SAS Group

SAS Group

Interim Report January-March 2010

Key ratios January – March 2010

- **Operating revenue: MSEK 9,495 (11,296) (-16.0%)**
- **Number of passengers: 5.735 million**
- **Earnings before non-recurring items in continuing operations: MSEK -844 (-889)**
- **EBT margin before non-recurring items in continuing operations: -8.9% (-7.9%)**
- **Net income for the period: MSEK -712 (-748)**
- **Earnings per share[1]: SEK -0.29 (-0.74)**

Highlights

- **Cost savings program strengthened by SEK 2.5 bn and totals SEK 7.8 bn. 63% implemented as of March 31. Earnings effect MSEK 750 in Q1**
- **Unit cost down 7.8%[2] in Q1**
- **RASK down 1.7%[2] in Q1, up 3.1%[2] in March**
- **Rights issue of SEK ~5 bn with preferential right for SAS's shareholders in progress**
- **Main conditions for the four principal owners' participation in rights issue were satisfied:**
  - **Agreements with pilot and cabin crew unions for annual cost savings of MSEK 500**
  - **Refinancing of SEK 2 bn of debt maturing in 2010 through SEK ~2.2 bn through issuance of bonds and convertible bonds (additional SEK 1 bn to be issued following the rights issue)**
- **Negative earnings effect up to and including April 21 from disruptions due to volcanic ash estimated to MSEK -460. Negative effect per day MSEK 50-90, higher on busy travel days and lower on weekends, assuming all flights cancelled**

1 Based on 2,467,500,000 shares, 1,007,233,500 shares respectively
2 For Scandinavian Airlines, compared with the same period in 2009

Income and key ratios

	January-March		April-March	
(MSEK)	**2010**	2009	**2009-2010**	2008-2009
Revenue	**9,495**	11,296	**43,117**	51,818
EBITDAR before non-recurring items	**257**	281	**2,602**	3,973
Income before non-recurring items in continuing operations	**-844**	-889	**-1,709**	-378
EBT margin before non-recurring items in continuing operations	**-8.9%**	-7.9%	**-4.0%**	-0.7%
Income before tax, EBT	**-972**	-979	**-3,416**	-1,098
Net income for the period	**-712**	-748	**-2,911**	-5,945
Earnings per share (SEK)	**-0.29**	-0.74	**-1.21**	-5.90

Comments by the CEO

2009 was probably one of the most challenging years that the aviation industry has experienced. GDP growth forecasts suggest that 2010 will be stronger than 2009, although forecasts for Sweden were recently revised slightly downward. In its most recent full-year forecast in March, the IATA estimated global losses for the aviation industry in 2010 to total USD 2.8 billion. However, due to the recent effects of the extraordinary disruption to air travel services due to volcanic ash, this forecast will be revised downwards – 2010 will continue to be a tough year for the aviation industry. However, excluding recent events, some signs of improving demand have been noted in SAS' markets but uncertainty still remains regarding the yield development.

For January and February, which are the seasonally weakest months of the year, the SAS Group posted income of MSEK -960 before non-recurring items, which was in line with the Core SAS plan. However, performance in March was slightly better than expected with a significantly improved load factor of 73.1%, up 8.6 percentage units compared with the same period last year. Revenue in relation to capacity (RASK) increased 3.1% in March compared with the same period in 2009, while our costs continued to decline. It is also highly gratifying that our total passenger figures increased for the second consecutive month despite extensive capacity reductions.

The Group's income before non-recurring items in continuing operations amounted to MSEK 116 for March, which was slightly better than anticipated. Accordingly, income before non-recurring items for the first quarter totaled MSEK -844. Non-recurring items totaled MSEK -128, which resulted in income before tax of MSEK -972 for the first quarter. The Group's largest operation, Scandinavian Airlines, reported EBIT before non-recurring items of MSEK -235 for the first quarter, an improvement from the same period in 2009.

