



CORPORATE GOVERNANCE REPORT

Corporate governance

Corporate Governance Report

SAS AB is the Parent Company of the SAS Group and a Swedish public limited company headquartered in Stockholm, Sweden. Since July 2001, SAS AB has been listed on the NASDAQ OMX Stockholm with secondary listings in Copenhagen and Oslo. In 2005, the Stockholm Stock Exchange introduced the Swedish Code of Corporate Governance (the Code) as part of the listing agreement. Since then, SAS AB has complied with the Code in its various versions. The objective of corporate governance is to provide SAS with effective management and control of its operations in combination with adequate transparency, clarity and proper business ethics.

This report constitutes the SAS Group's corporate governance report for the 2011 fiscal year and has been prepared pursuant to the Swedish Annual Accounts Act and the provisions of the Code based on the revision of the Code issued in February 2010.

No significant changes were made to corporate governance compared with the preceding year. SAS committed no breach of stock-exchange rules or accepted practice in the stock market pursuant to any decisions passed by the Stockholm Stock Exchange Disciplinary Committee or statements by the Swedish Securities Council in 2011.

Legal framework governing the SAS Group

Corporate governance in the SAS Group is based on Swedish legislation, the Articles of Association, the Swedish Code of Corporate Governance (the Code), and the NASDAQ OMX Stockholm rules for issuers, as well as other applicable rules and recommendations issued by relevant Swedish and international organizations.

In accordance with NASDAQ OMX Stockholm rules and regulations the SAS Group has produced an information/investor relations policy to ensure adequate disclosure to the capital market.

Departure from the Code

Since the implementation of the Code, the SAS Group has followed the Code with the exception of the following instance: SAS conducts shareholder's meetings in Swedish, Norwegian and Danish, which departs from clause 1.5.

Reason for the departure: the Articles of Association for SAS AB specify that the language used at shareholders' meetings is to be Swedish, Danish or Norwegian, and, if the Board so decides, other languages as well. The reason all three Scandinavian languages are used at shareholders' meetings is due to the strong Scandinavian nature of the SAS Group with the largest number of shareholders in Denmark, a management and Board comprising citizens of all three Scandinavian countries, and a system for remote attendance of shareholders' meetings from Copenhagen and Oslo. Meeting deliberations in SAS AB are held primarily in Swedish and meeting materials are available in Swedish. In view of the above, the Board believes that any one of the Scandinavian languages may be freely used at shareholders' meetings in the company in view of the similarity of the three Scandinavian languages.

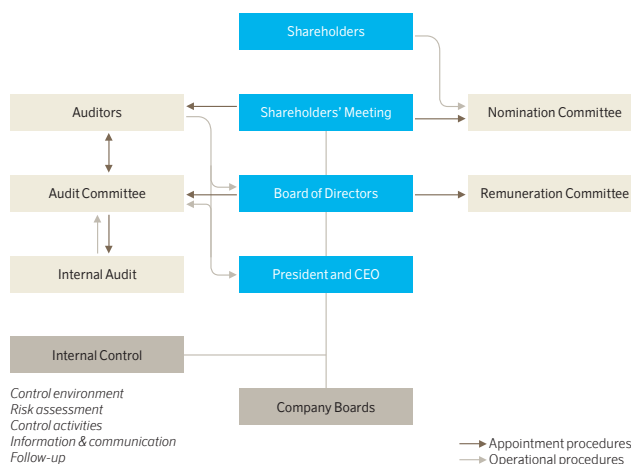
Shareholders' meeting

The shareholders' influence in the company is exercised at the shareholders' meeting, which is the company's highest decision-making body. At the Shareholders' Meeting of SAS AB, one share is equal to one vote with no restrictions on the number of votes any one shareholder is entitled to.

The shareholders' meeting may be held in Stockholm or in Sigtuna. According to a provision in the company's Articles of Association, shareholders may also attend the meeting from locations in Copenhagen and Oslo via telecommunications links. Shareholders attending the meeting from Copenhagen and Oslo have the same rights, including voting rights, as shareholders attending in Stockholm or Sigtuna.

Corporate governance, governance structure

The SAS Group had 69,917 shareholders on December 31, 2011. The major shareholders are the three Scandinavian governments. The largest private shareholders are the Knut and Alice Wallenberg Foundation, Unionen, Danmarks Nationalbank, Avanza Pension and various bank mutual funds.



Meetings in 2011

The Board had 10 recorded meetings and one meeting held by circular letter. The Audit Committee had four recorded meetings and the Remuneration Committee had three recorded meetings. The Nomination Committee had five recorded meetings after the 2011 Annual General Shareholders' Meeting.

Notice convening the Annual General Shareholders' Meeting is issued at the earliest six and latest four weeks prior to the meeting. Notice is published in daily newspapers in Sweden, Denmark and Norway and announced in press releases as well as published on the company's website. The company e-mails notices to shareholders who have requested this service via Shareholder Service on the company website; www.sasgroup.net.

A table of the major shareholders in SAS AB can be found on page 102 of the Annual Report. Three shareholders exist that each represent more than one-tenth of the total number of votes in SAS AB: the Swedish government with 21.4% of the votes, the Danish government with 14.3% and the Norwegian government with 14.3%.

The Articles of Association contain no special provisions regarding the election and discharge of Board members or regarding changes to the Articles of Association. Currently, no authority has been provided by the shareholders' meeting to the Board empowering the Board to issue new shares or buy back treasury shares.

