



SAS Group financial update

Summary financial update January-February 2010

- January-February EBT before non-recurring items MSEK –960
- First quarter estimate for EBT before non-recurring items in line with Core SAS plan at approximately SEK –1 bn
- Unit cost down 7%, RASK down 4.7%
- Positive cash flow from operating activities, MSEK 418 (85)

Background of this report

The SAS Group is publishing this January-February financial update in order to provide the market with updated financial and operating information prior to the launch of the rights issue. The Group has prepared the financial information included in this report in line with its normal standards for preparation of interim financial information. The financial and operating information included in this report has not been reviewed or audited by the Group's external auditor.

The first quarter interim report of 2010 and the supplementary prospectus, consisting of the interim report will be published on April 22, 2010 during the subscription period for the rights issue, in order to provide investors with a financial update during the rights issue.

January-February highlights

- Operating revenue: MSEK 5,888 (6,951), compared to January-February in 2009*
- Yields still under pressure (currency adjusted): –12.2%
- Positive trend in load factor continued: +5.0 p.u. (SAS Group)
- RASK (total traffic revenue/ASK) down 4.7%
- EBT before non-recurring items in continuing operations: MSEK –960 (–420) affected by MSEK –719 in currency effects (year on year)
- SEK 4.3 bn (55%) implemented of total Core SAS cost savings program of SEK 7.8 bn, which is according to plan
 - Additional earnings effect in January-February from cost savings program: MSEK 450
 - Additional reduction in FTE of 200, bringing the total reduction to 3,100 or 67% of the planned reduction of 4,600 FTE
 - Unit cost down 7.0% (currency and fuel adjusted)
 - Remaining earnings effect of MSEK ~5,200 in 2010–2012
- Negative currency effects of MSEK –719 compared with the same period in 2009 (year on year) mainly due to effects of weaker USD/SEK exchange rate and corresponding losses from certain hedging arrangements
- Cash flow from operating activities for the period was MSEK 418, an improvement of MSEK 333 compared to the same period in 2009

First quarter estimate and process update

- Load factor and RASK are improving further in March and results are expected to be significantly better than the same period in 2009
- Estimate for first quarter earnings before non-recurring items in continuing operations: SEK –1 bn (MSEK –889 in Q1 2009) in line with the Core SAS plan
- Both main conditions for the four main owners participation in rights issue satisfied:
 - Final agreement signed on March 12, 2010 with pilot and cabin crew unions of annual cost savings of MSEK 500, with effect from second quarter in 2010
 - Refinancing of SEK 2 bn of bonds maturing in 2010 secured through:
 - Issue of bonds in the EMTN market with an aggregate principal amount of MEUR 60 (approximately MSEK 580)
 - SEK 1.6 bn offering due 2015 of convertible bonds on March 19, 2010
 - Issue of bonds with an aggregate principal amount of SEK 1 bn secured on March 30, 2010

* All numbers in brackets represent January-February 2009 figures and percentage changes are compared to the same period.

January-February in summary with outlook for the first quarter

The first two months of 2010 developed according to plan for the SAS Group, with an EBT before non-recurring items in continuing operations of MSEK -960. January and February are the seasonally weakest months of the year in terms of demand for air travel in the Nordic region. In addition, the Group's result was negatively affected by changes in currency exchange rates of MSEK -719 compared to the same period in 2009. The pressure on passenger yield continued to be significant and the yield for Scandinavian Airlines (adjusted for currency effects) decreased by 12.2% compared to the same period in 2009, but the load factor improved 5.3 p.u., continuing the positive trend which began in July 2009. As a result, RASK fell by 4.7%. It should however be noted that the change in passenger yield was positive in January-February 2009 compared to the same period in 2008, primarily due to higher fuel surcharges imposed in early 2009.

Implementation of the Core SAS cost savings program, which amounts to a total of SEK 7.8 bn in annual cost savings, has proceeded as planned, and an additional MSEK 800 of cost saving measures have been implemented since year end. In total, 55% or SEK 4.3 bn of the total cost savings program had been implemented as of February 28. Of the total planned FTE reduction of 4,600 during 2009-2012, FTEs were reduced by an additional 200 FTE in January-February, increasing the total implemented reduction to 3,100 FTE or 67%. The unit cost for Scandinavian Airlines is continuing to decline, and was down 7.0% (currency and fuel adjusted) compared to the same period in 2009, despite large capacity reductions.