We can now see increasing effects of our Core SAS cost savings program. Measures have been implemented according to plan and the effect on earnings for January-March was MSEK 750 compared with the same period in 2009. Unit cost for Scandinavian Airlines during the period fell 7.8% compared with the same period in 2009, primarily due to lower costs for personnel, technical maintenance and aircraft leasing. This shows that our cost saving measures are providing the intended effects and we will continue to fully implement the outstanding measures corresponding to SEK 2.9 billion. The total cost savings program now amounts to SEK 7.8 billion and includes savings negotiated in collective agreements effective April 1. The extensive centralization and efficiency-enhancement process of the SAS organization, which is a key part of the cost savings program and has been under way since the beginning of the year, continue to show strong progress. The number of FTEs was reduced by 300 between January and March 2010, in addition to the reduction of 2,900 FTEs that had been implemented at year-end 2009. Accordingly, approximately 70% of the total planned reduction of 4,600 FTEs had been implemented as of March 31. To balance supply and demand, capacity reductions of 21 aircraft also form part of Core SAS. 20 of these aircraft had been withdrawn from service by the end of the first quarter and the final aircraft will be removed from operation by the end of the third quarter in 2010.

On April 7 the Annual General Meeting approved the Board's proposals of a rights issue of approximately SEK 5 billion. The rights issue process is ongoing and we are now in the subscription period which will continue up to and including April 29. In conjunction with the rights issue, our liquidity will be further strengthened by an additional SEK ~3.2 billion through the issuance of bonds, including the convertible bond issue and SEK 1 billion in new bonds which are to be issued subject to prior completion of the rights issue.

As mentioned earlier, the Scandinavian airspace has been closed or partly closed from April 15 due to ash from the Eyjafjallajökull volcano in Iceland. As a consequence, we cancelled the majority of our flights from April 15. The situation in the rest of Northern Europe is similar and represents a major hit to the entire aviation industry. Up to and including April 21, the negative impact on SAS' earnings is MSEK ~-460. With safety as the number one priority, we are working closely together with other major European airlines and the aviation authorities to find solutions to resume full operations. We regret the situation and the consequences for our customers and SAS will do its utmost to help them in a difficult situation.

Despite the uncertainty regarding potential additional effects on our operations due to the volcanic ash, we continue to implement Core SAS according to plan. With a satisfactory liquidity situation, and estimated remaining earnings effect of SEK 4.8 billion in 2010–2012 from our cost savings program, we are confident we can handle the negative effects in a tough 2010 and benefit from a potential recovery in the market.

Mats Jansson
President and CEO

Financial overview

Condensed statement of income

(MSEK)	January-March 2010	January-March 2009	April-March 2009-2010	April-March 2008-2009
Revenue	**9,495**	11,296	**43,117**	51,818
Payroll expenses[1]	**-3,544**	-4,609	**-16,933**	-17,744
Other operating expenses[2]	**-5,793**	-6,501	**-25,204**	-30,818
Leasing costs for aircraft[3]	**-462**	-741	**-2,040**	-2,476
Depreciation and impairment[4]	**-408**	-401	**-1,852**	-1,603
Share of income in affiliated companies	**-30**	-33	**-255**	-115
Income from sale of shares in subsidiaries and affiliated companies	**-1**	5	**423**	5
Income from sale of aircraft and buildings	**-19**	0	**-116**	4
Operating income	**-762**	-984	**-2,860**	-929
Net financial items	**-210**	5	**-556**	-169
Income before tax	**-972**	-979	**-3,416**	-1,098
Tax	**267**	264	**806**	68
Net income from continuing operations	**-705**	-715	**-2,610**	-1,030
Income from discontinued operations	**-7**	-33	**-301**	-4,915
Net income for the period	**-712**	-748	**-2,911**	-5,945
Attributable to:				
Parent Company shareholders	**-712**	-748	**-2,911**	-5,945
Minority interests	**-**	-	**-**	-
Earnings per share (SEK)	**-0.29**[5]	-0.74[7)]	**-1.21**[6]	-5.90[7]
Earnings per share (SEK) from continuing operations	**-0.29**[5]	-0.71[7)]	**-1.08**[6]	-1.02[7]
Earnings per share (SEK) from discontinued operations	**0.00**[5]	-0.03[7)]	**-0.13**[6]	-4.88[7]