Board of Directors

The Articles of Association stipulate that the Board of Directors consist of six to eight members elected by the shareholders' meeting. During the year, the Board comprised seven duly elected members, no deputies and three employee members, each with two personal deputies. The employee members are appointed by the SAS Group's employee groups in Denmark, Norway and Sweden according in line with governing legislation and special agreements. Deputies attend Board meetings only in the absence of an ordinary member. Except for employee representatives, no Board member is employed by SAS AB or any other company in the SAS Group. By a special Board decision, a representative of the SAS pilots' organization participates

Fees decided at the 2011 Annual General Shareholders' Meeting

Name	Nationality	Independent	Board	Audit Committee	Remuneration Committee	Total, TSEK
Fritz H. Schur	DK	Yes	585		70	655
Jacob Wallenberg	SE	Yes	390		25	415
Dag Mejdell	NO	No ¹⁾	345		25	370
Monica Caneman	SE	Yes	295	45		340
Jens Erik Christensen	DK	Yes	295	45		340
Gry Mølleskog	NO	Yes	295			295
Timo Peltola	FI	Yes	295	95		390
Nicolas Fischer, March 21–September 29	DK	–	123			123
Elisabet Goffeng, from May 1	NO	–	197			197
Ulla Grøntvedt	SV	–	295			295
Anna-Lena Gustafsson, from September 29	SV	–	98			98
Asbjørn Wikestad, until May 1	NO	–	98			98
Carsten Bardrup Nielsen, until March 21	DK	–	73			73
Total			3,384	185	120	3,689

¹ Dag Mejdell is not considered independent in relation to major shareholders (but is independent in relation to SAS and its management).

as an observer to the Board, in addition to the employee representatives.

The elected Board members are appointed for the period until the end of the next Annual General Shareholders' Meeting in compliance with the Code. No regulation exists that limits the period of time a Board member can serve as a member of the Board. The experience of the Board members and their independence in relation to the owners of the company are disclosed on page 96.

The average age of members is 58 years and two of the seven members elected by the shareholders' meeting are women. All members elected by the shareholders' meeting are regarded by the Nomination Committee as being independent of the company and company management, while one member is not regarded as being independent of the company's major shareholders. SAS AB meets the requirements of the Code regarding Board independence vis-à-vis the company, company management, and the company's major shareholders.

The Board's work

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the formal work plan adopted by the Board each year, which regulates the division of the Board's work between the Board and its committees and among the Board, its Chairman and the President. The work plan also contains provisions for meeting the Board's needs for information and financial reporting on an ongoing basis as well as instructions for the President and the company's Board committees.

In 2011, the Board of Directors held ten scheduled meetings and the minutes of one meeting were prepared by circular letter. Senior executives in the company attended Board meetings to make presentations and the General Counsel of the SAS Group served as the Board's secretary. At its meet-

ings, the Board discussed the regular business items presented at the respective meetings including business and market conditions, financial reporting and follow-up, the company's financial position, and investments. The Board also discussed any sustainability-related information of material importance.

Main issues considered at ordinary Board meetings in 2011

Feb. 8	The SAS Group year-end report for 2010 and the decision to phase-out the MD80 and Boeing 737 "classic" fleets.
Mar. 16	SAS's annual report, review of PULS and employee satisfaction as well as flight safety activities.
Apr. 11	Approval of SAS Tax Policy and fleet strategy.
May 9	First quarter report.
Jun. 7–8	Strategy discussion, investment in Airbus 320neo aircraft as well as the internal audit report for 2010 and the audit plan for 2011.
Aug. 16	Second quarter report and follow-up of the strategy process and action plan for Blue1.
Sep. 26	Performance review and plan for the Board's annual evaluation of the Board's work.
Nov. 7	Third quarter report and the auditors' review of the "hard close" as well as evaluation of the Board's work.
Dec. 20	Budget process for 2012, the financial plan for 2012–2013 and the regional partner strategy.

Outcome 2011 recorded fees for employee representative deputies, TSEK

Bo Nilsson	1
Sven Cahier	9
Christian Anderström	8
Tore Hansen	3
Trygve Skogseide	9
Asbjörn Wikestad	6
Nicolas Fischer	5.5
Anna-Lena Gustafsson	6
Bo Nielsen	7
Per Weile	will be paid in 2012

Auditors

Auditors are elected by the Annual General Shareholders' Meeting and tasked with scrutinizing the company's financial reporting and management of the company by the Board and the President. An election was conducted to appoint an auditor at the 2009 Annual General Shareholders' Meeting, whereby Deloitte AB was reelected for the period until the end of the 2013 Annual General Shareholders' Meeting. The principal auditor is Jan Palmqvist (born in 1962), who assumed responsibility for the audit engagement at Deloitte in 2011. In addition to SAS AB, he has audit engagements for AFA Försäkring, Nordisk Renting and Länsförsäkringar Stockholm. On two occasions during 2011, the principal auditor met with the Board, presenting the program for auditing work, reporting observations from the audit of the financial statements, the examination "hard close" of the interim accounts as of September 30 and an evaluation of internal control.

On one occasion during the year, the Board met with the company's auditor without the presence of the President or any other representative of the company management. Deloitte submits an audit report regarding SAS AB, the Group, and an overwhelming majority of the subsidiaries. In the past six years, in addition to its auditing work, Deloitte performed advisory services for SAS Group companies in auditing-related areas for a total invoiced amount of MSEK 107, of which MSEK 10 pertains to 2011. Auditors' fees for work performed are in line with the resolution of the Annual General Shareholders' Meeting. For more information about the auditors' fees in 2011, see Note 39.

President and Group Management

The Board appoints the President of SAS AB, who is also Group CEO. The Board has delegated responsibility for the day-to-day management of company and Group operations to the President. Each year, an instruction defining the division of duties between the Board and the President is determined by the Board who also evaluate the work performed by the President. The Board's instructions to the President contain detailed rules governing the President's authority and obligations. The members of Group Management report to the President.