Several cost items decreased significantly during the period, e.g., costs for personnel adjusted for currency and volume effects, was down 9.6% and aircraft related costs were down by 21.7% compared to the same period in 2009. Remaining annual earnings effect from the total cost savings program amounts to MSEK ~5,200 in 2010-2012.

Total currency effects for the period were negative and amounted to MSEK -719 compared to the same period in 2009. The effects on revenue and operating expenses were positive MSEK 50 and MSEK 150 respectively. Due to the significant decrease in USD to SEK, currency effects on certain hedging arrangements and working capital were negative at MSEK ~-770 compared to last year. Effects on net financial items were MSEK ~-150.

Scandinavian Airlines operating profit, EBIT, improved by MSEK 46 to MSEK -586 (-634) compared to the same period last year despite the challenging market conditions and negative currency effects.

In March 2010, passenger yield is expected to continue to decline, partly due to seasonality effects due to the Easter holidays, thereby negatively affect revenues for the first quarter of 2010 as compared with the same period in 2009. EBT before non-recurring items in continuing operations for the first quarter is expected to SEK -1 bn.

In March 2010, the court of appeals (Lagmansretten) in Oslo reached a decision in the appeal by SAS and Norwegian Air Shuttle of a ruling in the dispute in 2008. The court ruled in favor of Norwegian but the judgment was not unanimous. SAS is currently evaluating a possible request to the Norwegian Supreme Court for leave to appeal. If the request is not granted or successful, the recent judgment by the court of appeals will have a negative effect on the Group's results and liquidity of approximately MSEK 200.

Financial overview

Condensed statement of income

(MSEK)	Jan-Feb		Jan-Mar
	2010	2009	2009
Revenue	5,888	6,951	11,296
Payroll expenses	-2,434	-2,950	-4,609
Other operating expenses	-3,715	-3,746	-6,501
Leasing costs for aircraft	-314	-496	-741
Depreciation and impairment	-267	-259	-401
Share of income in affiliated companies	-23	-22	-33
Income from sale of shares in subsidiaries and affiliated companies	-1	5	5
Income from sale of aircraft and buildings	-19	0	0
Operating income	-885	-517	-984
Net financial income	-163	102	5
Income before tax in continuing operations	-1,048	-415	-979

Reconciliation of main profitability numbers

EBITDAR before non-recurring items

(MSEK)	Jan-Feb		Jan-Mar
	2010	2009	2009
Revenue	5,888	6,951	11,296
Payroll expenses	-2,434	-2,950	-4,609
Other operating expenses	-3,715	-3,746	-6,501
EBITDAR	-261	255	186
Restructuring costs	59	0	95
Other non-recurring items	0	0	0
EBITDAR before non-recurring items in continuing operations	-202	255	281

Income before non-recurring items

(MSEK)	Jan-Feb		Jan-Mar
	2010	2009	2009
Income before tax in continuing operations	-1,048	-415	-979
Impairment losses	0	0	0
Restructuring costs	68	0	95
Capital gains	20	-5	-5
Other non-recurring items	0	0	0
Income before tax and non-recurring items in continuing operations	-960	-420	-889

SAS Group

January-February 2010

Continuing operations:

SAS Group's income before non-recurring items in continuing operations amounted to MSEK -960 (-420).

The SAS Group's revenue amounted to MSEK 5,888 (6,951), down MSEK 1,063 or 15.3 %. Excluding effects of currency exchange rates, revenue declined 15.9%. Passenger traffic (RPK) declined 4.1% for the Group and capacity (ASK) was reduced by 11.3%.

Payroll expenses amounted to MSEK -2,434 which is 17.5% or MSEK 516 lower than the year earlier period. Excluding effects of currency exchange rate and restructuring costs, payroll expenses declined significantly by MSEK 631 or 21.0%. Restructuring costs related to the implementation of the Core SAS cost savings program were MSEK 59 (-), and are included in payroll expenses. In addition, restructuring costs of 9 MSEK (-) related to leasing costs for aircraft.

Leasing costs and depreciation, after currency adjustments, were MSEK 130 lower than in the same period last year.

Operating income before depreciation, impairment and leasing costs, EBITDAR, was MSEK -202 (255), before non-recurring items.

Income from sale of aircraft and buildings was MSEK -19 (0).

The sale of the SAS Tech unit, Air Maintenance Estonia, was finalized during January 2010 with payment in respect of the shares received in February. In January, SAS Group communicated that the sale would generate a capital gain, however due to the significant weakening of the Euro to the SEK in February, the sale generated a capital loss.

Details on currency effects on revenue and cost items

Total currency effects in January and February were MSEK -719 compared to the same period last year (year on year).