1) Includes restructuring costs of MSEK 99 (95) during the period January-March 2010 (January-March 2009) and MSEK 1448 (360) during the period April 2009-March 2010 (April 2008-March 2009)
2) Includes restructuring costs of MSEK - (-) during the period January-March 2010 (January-March 2009) and MSEK 103 (-) during the period April 2009-March 2010 (April 2008-March 2009)
3) Includes restructuring costs of MSEK 9 (-) during the period January-March 2010 (January-March 2009) and MSEK 150 (-) during the period April 2009-March 2010 (April 2008-March 2009)
4) Includes restructuring costs of MSEK - (-) during the period January-March 2010 (January-March 2009) and MSEK 79 (-) during the period April 2009-March 2010 (April 2008-March 2009)
5) Earnings per share is calculated based on the number of outstanding shares, 2,467,500,000
6) Earnings per share is calculated based on the average number of outstanding shares, 2,406,655,563
7) Earnings per share is calculated on the basis of 164,500,000 outstanding shares until April 15, 2009, adjusted for a bonus element in the rights issue to existing shareholders of 6.123, or 1,007,233,500 shares. Since the SAS Group had no option, convertibles or share programs, no dilution occurs

A detailed statement of income and terms and definitions are available at www.sasgroup.net

EBITDAR before non-recurring items

(MSEK)	January-March 2010	January-March 2009	April-March 2009-2010	April-March 2008-2009
Revenue	**9,495**	11,296	**43,117**	51,818
Payroll expenses	**-3,544**	-4,609	**-16,933**	-17,744
Other operating expenses	**-5,793**	-6,501	**-25,204**	-30,818
EBITDAR	**158**	186	**980**	3,256
Restructuring costs	**99**	95	**1,551**	360
Other non-recurring items	**0**	0	**71**	357[1]
EBITDAR before non-recurring items in continuing operations	**257**	281	**2,602**	3,973

Income before non-recurring items

(MSEK)	January-March 2010	January-March 2009	April-March 2009-2010	April-March 2008-2009
Income before tax in continuing operations	**-972**	-979	**-3,416**	-1,098
Impairment losses	**0**	0	**215**	12
Restructuring costs	**108**	95	**1,780**	360
Capital gains	**20**	-5	**-307**	-9
Other non-recurring items	**0**	0	**19**	357[1]
Income before tax and non-recurring items in continuing operations	**-844**	-889	**-1,709**	-378

The above tables present the reconciliation of EBITDAR before non-recurring items and Income before non-recurring items for purposes of the Company's quarterly interim reports. See p.16 for a reconciliation of EBITDAR before non-recurring items to Net income (loss) from continuing operations and a reconciliation of Income before non-recurring items to Income before tax.
[1] Includes fines of MUSD 52 from the US Department of Justice pertaining to SAS Cargo

SAS Group

Market and earnings trend

The market trend in the aviation industry remains weak with significant yield pressure, although yield has now stabilized at a low level. This statement does not take recent effects from the volcanic ash situation into consideration.

The European and North American airline markets have been slower to emerge from the recession than markets such as Asia and Latin America, but signs of a recovery in passenger demand can now be seen in improving load factors across several carriers in Europe. IATA forecasts a global yield growth of 2.0% during 2010, compared to last year's decline of 14%. The air cargo market is also experiencing a recovery with capacity shortage on Asian routes. IATA's forecasted cargo yield improvement during 2010 is 3.4%.

For the SAS Group, the number of passengers fell 0.2% during the first quarter compared with the same period last year. In relation to the capacity decrease of 10.4%, the increased passenger volumes indicate that the fall in demand has leveled out in SAS's markets.

The currency-adjusted yield for Scandinavian Airlines in the first quarter was 11.4% lower than for the same period last year and impacted SAS's revenues and earnings, but was largely offset by an increased load factor of 6.3 p.u. As a result, the currency-adjusted unit revenue (RASK) for Scandinavian Airlines fell 1.7% during the first quarter but showed a positive trend and was up 3.1% in March.