The President and CEO was John S. Dueholm until January 31, 2011. From February 1, 2011, Rickard Gustafson assumed the position of President. A presentation of the President's background, experience, positions and shareholding is available on page 98.

The President liaises and works closely with the Chairman as well as meets regularly with the Chairman to discuss the Group's activities and performance and to plan Board meetings.

To enable the Board to monitor the Group's financial position on an on-going basis, the President makes monthly reports to the Board. In addition to the President, SAS Group Management comprises five to six members named by the President in consultation with the Board. The composition of Group Management appears on page 98.

Group Management is not a corporate body in the sense of Swedish limited company law and as a collegial management body has no legal liability vis-à-vis the Board and shareholders. Only the President reports to the Board. Group Management normally has recorded meetings every second week. These meetings are chaired by the President, who reaches decisions after consulting with the other members of Group Management.

Group Management's management and control of the Group's subsidiaries are primarily tied to active work on the boards of the respective subsidiaries. The Boards of wholly-owned subsidiaries are often composed of representatives of Group Management and Corporate Functions. In certain larger subsidiaries there are representatives of the employees.

Those of the Group's main business areas that are not themselves a separate legal entity are led by Group Management through the representative for the respective business area. Group Management's management and control of operations are based on a number of guidelines and policies regarding financial management and follow-up, communication issues, human resources, legal issues, the Group's brands, business ethics and environmental matters.

Remuneration policies and other terms of employment for company management

Remuneration policies for company management are to be formulated and presented by the Remuneration Committee to the Board, which submits the proposal to the Annual General Shareholders' Meeting for adoption.

The remuneration policies for 2011 remained unchanged compared with those that applied in 2010. Pursuant to the resolution of the Annual General Shareholders' Meeting no variable remuneration is payable to senior executives and no share-related incentive programs exist in the SAS Group. For 2011, the following guidelines, as adopted by the Annual General Shareholders' Meeting, governing remuneration and other terms of employment for senior executives (Group Management at SAS) have been applied. Agreements concluded previously with some executives that contain partially deviating conditions governing pensions, notice periods and severance pay will be respected until they cease or are renegotiated.

Total remuneration must be market-based and competitive and must be in relation to responsibility and authority. Remuneration consists of fixed salary, other benefits and pension.

Remuneration to senior executives consists of a fixed annual base salary. The fixed salary reflects the position's requirements pertaining to skills, re-

sponsibility, complexity and the manner in which it contributes to achieving the business objectives. The fixed salary also reflects the executive's performance and can therefore be both individual and differentiated. Other benefits, including company car and health insurance, must be market-based and only constitute a limited part of the total remuneration.

Pension benefits are defined-contribution, with premiums not exceeding 35% of the fixed annual salary.

Remuneration of the President is decided within the framework of policies approved by the Board of SAS AB and on the recommendation of the Remuneration Committee established by the Board. Remuneration of other members of Group Management is decided by the President within the framework of approved remuneration policies after consultation with the Remuneration Committee.

The detailed guidelines are available on the company's website. For detailed information about remuneration and benefits paid to the Board, President and senior executives in 2011 see Note 3, page 65.

Board committees and committee work

To streamline and enhance the work of the Board there are two committees, the Remuneration Committee and the Audit Committee, whose members are appointed by the Board. The main duty of the committees is to prepare issues for the Board's decision. These committees do not imply any delegation of the Board's or its members' legal responsibilities. Reports to the Board on issues discussed at committee meetings are either in writing or given orally at the following Board meeting. The work on each committee follows written instructions and a work plan stipulated by the Board. The General Counsel of the SAS Group serves as the secretary to the committees and the minutes of committee meetings is provided to all Board members. Remuneration for work on Board committees is determined by the Annual General Shareholders' Meeting.

Financial reporting

The Audit Committee is responsible for preparing the Board's quality assurance work regarding financial reporting. The Committee performs quality assurance through the discussion of critical auditing issues and the financial reports that the company submits. Issues discussed by the Committee include internal control, compliance, specifically identified focus areas, uncertainty in reported values, events after the closing date, changes in estimates and assessments, financial and legal risks, suspected and verified irregularities, and other matters affecting the company's financial reporting.

The company's external auditor attends all meetings of the audit committee. The Board scrutinizes and approves the company's year-end and interim reports.

Attendance at Board meetings in 2011

	Feb 8	Mar 16	Apr 11	May 4 ¹	May 9	Jun 7-8	Aug 16	Sep 26	Nov 7	Dec 20
Fritz H. Schur, Chairman	●	●	●	●	●	●	●	●	●	●
Jacob Wallenberg, Vice Chairman	●	●	●	○	●	●	●	●	●	●
Monica Caneman, member	●	●	●	●	●	●	●	●	●	●
Jens Erik Christensen, member	●	●	●	●	●	●	●	●	●	●
Dag Mejdell, member	●	●	●	●	●	●	●	●	●	●
Gry Mølleskog, member	●	●	○	●	●	●	●	●	●	○
Timo Peltola, member	●	●	●	●	●	●	●	●	●	●
Ulla Grøntvedt, employee rep.	●	●	●	●	●	●	●	●	●	●
Carsten Bardrup Nielsen, employee rep.	●	●	●	-	-	-	-	-	-	-
Asbjørn Wikestad, employee rep.	●	●	●	-	-	-	-	-	-	-
Nicolas Fischer, employee rep.				●	●	●	●	-	-	-
Anna-Lena Gustafsson, employee rep.				-	-	-	-	●	●	●
Elisabeth Goffeng, employee rep.				●	●	●	●	●	●	●

● Present ○ Absent - Resigned/Not joined

1. The meeting held on May 4 was a statutory meeting. One meeting was held by circular letter in January 2011.

Nomination Committee

The Nomination Committee is the Annual General Shareholders' Meeting's body tasked with preparing the meeting's recommendation for nomination and remuneration issues, and matters of procedure for the next nomination committee. Members of the Nomination Committee, irrespective of how they were appointed, must address the interests of all shareholders.

