraft leasing and depreciation adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).

Unit revenue (yield) → Passenger revenue per RPK.

W

WACC, Weighted average cost of capital → Average cost of liabilities, shareholders' equity and operating leases for aircraft. The sources of funds are calculated and weighted in accordance with the current market value of shareholders' equity and liabilities and the capitalized present value of operating lease costs for aircraft.

Wet lease agreement → Leasing in of aircraft including crew.

Y

Yield → See Unit revenue.

Sustainability-definitions & concepts

A

ACARE → Advisory Council for Aeronautics Research in -Europe. An organization consisting of representation from the European Member States, the Commission, representation from the aeronautics industry and the European research establishments and academia. The aim of the organization is to establish and carry forward a Strategic Research Agenda (SRA). This agenda aims to influence the European aeronautic stakeholders in the planning of research programmes. www.acare4europe.org

Acetate → Acetic acid (CH_3COOH). Used by airport operators to deice takeoff and landing strips.

B

Biofuels → Solid or liquid fuels derived from organic matter (biomass), primarily in the form of plants. The biofuels are considered to be "CO₂ neutral" as burning the fuels releases carbon dioxide; but growing the plants absorbs a comparable amount of the gas from the atmosphere. Burning fossil fuels on the other hand adds to the carbon dioxide level in the atmosphere.

C

CAEP → Committee on Aviation Environmental Protection, technical committee of the ICAO (see definition) charged with developing and establishing rules and recommending measures to reduce the environmental impact of aviation.

Carbon dioxide → (CO₂) A colorless gas that is formed in combustion of all fossil fuels. The airline industry's CO₂-emissions are being reduced through a changeover to more fuel-efficient aircraft, something that is also desirable from a financial standpoint since lower fuel consumption automatically means lower costs.

Carbon monoxide → (CO) A toxic and combustible gas formed by incomplete burning of substances containing carbon, e.g. fossil fuels.

Certification requirements → The ICAO's minimum requirements for certification of aircraft types, such as limits for noise and emissions of carbon dioxide, nitrogen oxides and hydrocarbons (see Chapter 2, 3).

CFCs → Chlorofluorocarbons, certain halogenated hydrocarbons, best known under the trademark Freon.

Clean Sky → A research project, built on a joint commitment between the EU and aeronautics industry, aiming to find environmentally friendly solutions and make air travel more sustainable. www.cleansky.eu

CO₂ → Carbon dioxide (see definition).

Code of Conduct → Business ethics rules and guidelines.

D

dB → Decibel, a logarithmic unit of measurement that expresses the magnitude of a physical quantity relative to a specified or implied reference level. (See also EPNdB)

E

Ecoefficiency → A term launched primarily by the environmentally-oriented business organization WBCSD. Ecoefficiency is defined as a tool that companies can use to measure their environmental performance relative to how market demands are met and the company's financial performance is improved. The goal of ecoefficiency is to generate qualitative growth where value is created instead of transforming unnecessary volumes of material and energy into waste.

EMAS → EU Eco Management and Audit Scheme. EMAS is based on ISO 14001. Two of its requirements are publication of an environmental audit and employee involvement.

F

Fossil fuels → Fuels consisting of organic carbon and hydrogen compounds in sediment or underground deposits – especially coal, oil and natural gas.

G

Germicides → Chemicals used to kill or prevent the growth of harmful microorganisms such as bacteria, virus or fungus. Added to the sanitizing liquid in aircraft lavatories reduce the risk of infection.

Global Compact → A challenge from the former UN Secretary General Kofi Annan to business and industry to live up to ten principles of human rights, employee rights, the environment and anti-corruption, as formulated by the UN. www.unglobalcompact.org

Glycol → An alcohol that is sprayed on the aircraft in cold weather to prevent ice formation. Today, a non-toxic propylene glycol is used. Some 80% of the glycol runs off the aircraft when applied, and seeps into the ground unless collected. A further 15% is emitted into the air is thus dispersed in the vicinity of the airport. The airports are responsible for collecting the glycol runoff for reuse.

GRI → Global Reporting Initiative. An organization aiming to provide companies and organizations with a global sustainability reporting framework and thereby facilitate comparisons between companies from a social, environmental and economical perspective. www.globalreporting.org

Green Approach → In a Green Approach, the approach begins from the Top of Descent (ToD) using a Continuous Descent Approach (CDA) with minimum thrust.