January-March 2010

Continuing operations:
SAS Group's income before non-recurring items in continuing operations amounted to MSEK -844 (-889). SAS Group's income from continuing operations amounted to MSEK -705 (-715).

The net effect from currency fluctuations in January-March 2010, compared to the same period in 2009, was MSEK -539 mainly due to effects of a weaker USD/SEK exchange rate and corresponding losses from certain hedging arrangements. The effect was MSEK -365 on revenues, MSEK -27 on operating expenses and MSEK -147 on net financial items.

SAS Group's revenue amounted to MSEK 9,495 (11,296), a decrease of MSEK 1,801 or 15.9%. Adjusted for currency effects, revenue decreased by 13.1%, mainly due to reduced capacity (ASK) of 10.4% and an 11.4% decline in currency adjusted yield (Scandinavian Airlines), both partially offset by a load factor improvement of 6.3 p.u. Payroll expenses amounted to MSEK 3,544 (4,609), a significant decrease of MSEK 1,065 or 23.1%, primarily due to head count reductions. Jet fuel expenses amounted to MSEK 1,434 (1,846). Adjusted for positive currency effects, fuel costs decreased by MSEK 162 due to effects of weaker USD/SEK exchange rate, and as a result of lower volumes reflecting the decrease in capacity. Other operating expenses decreased as a result of reduced capacity and the Core SAS cost savings program.

Operating income amounted to MSEK -762 (-984). Operating income before depreciation, impairment and leasing costs, EBITDAR, amounted to MSEK 257 (281) before non-recurring items.

Leasing costs and depreciation were MSEK 272 lower than last year due to reduction of the fleet reflecting the decrease in capacity.

Restructuring costs related to the implementation of Core SAS were MSEK 108 (95), whereof MSEK 99 (95) were included in payroll expenses, and MSEK 9 (0) were included in leasing costs. Share of income in affiliated companies amounted to MSEK -30 (-33).

SAS Group's net financial items amounted to MSEK -210 (5), net interest income amounted to MSEK -184 (-130), and currency effects amounted to MSEK -9 (138). Other net financial items amounted to MSEK -17 (-3).

The sale of the SAS Tech subsidiary, Air Maintenance Estonia, was finalized during the first quarter and generated a capital loss of MSEK -1.

Discontinued operations
SAS Group's income from discontinued operations includes Spirit's earnings and amounted to MSEK -7 (-33).

Core SAS

Core SAS, launched in February 2009, is the SAS Group's renewed strategic approach and is based on five pillars that will facilitate an efficient and more profitable SAS.

Focus on the Nordic home market:
Core SAS involves a strengthened focus on core operations and the Nordic home market, which is proceeding according to plan. To date, SAS has divested its interests in airBaltic, Cubic, Spanair (80.1% of its ownership) and bmi. Parts of SAS Tech and SGS, as well as certain central functions, have also been outsourced. Spirit is in process of being divested, and in the future the SAS Group also intends to divest its holdings in Air Greenland, Skyways, Estonian Air and Trust.

Focus on business travelers and a strengthened commercial offering:
To facilitate profitability, SAS's will continue to focus on profitable business routes. The targets established under Core SAS include capacity reductions of approximately 20% (corresponding to 21 aircraft) and the closure of unprofitable routes, primarily leisure destinations.

A total of 20 aircraft have currently been withdrawn from the fleet, 57 routes have been discontinued since 2008 and total capacity reductions of approximately 19% have been implemented.

To strengthen the commercial offering, a new commercial concept was launched, Service And Simplicity. In brief, the concept involves improving customer satisfaction by further simplifying travel while maximizing value for individual customers. Service And Simplicity is being well received by SAS customers and contributed to higher customer satisfaction, demonstrating that SAS has successfully maintained the quality of its operations despite extensive cost reductions. An example of such quality is that SAS, according to Flightstats, is the most punctual major airline in Europe and has also been nominated for FlightStats' Annual On-time Performance Service Award.