Effects on operating revenue were positive and amounted to a total of MSEK 50, due to the significantly stronger NOK/SEK exchange rate (positive effects MSEK ~200) thereby offsetting the negative effects due to weaker USD, DKK and EUR.

The operating expenses were positively affected, excluding exchange rate effects on hedging agreements, by MSEK ~150 largely due to the weaker USD to SEK (positive effects MSEK ~200) with some additional positive effects from EUR and DKK offsetting the negative effects from the stronger NOK.

The currency effect on hedging arrangements and working capital was MSEK ~-770, due to the large decline in the USD/SEK exchange rate compared to the same period in 2009. SAS policy is to hedge 60-90% of the USD deficit over 12 months. In addition, the currency impact on the net financial items was MSEK ~-150 (related to certain loan arrangements with Spanair in January 2009) mainly due to the weakening of the EUR/SEK exchange rate.

Outlook and information for the first quarter 2010

In January and February 2010, the airline market continued to be affected by weak macroeconomic conditions, both in the Nordic region and worldwide. Market conditions for the airline industry continue to be unpredictable and there is considerable uncertainty.

The decline in passenger demand began to stabilize in the fourth quarter of 2009, however, the decline in passenger yield continued during January-February 2010. The SAS Group expects passenger yield to continue to decline in March 2010, partly due to seasonality effects due to the Easter holidays, thereby negatively affecting revenues for the first quarter of 2010 compared to the same period in 2009, in which the Group realized a loss in earnings before non-recurring items in continuing operations of MSEK -889. The SAS Group estimates that earnings before non-recurring items in continuing operations for the first quarter will amount to SEK -1 bn, which is in line with the Core SAS plan.

In March 2010 the court of appeals (Lagmansretten) in Oslo reached a decision in the appeal by SAS and Norwegian Air Shuttle of a ruling in the dispute in 2008. The court of appeals ruled in favor of Norwegian Air Shuttle and awarded damages of MNOK 160 plus legal costs of MNOK 14.7. The judgment was not unanimous. SAS is currently evaluating a possible request to the Norwegian Supreme Court for leave to appeal. If the request is not granted or successful, the recent judgment by the court of appeals will have a negative effect on the Group's results and liquidity of approximately MSEK 200.

Status of Core SAS's cost savings program

The Core SAS cost savings program was originally launched in February 2009 and originally amounted to SEK 4.0 bn. During 2009 the program was extended to SEK 5.3 bn and in February 2010 to SEK 7.3 bn. As of March 2010 the cost savings program amounts to a total of SEK 7.8 bn, which includes the final agreement with the pilot and cabin unions representing annual cost savings of MSEK 500.

The implementation of cost savings under Core SAS has proceeded as planned during January and February and an additional MSEK 800 in cost savings have been implemented compared to the fourth quarter of 2009. The main areas of improvement were purchasing related, e.g., new agreements with external maintenance, repair and overhaul (MRO) and IT and credit card suppliers.

The new cost savings measures of SEK 2.5 bn that were communicated in February and March have now been detailed further and MSEK ~100 (included in the MSEK 800 mentioned above) has been implemented as of February 28, 2010. Most of the MSEK 500 in cost savings from the final agreement with the pilot and cabin unions will take effect from the second quarter. The earnings effect in January and February from the total cost savings program was MSEK 450 compared to the same period in 2009.

Of the total cost savings program of SEK 7.8 bn, 55% or SEK 4.3 bn has been implemented. Remaining annual earnings effect from the total cost savings program amounts to MSEK ~5,200 in 2010-2012.

Implementation and earnings effect from the Core SAS cost savings program as of February 28, 2010

(MSEK)	Annual effect total 2009-11	Implemented Dec 31, 2009	Implemented Feb 28, 2010
Cabin crew/Flight deck	1,900	650	750
Ground services	900	400	450
SAS Tech	1,800	750	850
Sales, marketing & Commercial	600	400	550
Purchasing	400	100	300
Blue1/Widerøe/Cargo	600	450	450
Administration	1,500	700	900
Other	100	50	50
Total	7,800	3,500	4,300

Personnel reductions under Core SAS

Given the expanded Core SAS cost savings program, personnel reductions in 2009-2011 will amount to approximately 4,600. During 2009, FTEs were reduced by 2,900. In January-February, FTEs were reduced by an additional 200, i.e. out of the total reduction target of 4,600 FTE, 67% or 3,100 FTE reductions have been completed.