Nomination committee, five recorded meetings

Marianne Förander, Ministry of Finance, for the Swedish Government, Chairman until January 31, 2012. She is succeeded by Jonas Iversen, Ministry of Finance, for the Swedish Government
 Peter Brixen, Danish Ministry of Finance
 Knut J. Utvik, Norwegian Ministry of Trade and Industry
 Peter Wallenberg Jr, Knut and Alice Wallenberg Foundation
 Karsten Bilttoft, Danmarks Nationalbank
 Anders Rydin, SEB Funds

Motions to be decided by the 2012 Annual General Shareholders' Meeting:

- Chairman of the Meeting
- The number of Board members and the fee to the Board, broken down among the Chairman, Vice Chairman, other Board members and any remuneration for work on Board committees
- Election of Board members and Chairman of the Board
- Audit fee
- Nomination Committee for 2013 Annual General Shareholders' Meeting.

The Nomination Committee evaluates the Board's work, qualifications and composition. The Chairman liaises closely with the Committee, and the result of the evaluation of the Board is made available to the Committee. At least one meeting with the Chairman and Group CEO must be held before the Nomination Committee submits its recommendations to the Annual General Shareholders' Meeting. The Nomination Committee's recommendations will be published in the notice convening the Annual General Shareholders' Meeting, on the company website, and at the Annual General Shareholders' Meeting. Committee members received no fees or other remuneration from SAS for their work on the Nomination Committee. When required, the Nomination Committee utilizes outside advisers and consultants, with the SAS Group defraying the cost.

Remuneration Committee

Remuneration and other terms of employment for senior executives are designed with a view to ensuring the company's access to executives possessing the requisite skills for the company at a cost appropriate for the company and so that they have the intended effects for the company's operations.

Remuneration Committee, three recorded meetings

	<i>Number of meetings attended</i>
Fritz H. Schur (Chairman)	3
Jacob Wallenberg	2
Dag Mejdell	3

The Group's Remuneration Committee complies with the Code's instructions. The Code specifies that members of the Remuneration Committee must be independent of the company or company management. Fritz H. Schur and Jacob Wallenberg are independent in relation to the company, company management, as well as major shareholders. Owing to his position as President and CEO of Posten Norge AS, wholly owned by the Norwegian government, Dag Mejdell is not regarded as independent in relation to major shareholders.

The Committee discussed matters of principle regarding variable remuneration for senior executives and general matters regarding guidelines and policies for compensation to senior executives in SAS as well as approved certain changes in corporate management members' employment terms.

Prior to the 2012 Annual General Shareholders' Meeting, the Committee will prepare the proposal regarding remuneration policies and other terms of employment for company management that, pursuant to the Swedish Companies Act and the Code, the Board later submits to the Annual General Shareholders' Meeting for adoption.

Audit Committee

Without otherwise impacting the responsibilities and obligations of the Board, the Audit Committee is tasked with monitoring the company's financial reporting and, with regard to the financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management functions, following the audit of the annual report and consolidated financial statements, scrutinizing and monitoring the impartiality and independence of the auditor including according particular attention to any non-audit-related assignments provided to the company by the auditor as well as preparing proposals regarding the election of auditors for resolution at general shareholders' meetings.

Audit Committee, four recorded meetings

	<i>Number of meetings attended</i>
Timo Peltola (Chairman)	4
Jens Erik Christensen	4
Monica Caneman	3

All members of the Audit Committee are independent in relation to the SAS Group, the management and the shareholders in line with the Code. Besides the Committee Secretary, the SAS Group CEO and CFO, the company's external auditor, and the head of internal auditing attend meetings of the Committee. The Committee also scrutinizes the auditors' independence vis-à-vis the company, including the extent of the auditor's non-audit-related assignments for the company.

In 2011, in addition to the yearly recurring business regarding quality assurance of financial reporting, detailed review of the year-end financial statement and interim report as of September 30, the Committee focused particularly on the company's financial position, reporting of pensions and refinancing efforts.

Moreover, the Committee has dealt with issues regarding the valuation of aircraft fleet, the internal audit work and function, special areas of focus in the auditing work, risk analyses and internal controls.

Annual General Shareholders' Meeting

The Annual General Shareholders' Meeting of the SAS Group is held on April 19, 2012 at 2:00 p.m. at the following venues:

Copenhagen: Radisson Blu, Scandinaavian Hotel, Amager Boulevard 70.

Stockholm-Arlanda: Sky City.

Oslo: Radisson Blu Plaza Hotel, Sonja Henies Plass 3.

General information

One share entitles the holder to one vote. At the Annual General Shareholders' Meeting, shareholders exercise their voting rights to pass resolutions on the annual report, disposition of earnings, composition of the Board of Directors, election of auditors, remuneration of Board members and auditors and other issues pursuant to the Swedish Companies Act and the Articles of Association of SAS AB. As stated in the Articles of Association, the Annual General Shareholders' Meeting may be held in Stockholm or Sigtuna.

To facilitate participation by shareholders in Denmark and Norway in general shareholders' meetings, the meeting can be attended from locations in Copenhagen and Oslo via telecommunications links. Shareholders participating in this manner have the same rights as shareholders attending the meeting in Stockholm or Sigtuna. Shareholders may participate, address the meeting and vote on matters simultaneously with shareholders present in Stockholm or Sigtuna. This procedure means that, in practice, the meeting is held in three locations simultaneously.