Improved cost base:
A key part of Core SAS is the cost savings program aimed at improving SAS' profitability. When first launched, the program was designed to generate annual savings of SEK 4.0 billion and has since been successively expanded and now totals SEK 7.8 billion. A detailed breakdown of the Core SAS cost savings program is presented under the heading "Status of Core SAS's cost savings program".

Streamlined organization and intensified customer focus:
The organization of the Group has been significantly streamlined under the Core SAS framework, which has resulted in a more efficient and simplified SAS with a stronger customer focus. The Group's three business segments are Scandinavian Airlines, Blue1 and Widerøe.

The organizational restructuring was implemented according to plan during the first quarter of 2010 with Marketing and Sales in the Scandinavian Airlines segment being merged to form one commercial unit and Scandinavian Airlines' production units being centralized under one management.

Strengthened capital structure:
To facilitate the implementation of Core SAS, activities to strengthen the balance sheet have been undertaken.

A rights issue of approximately SEK 6 billion was implemented in 2009, and a rights issue of an additional approximately SEK 5 billion is currently in progress.

The terms and conditions for credit facilities corresponding to approximately SEK 5 billion were also renegotiated in 2010. The amendments to these credit facilities, including the extension of the maturity of the loans from 2012 to 2013, are subject to certain conditions, including the raising of a minimum of SEK 4 billion in the current rights issue. In addition, bonds in principal amount of approximately SEK 0.6 billion and convertible bonds of approximately SEK 1.6 billion were issued. Furthermore, commitment letters have been signed for additional bonds totaling approximately SEK 1 billion which will be issued following the rights issue.

Status of Core SAS's cost savings program

The Core SAS cost savings program was launched in February 2009 and originally amounted to SEK 4.0 billion. As of March 2010, the cost savings program totals SEK 7.8 billion, which include the final agreements with the pilot and cabin unions representing annual cost savings of MSEK 500.

The implementation of cost savings under Core SAS proceeded as planned during the first quarter and an additional MSEK 1,400 in cost savings were implemented in the first quarter compared with year-end. The main areas of improvement were new collective agreements and purchasing related cost savings, for example, new agreements with external maintenance, repair and overhaul (MRO) and IT and credit card suppliers.

The new cost savings measures of SEK 2.5 billion that were announced in February and March have now been detailed further and MSEK ~600 (included in the MSEK 1,400 mentioned above) in cost savings had been implemented as of March 31, 2010. Most of the cost savings from the final agreements with the pilot and cabin unions took full effect from April 1, 2010. The earnings effect in the first quarter from the cost savings program was MSEK 750 compared with the same period in 2009, reflecting reduced operating costs associated with cost saving measures, e.g., related to the reduction in payroll expenses.

Of the total cost savings program of SEK 7.8 billion, 63% or SEK 4.9 billion has been implemented. Remaining annual earnings effects from the total cost savings program are estimated to amount to SEK ~4.8 billion in 2010–2012. This estimate reflects assumptions regarding decreases in operating costs associated with the cost savings initiatives, such as payroll expenses and costs for maintenance.

Implementation of the Core SAS cost savings program as of March 31, 2010:

(MSEK)	Implemented Dec 31, 2009	Implemented Mar 31, 2010	Potential 2009-2012
Cabin crew/Flight deck	650	1350	1,900
Ground services	400	450	900
SAS Tech	750	850	1,800
Sales, marketing & commercial	400	550	600
Purchasing	100	300	400
Blue1/Widerøe/Cargo	450	450	600
Administration	700	900	1,500
Other	50	50	100
Total	**3,500**	**4,900**	**7,800**

Personnel reductions under Core SAS

Given the expanded Core SAS cost savings program, personnel reductions in 2009–2011 will amount to approximately 4,600. In 2009, FTEs were reduced by 2,900. In the first quarter of 2010, FTEs were reduced by an additional 300, i.e. out of the total reduction target of 4,600 FTEs, 70% or 3,200 FTE reductions have been completed.