Greenhouse effect → Carbon dioxide and other gases trap and reradiate incoming solar radiation that would otherwise be reflected back into space. The problem is that emissions of greenhouse gases have increased. Most scientists agree that heavy human use of fossil fuels is causing global warming. Carbon dioxide is formed in combustion of all fossil fuels, but burning of biofuels only emits an amount of carbon equal to that absorbed during growth, producing no net emissions. However, use of coal, oil and natural gas produce a net increase, since they release carbon that has been bound in the earth's crust. The freon substitute HFC, methane and nitrous oxide are other powerful greenhouse gases. Other gases that contribute to the greenhouse effect are CFCs (see definition), methane and nitrous oxide.

H

Halons → A collective name for halogenated hydrocarbons and, specifically, a brand name for a fire extinguishing agent. Halons contain bromine, fluorine, iodine or chlorine and among these compounds there are strong contaminants. The atmosphere's ozone layer is depleted by halons and the use of these gases is prohibited. Airline operations have an exemption to use halons since there are no safe alternatives to halons as a fire extinguishant.

HC → Hydrocarbons (see VOCs).

Heavy metals → Certain high density metals, such as cadmium and mercury, that have both acute and chronic toxic effects.

Hydrocarbons → See Volatile organic compounds.

I

ISO 14000 → A series of international environmental standards developed by the International Organization for Standardization. The general guiding principles for ISO 14000 are identical to those in the quality standard ISO 9000. There are several environmental standards in the ISO 14000 family, such as for environmental management systems (ISO 14001), environmental labelling, environmental audits and life cycle analyses.

M

MRV → Monitoring, Reporting and Verification of CO₂ emissions and production in tonne-kilometers in the EU Emissions Trading Scheme.

N

N-ALM → The Nordic Working Group for Environmental Issues in Aviation, composed of civil aviation, environmental and communication authorities and airlines in the Nordic countries.

Nitrogen oxides → (NO_x) Formed in all combustion in aircraft engines since the high temperature and pressure cause the atmospheric nitrogen and oxygen to react with each other, mainly during takeoff and ascent when the engine temperature is at a maximum. With effect from 1996 the ICAO has tightened the requirements for nitrogen oxide emissions, and these are expected to be made even stricter. New engines with double annular combustors (DAC), for example, reduce emissions by up to 40% compared with the previous generation of engines. (See also Acidification and Ozone layer.)

Noise → Environmentally detrimental, undesirable sounds. The environmental impact of air traffic in the form of noise is primarily of a local nature. Noise is normally described and measured in dB(A), an A-weighted sound level. (See also EPNdB, Chapter 2, 3)

NO_x → Nitrogen oxides (see definition).

O

Oil aerosols → Oil emitted from the aircraft engines during operation under high pressure. Upon contact with air they form a fine mist, which is then broken down primarily into carbon dioxide.

P

PULS → The Swedish acronym for SAS's employee surveys, conducted via individual questionnaires.

S

SAFUG → Sustainable Aviation Fuel Users Group. Aviation industry organization focused on accelerating the development and commercialization of sustainable aviation fuels.

SO₂ → Sulfur dioxide (see definition).

SPK → Synthetic Paraffinic Kerosene. Jet fuel refined from vegetable sources such as algae.

Sulfur dioxide → (SO₂) Formed in combustion of fossil fuels. A colorless gas with an acid odor that is toxic when inhaled in large quantities. Aviation fuel contains a minute proportion of sulfur, and, accordingly, causes only minor emissions of this substance. The same applies to the "green" diesel used in ground vehicles. In the airline industry, as in many others, sulfur dioxide emissions come largely from oil-fired heating.

Sustainable development → means that when mankind satisfies its needs to today, it does so without limiting the opportunities for future generations to satisfy theirs.

T

Tonne kilometers → The number of transported metric tonnes of passengers and cargo multiplied by the distance flown.

U

Urea → A urine substance synthetically produced from carbon dioxide and ammonia that is used by airport operators for deicing of runways. Contributes to eutrophication. See also Acetate.

V

VOCs → Volatile Organic Compounds, Emitted during incomplete combustion of fossil fuels – in aviation mainly when the engine is run at low speed and the temperature in the combustion chamber is low. This category also includes all types of solvents that evaporate from detergents and paints, among other things. With effect from April 1, 2002, only aircraft with low VOC emissions will be permitted in the EU.

Volatile organic compounds → See VOCs.

W

Weighted landings → A term used to express the work input per departure, depending on the aircraft type and route sector. Based on SAS's most common aircraft type (MD-81), which has been assigned a weighted landing value of 1.0. A smaller aircraft that requires a lower work input will have a lower value and a larger aircraft will have a higher weighted landing value.

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