Attending the Annual General Shareholders' Meeting

Shareholders who wish to attend the Annual General Shareholders' Meeting must notify the company in advance. Details about notification will be published in the notice convening the Annual General Shareholders' Meeting.

Proposals or questions for inclusion in the notice of the Annual General Shareholders' Meeting

Shareholders who wish to address a specific question or who have a proposal for inclusion in the notice convening the Annual General Shareholders' Meeting may do so. To enable preparation of the notice convening the Annual General Shareholders' Meeting, any such business must be received in writing by SAS AB by, at the latest, March 1, 2012 to the following address:

SAS AB /STODL
Annual General Shareholders'
Meeting 2012
SE-195 87 Stockholm
Sweden

Items in the notice

- The deadline for receiving business to be included in the notice is March 1, 2012.

Sending of the notice and notification of attendance

- The notice is sent in March 2012.
- Deadline for notification of attendance:
April 13, 2012 in Sweden and
April 12, 2012 in Norway and
Denmark.

Record day

- April 13, 2012

Admission cards to the AGM will be sent on

- April 13 and 14, 2012

Annual General Shareholders' Meeting

- April 19, 2012

Internal control – financial reporting

The SAS Group applies COSO, the internationally most recognized and adopted framework for internal control to describe and evaluate the Group's control structure. Internal control over financial reporting is a process that involves the Board, company management and personnel and is designed to provide reasonable assurance of reliability in external reporting. The Group-wide control environment is described in detail elsewhere in the corporate governance report.

Internal control over financial reporting is described below in five areas that jointly form the basis of a sound control structure.

Control environment

The control environment constitutes the base of the internal control and includes the culture that the SAS Group communicates and works within. The ambition of the Group is that its values, reliability, openness, care and value-creation will permeate the organization. It is important for all actions, internal as well as external, to reflect these basic values. In 2005 a Code of Conduct was distributed to all employees, which describes well the desired approach in various situations, including a structure for reporting deviations from desired approach (whistleblowing). An updated version was published in 2008 with the requirement that all personnel complete the interactive training program on the Group's intranet.

The management of the Group is described in various internal documents that outline management philosophy, management model, roles and responsibilities of the units and subsidiaries, shareholder requirements, overarching monitoring, intra-Group business relations and segregation of duties. Information regarding the management of the Group is available to all employees on the Group's intranet. For the SAS Group's Board as well as for each subsidiary, there are instructions for its Board and CEO that clearly set out responsibilities and authorizations. In connection with the implementation of Core SAS, vital portions of management documents, description of the organization and Group-wide policies, defining mandates and authorizations were compiled in a manual, the SAS Corporate Manual (SAS CM). This manual governs all subordinate SAS manuals and is digitally distributed on the SAS Portal to facilitate easy revision and access.

Risk assessment

Every year, company management performs a risk assessment regarding financial reporting. The assessment of risks in various major balance sheet and income items is graded.

Moreover, company management has identified a number of critical areas, common to all units and companies in the SAS Group, where an assessment of internal control is to be performed, (see below). Beyond that, the SAS Group's internal audit function performs an ongoing overarching risk assessment that results in an annual audit plan, and is revised if the risk assessment is changed. The audits performed by the internal audit are primarily aimed at operational auditing, but also focus on processes that impact financial reporting and risks of irregularities, improper favoritism of another party at company expense, and the risks of loss or embezzlement. The audit plan is approved by the Audit Committee and the SAS Group's Board.

Control activities

The SAS Group's ambition is to have adequate control activities to manage the risks affecting internal control over financial reporting. This also includes control activities that prevent irregularities. Control activities cover, inter alia, internal control in each Group company. Beyond this, there are control activities to ensure updating in accordance with IFRS using specific forms for reporting in the Group's corporate reporting system. The SAS Group has financial officers, both centrally and locally, who are responsible for financial updates.

Control targets and evaluations

SAS has prepared a relatively comprehensive form with defined control targets in the management process, accounting process, revenue process, purchasing process, payroll process and asset management process. These control targets also include IT controls that safeguard change management, user administration and procedures and responsibilities. The management of all units and subsidiaries conduct their own annual assessment of internal control in relation to the fulfillment of control targets, including documentation of the processes used in the control activities. This control and evaluation also comprise processes conducted by third parties. The evaluation is also reviewed by external auditors, who make an independent assessment of status and improvement potential. In the event of evaluations not being approved, in which the assessment by the external auditor prevails, action plans are prepared, which are subject to monitoring. The total assessment for the audit performed in 2011 was that the internal control of financial reporting was satisfactory and earnings amounted to 93%, entailing an unchanged result compared with the preceding year. In addition to this, areas for in-depth study are focused on the critical processes identified for most Group units and subsidiaries.

The audits conducted by the internal audit always result in recommendations that are graded on the basis of a risk perspective. Over the year, the internal audit has focused on the IATA Clearing House Process in the SAS Group, the Contract Management processes for SAS Multi-Market and Star Alliance Corporate Plus Agreements, the Process for Delegation of Economic Authority in the SAS Group, the Corporate Governance, Revenue, Cost Control and Material Supply at Blue1, selected parts of the Inflight Processes and the process for expense and revenue control in selected parts of the sales organization outside Scandinavia. In addition, follow-up audits were conducted regarding Travel Order and Voucher Processes in the SAS Group and Marketing Related Contract Management Processes.