FTE reductions under Core SAS as of March 31, 2010:

	Total
Planned FTE reduction	~4,600
Implemented	~3,200
Implemented %	70%

Legal Issues

On February 14, 2006, the European Commission and the U.S. Department of Justice announced the initiation of their investigations into possible price fixing in the air cargo industry. SAS Cargo was one of several air cargo carriers involved in the investigations. On July 21, 2008, SAS Cargo entered a plea of guilty to violation of U.S. antitrust laws, and agreed to pay a fine of MUSD 52 in installments over four years in settlement. This concluded and resolved all liability in connection with the investigation by the U.S. authorities.

The European Commission's decision in respect of its investigation is expected in 2010 (and could be announced as early as the second quarter of 2010). Group Management believes it is probable that the European Commission will impose a fine on SAS. The ultimate amount of the fine may be influenced by several different factors, including, among other things, the arguments SAS makes in its defense. Taking the nature of the allegations into account, an adverse outcome is likely to have a substantial negative financial impact on SAS.

SAS is cooperating with authorities in other jurisdictions. A formal investigation was launched in 2009 by the South Korean authorities against several airlines, including SAS. However, Group Management believes that this investigation, as it relates to SAS, is not of material importance. SAS is also subject to class-action civil lawsuits in the United States and Canada. The plaintiffs claim to have suffered damage and are suing for financial compensation. SAS continues to be engaged in settlement negotiations relating to this civil case.

SAS and certain other European airlines have been added as defendants to a pending class-action lawsuit in California alleging price-fixing of air passenger fares on Trans-Pacific routes, although these are routes not operated by SAS.

Since it is impossible to quantify the potential liability of the lawsuits or investigations above, or to predict the outcome, no provisions have been made in the financial statements with respect 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 March 2010, the Court of Appeal (*Lagmansretten*) in Oslo reached a decision in the appeal by SAS and Norwegian Air Shuttle related to the ruling in a dispute from 2008. The Court ruled in favor of Norwegian Air Shuttle but the decision was not unanimous. SAS will request to the Norwegian Supreme Court for leave to appeal. If the request is not granted or successful, the recent decision by the Court of Appeal will have a negative effect on SAS's earnings and liquidity of approximately MSEK 200.

On January 27, 2010, the Norwegian Tax Appeal Board (*Skatteklagenemnda*) rejected an appeal lodged by SAS against the Norwegian Tax Authority's decision dated February 13, 2009. According to the decision, depreciation charges amounting to approximately MNOK 180 had been reversed resulting in an increase in taxable income. SAS plans to appeal 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 connection with Quantum Air's (formerly AeBal, operating in Spain) breaches of its obligations under lease agreements entered into with SAS as lessor or guarantor, SAS has initiated different legal measures against Quantum Air and an arbitration proceeding against the owner, Proturin. Quantum Air, Quantum Air personnel and Proturin have made various claims for damages against the company, and threatened to take legal action concerning damage and loss as a result of terminated lease agreements, and also alleged breach of contract with respect to the sale of the shares in Quantum Air to Proturin. The development in the different matters and their financial impact for SAS is hard to assess. SAS established a provision of SEK 133 million in the fourth quarter of 2009 in relation to probable future losses.

On April 15, 2010, 33 SAS pilots jointly submitted an application for a summons against SAS's at Stockholm District 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 include former employees of the Swedish airline company Linjeflyg which, in connection with the SAS acquisition of Linjeflyg in 1993, were employed by SAS. The claimants allege that the terms of employment are discriminatory and are in breach of EU law regarding free movement. At present, the claim does not include a monetary value, but based on an initial and preliminary review, SAS considers the risk for a negative outcome to be limited and no provisions have been made.

Currency and fuel hedging

The SAS Group has hedged 52% of its anticipated fuel consumption for the next twelve months. For the period April 2010 – December 2010, the Group has hedged 53% of its anticipated fuel consumption. Hedging was achieved primarily through swaps supplemented with a small share of capped options. Under current plans for seat capacity, the cost of jet fuel in 2010 is expected to be in line with the table on page 18, assuming different prices and USD exchange rates. The SAS Group's policy is to handle changes in jet-fuel costs primarily through price adjustments and yield management.