Target development for FTE reductions under Core SAS 2009-2010

	Original	From Q3 2009	From Feb 2010	From March 2010	Total
Planned FTE reduction	3,000	+~600	+~700	+~300	~4,600
Number implemented in 2009	2,800	300	-	-	3,100
Implemented %	93%	50%	-	-	67%

Cash balance and cash flow information

Cash and net debt development

(MSEK)	Feb 28, 2010	Feb 28, 2009	Dec 31, 2009
Cash and cash equivalents	3,973	5,163	4,189
Financial net debt	6,885	11,124	6,504

Condensed cash flow statement

(MSEK)	Jan-Feb 2010	Jan-Feb 2009	Jan-Mar 2009
Cash flow from operations	-660	-602	-976
Change in working capital	1,078	687	725
Cash flow from operating activities	418	85	-251
Cash flow from investing activities	-892	-951	-626
Cash flow from financing activities	265	109	1,190
Cash flow for the period	-209	-757	313

Scandinavian Airlines

Statement of income

(MSEK)	Jan-Feb 2010	Jan-Feb 2009	Jan-Mar 2009
Passenger revenue	3,720	4,405	7,184
Charter revenue	233	255	396
Other traffic revenue	411	468	820
Other revenue	773	1,055	1,671
Revenue	5,137	6,183	10,071
Payroll expenses	-2,075	-2,474	-3,883
Selling costs	-66	-82	-135
Jet fuel	-822	-1,020	-1,684
Government user fees	-550	-588	-957
Catering costs	-117	-183	-276
Handling costs	-263	-302	-509
Technical aircraft maintenance	-319	-521	-800
Computer and telecommunications costs	-260	-298	-463
Other operating costs	-697	-673	-1,082
Operating expenses	-5,169	-6,141	-9,789
Income before depreciation and leasing costs, EBITDAR	-32	42	282
Leasing costs for aircraft	-299	-457	-688
Income before depreciation, EBITDA	-331	-415	-406
Depreciation	-235	-226	-350
Share of income in affiliated companies	0	2	3
Capital gains	-20	5	5
Operating income, EBIT	-586	-634	-748
EBIT before nonrecurring items	-498	-638	-658

The operating income, EBIT, for Scandinavian Airlines improved by MSEK 48 to MSEK -586 (-634) for the first two months in 2010 compared to the same period last year, despite the challenging market conditions and negative currency effects.

Traffic revenue was down by more than MSEK 750 (-15%), which was mainly attributable to significant capacity reductions of 11% compared to the same period last year. The currency adjusted yield was down 12.2%, but an increase in cabin factor by more than five percentage units to 67.1% partly offset the lower yield.

The cost savings program under Core SAS has had an effect on operative expenses, which were approximately SEK 1 bn or 16% lower than the same period last year. Most areas are contributing to this positive development but the most important measures have been the lower costs for personnel and technical aircraft maintenance. Currency hedges and revaluation of balance sheet items affected other operating costs negatively, increasing by more than MSEK -250 compared to the same period in 2009.

In addition, leasing cost for aircraft was substantially lower compared to last year, which was partly due to fewer aircraft in the fleet and lower prices in the leasing market.

The unit cost adjusted for currency, fuel and non-recurring items was 7.0% lower than the year earlier period. The reduction was achieved despite the capacity reductions and reflected the successful implementation of cost saving measures under Core SAS.

Traffic data information

SAS Group's passenger traffic

	2010	Jan-Feb	
		2009	Change
Number of passengers (000)	3,502	3,560	-1.6%
Passenger km, RPK (mill.)	3,320	3,461	-4.1%
Seat km, ASK (mill.)	5,009	5,646	-11.3%
Load factor	66.3%	61.3%	+5.0 p.u.

SAS Group's charter traffic

	2010	Jan-Feb	
		2009	Change
Number of passengers (000)	158	169	-6.5%
Passenger km, RPK (mill.)	501	514	-2.6%
Seat km, ASK (mill.)	551	580	-5.1%
Load factor	90.9%	88.6%	+2.3 p.u.