Information and communication

The SAS Group's ambition is for information and communication paths regarding internal control for financial reporting to be appropriate and known in the Group. Policies and guidelines regarding the financial process are communicated to all affected parties in the Group through direct distribution via electronic mail, but also via the intranet, where all policies and guidelines in the financial areas are gathered in the "SAS Group Financial Guide." The SAS Group's published external reports are based on reporting from all legal entities in accordance with a standardized reporting routine.

Financial information reported regularly:

- Year-End and interim reports
- Annual Report
- Press releases
- Presentations and telephone conferences focused on financial analysts, investors and media when publishing important information
- Meetings with the capital market in Sweden and abroad

The above information is also available on the Group's website www.sasgroup.net

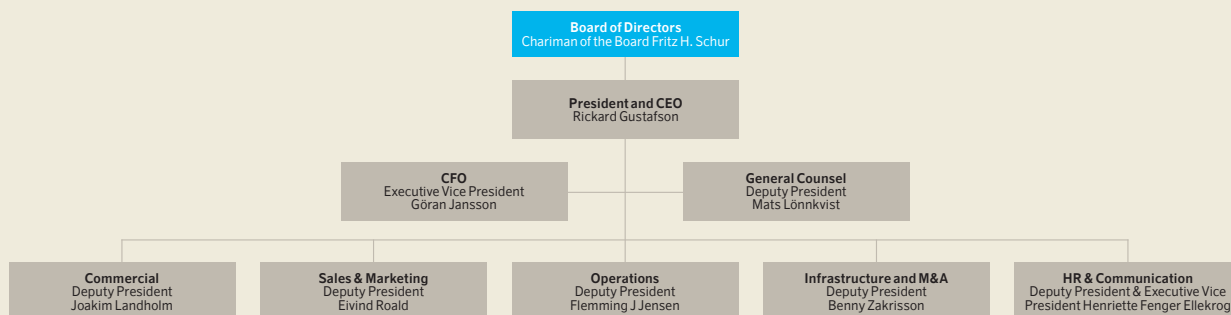
The SAS Group's accounting policies as well as any changes are always

communicated by direct dispatch and at regular meetings with those responsible for financial matters in the units and subsidiaries. Moreover, all units and subsidiaries submit a report on their activities every month, including their financial status and performance. To ensure that the provision of external information is correct and complete, the SAS Group has an information policy regarding disclosures to the stock exchange and an Investor Relations policy that have been laid down by the SAS Group's Board. This policy, which is available on the SAS Group website under Investor Relations, states what, in what manner, and how information is to be dealt with.

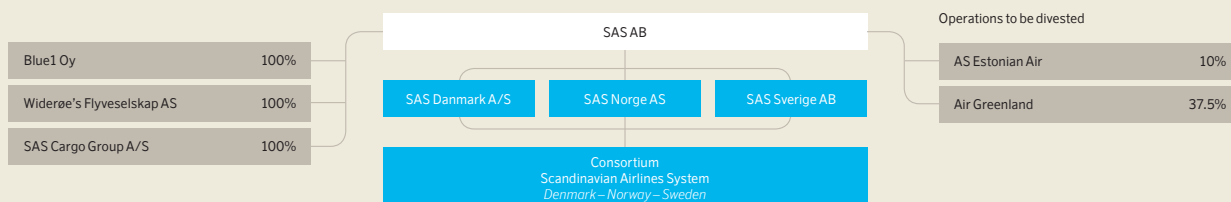
Monitoring

Monitoring and continuous evaluation of compliance with policies and guidelines as well as monitoring reported deficiencies are conducted regularly. In connection with monitoring action plans for noted deficiencies in the "self assessment", the new or modified controls are tested. Recommendations from the external and internal audits and the status of measures are compiled in a clear manner and presented to Group Management and Audit Committee. Financial reporting is discussed at each Board meeting and at meetings of the Audit Committee.

Business model and areas of responsibility



SAS Group's legal structure March 14, 2012



Board of Directors

The Board is responsible for the organization and administration of the Group and for ensuring proper control of its accounting and other financial circumstances as well as for appointing the President. All members of the Board elected by the Shareholders' Meeting are independent of the company and company management. The Annual General Shareholders' Meeting 2011 adopted the Nomination Committee's recommendation for reelection of the following Board members in SAS AB: Fritz H. Schur, Jens Erik Christensen, Dag Mejdell, Timo Peltola, Jacob Wallenberg, Monica Caneman and Gry Mølleskog. Fritz H. Schur was reelected Chairman of the Board. No share convertibles or options have been issued to the Board of the SAS Group.



Chairman Fritz H. Schur, born 1951

Chairman of the Board of SAS AB since April 2008. Member of the Board of SAS AB since 2001. *Directorships:* Chairman of the companies in the Fritz Schur Group. Chairman of PostNord AB, DONG Energy A/S, F. Uhrenholt Holding A/S, Relationscore ApS and C.P. Dyvig & Co. A/S. Vice Chairman of the Board of Brd. Klee A/S. *Education:* B. Sc. Economics and Business Administration. *Earlier directorships/positions:* Chairman of Det Danske Klasselotteri A/S, SN Holding A/S, CVI A/S and Post Danmark A/S. Vice Chairman of Interbank A/S and Board member of De Post NV/La Poste SA, Belgium, and others. *Shareholding:* 40,000.



Vice Chairman Jacob Wallenberg, born 1956

Vice Chairman of the Board of SAS AB since 2001. *Directorships:* Chairman of Investor AB. Vice Chairman of Atlas Copco AB, Ericsson AB and SEB. Member of the Board of ABB Ltd, The Coca-Cola Company, the Knut and Alice Wallenberg Foundation and the Stockholm School of Economics. *Education:* B.Sc. Economics and MBA Wharton School, University of Pennsylvania. *Earlier directorships/positions:* Vice Chairman of Stockholms 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:* 4,214.