In March 2010, the SAS Group had hedged 63% of its anticipated USD deficit for the next twelve months. A specification of hedging on a quarterly basis is provided below. The SAS Group has hedged its USD deficit using a combination of forward contracts, purchased call options and issued put options in zero-cost solutions, and independently purchased call options. Other currencies are to be hedged at a rate of 60-90% in accordance with the financial policy.

	Q2 2010	**Q3 2010**	**Q4 2010**	**Q1 2011**
USD hedging (upside)	69%	61%	60%	60%

SAS Group

Segment information

January-March	Scandinavian Airlines		Blue1		Widerøe		Reconciliation				Core SAS	
							Other		Eliminations			
(MSEK)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
External revenue	**8,114**	9,758	**404**	450	**828**	805	**100**	125	**0**	0	**9,446**	11,138
Sales between segments	**185**	313	**8**	16	**1**	1	**195**	304	**-361**	-473	**28**	161
Revenue	**8,299**	10,071	**412**	466	**829**	806	**295**	429	**-361**	-473	**9,474**	11,299
Payroll expenses	**-3,011**	-3,883	**-85**	-98	**-307**	-325	**-49**	-79	**0**	0	**-3,452**	-4,385
Other expenses	**-4,835**	-5,905	**-357**	-387	**-434**	-440	**-458**	-300	**329**	449	**-5,755**	-6,583
Operating income before depreciation and leasing costs	**453**	283	**-30**	-19	**88**	41	**-212**	50	**-32**	-24	**267**	331
Leasing costs for aircraft	**-439**	-688	**-25**	-30	**-30**	-47	**0**	0	**32**	24	**-462**	-741
Depreciation and impairment	**-358**	-350	**-1**	-1	**-36**	-36	**-10**	-12	**1**	2	**-404**	-397
Share of income in affiliated companies	**1**	3	**0**	0	**0**	0	**0**	0	**0**	0	**1**	3
Capital gains/losses	**-20**	5	**0**	0	**0**	0	**0**	0	**0**	0	**-20**	5
Operating income	**-363**	-747	**-56**	-50	**22**	-42	**-222**	38	**1**	2	**-618**	-799
Unallocated income items:												
Net financial income												
Tax												
Net income for the period from continuing operations												
Income before non-recurring items in continuing operations	**-409**[1]	-738[1]	**-56**	-51	**18**	-23	**-213**	76	**1**	2	**-659**	-734

January-March	Reconciliation				SAS Group	
	Other		Eliminations			
(MSEK)	**2010**	2009	**2010**	2009	**2010**	2009
External revenue	**49**	158	**0**	0	**9,495**	11,296
Sales between segments	**105**	250	**-133**	-411	**0**	0
Revenue	**154**	408	**-133**	-411	**9,495**	11,296
Payroll expenses	**-92**	-224	**0**	0	**-3,544**	-4,609
Other expenses	**-171**	-329	**133**	411	**-5,793**	-6,501
Operating income before depreciation and leasing costs	**-109**	-145	**0**	0	**158**	186
Leasing costs for aircraft	**0**	0	**0**	0	**-462**	-741
Depreciation and impairment	**-4**	-4	**0**	0	**-408**	-401
Share of income in affiliated companies	**-31**	-36	**0**	0	**-30**	-33
Capital gains/losses	**0**	0	**0**	0	**-20**	5
Operating income	**-144**	-185	**0**	0	**-762**	-984
Unallocated income items:						
Net financial income					**-210**	5
Tax					**267**	264
Net income for the period from continuing operations					**-705**	-715
Income before non-recurring items in continuing operations	**-185**	-155	**0**	0	**-844**	-889

1 Excludes MSEK -108 (-95) in restructuring costs and MSEK 0 (0) in other non-recurring items during the period January-March 2010 (January-March 2009).

The Group's operations are governed and reported by business segment according to the following:

Scandinavian Airlines, which 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 as an independent airline based in Finland.

Widerøe as an independent regional airline based in Norway.