SAS Group's traffic operation by route sector

	Jan-Feb	
	Traffic (RPK) 2010	Capacity (ASK)
Intercontinental	-5.5%	-14.5%
Europe	-6.1%	-12.8%
Intra-Scandinavia	+1.6%	-11.2%
Denmark (domestic)	-5.8%	-10.8%
Norway (domestic)	-1.2%	-4.1%
Sweden (domestic)	+4.9%	-1.1%

Scandinavian Airlines traffic-related key ratios

	Jan-Feb		
	2010	2009	Change
Number of passengers (000)	2,996	3,055	-1.9%
Passenger km, RPK (mill.)	3,058	3,208	-4.7%
Seat km, ASK (mill.)	4,555	5,184	-12.1%
Load factor	67.1%	61.9%	+5.3 p.u.
Yield, currency-adjusted			-12.2%
Total traffic revenue/total ASK (currency-adjusted)			-4.7%
Total unit cost, incl. charter (currency-adjusted)			-6.9% ¹⁾
Operational unit cost, incl. charter (currency-adjusted)			-6.0% ¹⁾

1) Higher jet fuel costs had a negative effect on unit costs of 0.1 percentage units.

Unit cost, total – The airline's total operating costs including aircraft leasing and total depreciation adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).

Unit cost, operations – The airline's operational operating costs adjusted for currency and restructuring costs less non-traffic-related revenue per total ASK (scheduled and charter).

Detailed unit cost analysis – Scandinavian Airlines

(MSEK)	Currency/volume adjusted			Share of total var %
	Jan-Feb 2010	Jan-Feb 2009	Var %	
Payroll expenses	-2,016	-2,229	-9.6%	-4.1%
Jet fuel	-822	-814	0.9%	0.1%
Government user fees	-550	-509	8.0%	0.8%
Selling costs	-66	-74	-9.9%	-0.1%
Handling costs	-263	-264	-0.1%	0.0%
Technical aircraft maintenance	-319	-462	-31.0%	-2.7%
Other operating costs (net)	-296	-295	0.4%	0.0%
Total operating expenses	-4,333	-4,647	-6.8%	-6.0%
Leasing costs for aircraft	-289	-369	-21.7%	-1.5%
Depreciation	-235	-201	17.2%	0.7%
Adjusted EBIT	-4,857	-5,207	-6.9%	-6.9%

Comment to the traffic data information

January and February are the weakest months of the year in terms of traffic revenues. The SAS Group reduced capacity by 11.3% during the period in line with the overall reduction target under the Core SAS strategy. Capacity was mostly reduced on intercontinental routes, with a reduction of 14.5%, as two aircraft have been taken out of production. In addition, capacity on European routes was substantially reduced due to closure of several leisure routes.

The SAS Group's traffic (RPK) decreased by 4.1% during January-February, but since the capacity reduction was 11.3% the passenger load factor improved 5.0 p.u. to 66.3%, which is the highest load factor for January-February since 2006. The positive development in passenger load factor primarily reflects an improved balance between the supply of air travel services and demand, which began during the second half of 2009. The strongest traffic performance was recorded on Swedish domestic routes and intra-Scandinavian routes, with increased traffic of 4.9% and 1.6% respectively.

Scandinavian Airlines capacity was reduced by 12.1% and traffic (RPK) was down by 4.7% resulting in an improved passenger load factor of 5.3 p.u. to 67.1%. The yield declined during the period by 12.2%. However, traffic revenues/ASK (RASK) declined 4.7% as increased load factor compensated for the lower yield per RPK. It should however be noted that the yield was positive in 2009 during January and February primarily due to higher fuel surcharges imposed in early 2009.

Financial Calendar

Preliminary timetable for the rights issue

Subscription price and subscription announced through a press release	April 6, 2010
Annual General Shareholders' Meeting	April 7, 2010
First day of trading in the shares, excluding right to participate in the rights issue	April 8, 2010
Publication of the prospectus	April 9, 2010
Record date for participation in the rights issue	April 12, 2010
Trading in subscription rights	April 15-26, 2010
Subscription period	April 15-29, 2010
Supplementary Prospectus (online)	April 22, 2010
Announcement of outcome of the rights issue	May 5, 2010

SAS financial reporting

Interim report 1, January-March 2010	April 22, 2010
Interim report 2, April-June 2010	August 18, 2010
Interim report 3, July-September 2010	November 10, 2010
Year-end Report 2010	February 2011
Annual Report & Sustainability Report 2010	March 2011

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

All reports are available in English and Swedish and can be ordered on the Internet: www.sasgroup.net or from: investor.relations@sas.se

The SAS Group's monthly traffic data information is normally issued on the fifth business day of the following month. A continuously updated financial calendar can be found at: www.sasgroup.net

For definitions, refer to the SAS Group website, www.sasgroup.net, or contact investor.relations@sas.se

Press/Investor Relations activities

Telephone conference, press/media	2:00 p.m., March 30, 2010
Telephone conference, investors/analysts	3:00 p.m., March 30, 2010

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