Monica Caneman, born 1954

Member of the Board of SAS AB since 2010. *Directorships:* Chairman of the Fourth Swedish Pension Fund, Allenex AB, Arion bank hf, Frösunda LSS AB and Big Bag AB. Board member in Schibsted ASA, Storebrand ASA, Poolia AB, My Safety AB, Intermail A/S and SOS Barnbyar. *Education:* MBA, Stockholm School of Economics. *Earlier directorships/positions:* Chairman of EDT AS and Interverbum AB. Board member of Resco AB, Nocom AB, Akademikliniken AB, Nya Livförsäkrings AB SEB Trygg Liv, Xpon-Card Group AB, Lindorff Group AB, Citymail Group AB, EDB Business Partner ASA, Nordisk Energiförvaltning ASA and Svenska Dagbladet AB. *Shareholding:* 4,000.



Jens Erik Christensen, born 1950

Member of the Board of SAS AB since 2006. *Directorships:* Chairman of Scandinavian Private Equity A/S, Dansk Merchant Capital A/S, Alpha Holding A/S and Vördur Tryggingar hf. Vice chairman in BankNordik A/S. Board member of Nemi Forsikring A/S, Andersen&Martini A/S, Lægernes Pensionskasse, Skandia Liv AB, TK Development A/S and Nordic Corporate Investment A/S as well as member of the Danish Government's infrastructure commission. *Education:* Cand. Act. University of Copenhagen. *Earlier directorships/positions:* President of Codan A/S, President of Codan Försäkring A/S and President of Trygg-Hansa AB as well as member of the Executive Committee of the Royal & Sun Alliance plc. 1999 – 2006; prior to this, directorships and business development assignments in the financial sector. *Shareholding:* 12,666.



Gry Mølleskog, born 1962

Member of the Board of SAS AB since 2010. Head of Staff for the Norwegian Crown Prince and Princess at the Norwegian Royal Court. *Directorships:* Chairman of Norsk Folkemuseum. Board member of Norwegian Property ASA. *Education:* Studies at University of Oslo and Norwegian School of Management BI. *Earlier directorships/positions:* Senior Vice President SAS Airlines, Senior Client Partner in Korn/Ferry International, Board member of Hurtigruten ASA, Oslotrikken AS, DnBNOR Finans, Posten Norge and Steen og Ström. *Shareholding:* 666.



Timo Peltola, born 1946

Member of the Board of SAS AB since 2005. *Directorships:* Chairman of Neste Oil. Vice Chairman of TeliaSonera. Member of the Board of AW Energy Oy and CVC Capital Partners Advisory Board. Member of Citigroup's Nordic Advisory Board. *Education:* MBA, Turku School of Economics and Business Administration. Studies at IMI, Geneva. Honorary doctorate in economics, Swedish School of Economics and Business Administration in Helsinki and Turku School of Economics and Business Administration. *Earlier directorships/positions:* Chairman of Ilmarinen, Merita Bank, Amer-group and Instrumentarium as well as Vice Chairman of Nordea. Board member of Huhtamaki Oyj and CEO of Huhtamaki Oyj 1988–2004. *Shareholding:* 2,000

Auditors

Deloitte AB

Principal auditor

Jan Palmqvist, born 1962, Authorized Public Accountant. Elected in 2011

Other major engagements

AFA Försäkring, Nordisk Renting and Länsförsäkringar Stockholm.

Corporate Secretary

Mats Lönnkvist, General Counsel, SAS Group and Member of SAS Group Management.



Employee representative

Elisabeth Goffeng, born 1957

Employed at Scandinavian Airlines in Norway. Member of the Board of SAS AB since May 2011. *Shareholding:* 0
Deputies: Trygve Skogseide, First Deputy. *Shareholding:* 0
Asbjörn Wikkestad, Second Deputy. *Shareholding:* 0



Employee representative

Ulla Gröntvedt, born 1948

Employed at Scandinavian Airlines Sweden. Member of the Board of SAS AB since 2001 *Shareholding:* 2,000
Deputies: Sven Cahier, First Deputy. *Shareholding:* 0
Christian Anderström, Second Deputy. *Shareholding:* 400



Employee representative

Anna-Lena Gustafsson, born 1959

Employed at Scandinavian Airlines Denmark. Member of the Board of SAS AB since September 2011. *Shareholding:* 0
Deputies: Bo Nielsen, First Deputy. *Shareholding:* 392
Per Weile, Second Deputy. *Shareholding:* 200

Group Management

Group Management is responsible for the Group's business management, financial reporting, acquisitions/disposals, financing and communication with the stock market as well as other corporate matters. The members of Group Management are appointed and supervised by the President in consultation with the Board of Directors. Only the President reports to the Board, whereas the other members of Group Management report to the President. Group Management's responsibilities are divided among its members with regard to managing the Group's business affairs, and recorded meetings are normally held every second week.



Rickard Gustafson, born 1964
President and CEO

Member of SAS Group Management from February 1, 2011. Previously, various executive positions at GE Capital, both in Europe and the US, and 2006–2011, President of Codan/Trygg-Hansa. *External directorships:* None. *Education:* Master of Science, Industrial economics. *Shareholding:* 40,000. *The President and the parties closely related to the President have no shares or other financial instruments in the company or in companies with which the SAS Group has significant business relations.*



Henriette Fenger Ellekrog, born 1966
Deputy President and Executive Vice President Human Resources and Communication

Member of SAS Group Management since October 1, 2007. Since 2007, responsible for Human Resources, and since 2010 responsible for Communication. *Previous positions include:* 1998–2007 various senior executive positions at TDC A/C, most recently as HR & Chief of Staff Senior Executive Vice President. Prior to that, various positions and management posts at Mercuri Urval A/S and Peptech (Europe) A/S. *External directorships:* Board member of the Swedish Aviation Industry Group, Daycatch A/S, Fonden for Dansk-Norsk Samarbejde, Advisory Board for women in management positions and the boards of the Confederation of Danish Industry and member of the University of Copenhagen expertise panel. *Education:* Cand. Ling. Merc. degree from Copenhagen Business School. *Shareholding:* 12,200.



Göran Jansson, born 1958
Deputy President and CFO

Member of SAS Group Management since 2011. As of March 1, 2011 Göran Jansson succeeded former CFO Mats Lönnqvist, who left his post with SAS on April 1, 2011. Previously, CFO and Deputy CEO of Assa Abloy. *External directorships:* Chairman of nWise AB. Member of the Board of Axis Communication AB. *Education:* Graduate in Business Administration from Stockholm University. *Shareholding:* 0.



Flemming J. Jensen, born 1959
Executive Vice President Operations

Member of SAS Group Management since September 14, 2011. Flemming J. Jensen joined SAS in 1989 and, since 2008, has held a number of senior executive positions in SAS production including Chief Operating Officer Production Unit CPH. During the period 2002–2008 he was Chief Pilot and before that a pilot. *External directorships:* Board member of Industriens Arbejdsgivere i København (IAK). *Education:* Pilot in the Danish Air Force. *Shareholding:* 14,100.



Joakim Landholm, born 1969
Executive Vice President Commercial

Member of SAS Group Management since January 16, 2012. Joakim Landholm comes from a position as Chief Operating Officer of RSA Scandinavia, which comprises Trygg-Hansa and Codan. Otherwise, he has an extensive background in leadership, strategic and analytical work at GE Money Bank, Accenture and Swedbank. *External directorships:* None. *Education:* Master of Business Administration from the Stockholm School of Economics. *Shareholding:* 0.



Mats 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, the law firm of Mannheimer & Zetterlöf 1984–1988. *External directorships:* None. *Education:* Law degree from Uppsala University. *Shareholding:* 2,704.



Eivind Roald, born 1966
Executive Vice President Sales & Marketing
Member of SAS Group Management since April 1, 2012. Eivind Roald joined SAS from his position as President of Hewlett Packard in Norway. Prior to his seven years at HP, Eivind Roald has eight years experience gained at Accenture. *External directorships:* None. *Education:* Bachelor's degree from BI Norwegian Business School. *Shareholding:* 0.



Benny Zakrisson, born 1959
Executive Vice President Infrastructure and M&A
Member of SAS Group Management since June 14, 2007, and responsible for Infrastructure and M&A. Previously Senior Vice President Corporate Advisory SAS Group, 2003–2007, Vice President Corporate Advisory/Finance SAS Group, 1993–2003, Director Corporate Taxes, SAS Group 1990–1993. *External directorships:* Scandic Hotels AB, iCell (publ) and iTell (publ). *Education:* Law degree from Stockholm University. *Share- and bond holding* exists under other management.



The Board of Directors and the President hereby give their assurance that the Annual Report has been prepared pursuant to the Swedish Annual Accounts Act and RFR 2.1. Accounting for Legal Entities and provides a true and fair view of the company's financial position and earnings and that the Report by the Board of Directors provides a true and fair overview of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed.

The Board of Directors and President hereby give their assurance that the consolidated financial statements have been prepared pursuant to International Financial Reporting Standards (IFRS) as adopted by the EU, and provide a true and fair view of the Group's financial position and earnings and that the Report by the Board of Directors for the Group provides a true and fair overview of the performance of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the companies in the Group are exposed.

Stockholm, March 14, 2012

Fritz H. Schur

Chairman of the Board

Jacob Wallenberg
Vice Chairman

Jens Erik Christensen
Board Member

Elisabeth Goffeng
Board Member

Dag Mejdell
Second Vice Chairman

Gry Mølleskog
Board Member

Ulla Gröntvedt
Board Member

Rickard Gustafson
President and CEO

Monica Caneman
Board Member

Timo Peltola
Board Member

Anna-Lena Gustafsson
Board Member

As stated above, the annual accounts and consolidated financial statements were approved for issuance by the Board of Directors on March 14, 2012. The Group's statement of income and balance sheet and the Parent Company's statement of income and balance sheet will be subject to adoption by the Annual General Shareholders' Meeting on April 19, 2012.

Our auditors' report was submitted on March 14, 2012
Deloitte AB

Jan Palmqvist
Authorized Public Accountant

Auditors' report

To the annual meeting of the shareholders of SAS AB,
Corporate Registration Number 556606-8499

Report on the annual accounts and consolidated financial statements

We have audited the annual accounts and the consolidated financial statements of SAS AB for the financial year 2011, except for the corporate governance statement on pages 89–99. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 46–100.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for the internal control deemed necessary by the Board of Directors and the President for the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether such misstatement is due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The auditor chooses such procedures based on such assessments as the risk of material misstatement in the annual accounts and consolidated financial statements, whether such misstatement is due to fraud or error. In making these risk assessments, the auditor considers internal control measures relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate taking the circumstances into account, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and its financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act.

Our opinions do not cover the corporate governance statement on pages 89–99. The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and consolidated financial statements.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of SAS AB for the year 2011. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and that the corporate governance statement on pages 89–99 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the Report by the Board of Directors and that the members of the Board of Directors and the President be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, March 14, 2012
Deloitte AB

Jan Palmqvist
Authorized Public Accountant