The three segments above jointly comprise Core SAS, along with certain shared services and management functions.

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 and outsourcing.

Core SAS

SAS airline operations, i.e. Scandinavian Airlines, Blue1 and Widerøe comprise Core SAS. Included in Scandinavian Airlines are support businesses such as SGS, SAS Tech and SAS Cargo. In total, Core SAS comprises more than 95% of the Group's operating revenue.

Scandinavian Airlines' EBIT before non-recurring items was MSEK -235 (-658), Blue1's amounted to MSEK -56 (-50) and Widerøe's amounted to MSEK 22 (-42), for the first quarter of 2010. Including non-recurring items Scandinavian Airlines' EBIT was for MSEK -363 (-747), while Blue1 and Widerøe had no non-recurring items.

During the first quarter the drop in yield flattened out, but at a low level compared to the same period in 2009. At the same time, the load factor increased significantly due to capacity reductions and more stable passenger demand. As a result, the decline in revenue was generally offset by decreases in expenses as a result of the cost savings program. Thus, results improved for Scandinavian Airlines and Widerøe compared to the same period last year.

Statement of income Scandinavian Airlines

	January-March	
(MSEK)	**2010**	2009
Passenger revenue	**6,059**	7,184
Charter revenue	**345**	396
Other traffic revenue	**734**	820
Other revenue	**1,161**	1,671
Revenue	**8,299**	10,071
Payroll expenses	**-3,010**	-3,883
Selling costs	**-78**	-135
Jet fuel	**-1,283**	-1,684
Government user fees	**-853**	-957
Catering costs	**-189**	-276
Handling costs	**-401**	-509
Technical aircraft maintenance	**-559**	-800
Computer and telecommunications costs	**-403**	-463
Other operating costs	**-1,070**	-1,082
Operating expenses	**-7,846**	-9,788
Income before depreciation and leasing costs, EBITDAR	**453**	283
Leasing costs for aircraft	**-439**	-688
Income before depreciation, EBITDA	**14**	-405
Depreciation	**-358**	-350
Share of income in affiliated companies	**1**	3
Capital gains	**-20**	5
Operating income, EBIT	**-363**	-747
EBIT before nonrecurring items	**-235**	-658

Earnings for Scandinavian Airlines during the first quarter 2010 were negative, but improved compared to the same period last year. The market improved during the first quarter, which included a stronger demand for business travelling in several of SAS' markets. As a consequence, passenger numbers were in line with last year, even though capacity was significantly lower. The downward pressure on passenger yield continues, although the yield has stabilized during early 2010.

In accordance with Core SAS, capacity has been further reduced during the first quarter. Including charter traffic, the capacity (ASK) was 11% lower than the same period last year.

In addition to the low yield, revenues were negatively affected by lower capacity. Traffic revenue was significantly below 2009 numbers, but the trend for currency adjusted unit revenue (RASK) indicates some signs of a recovery, even though RASK fell by 1.7% during the first quarter compared to the same period last year. The reason for recovery of unit revenue was primarily a higher load factor, which improved by 6.7 p.u. to 69.7% compared to the first quarter last year. This constitutes a nine month positive trend. However, the improved load factor did not entirely compensate for the lower yield which declined by 11.4% (currency adjusted), compared to the first quarter last year.

Partly due to a stronger freight market, cargo revenue increased in the first quarter of 2010 compared with the same period last year, after excluding revenues from operations discontinued in 2009.

In addition to lower volumes, which reduced operating costs, the cost savings program had a substantial impact on operating expenses, which were 19.8% lower than the same period last year. The currency adjusted unit cost for Scandinavian Airlines was down 7.8% (adjusted for fuel cost) despite the reduction in capacity of 11.2%, compared with the same period in 2009. The decrease in unit cost was primarily a result of implemented cost saving measures.

In addition to effects of reduced capacity, payroll expenses were down primarily due to activities in the cost savings program, while fuel costs decreased despite increased market price due to positive hedging arrangements and a weaker USD. Technical aircraft maintenance cost decreased due to fewer periodical heavy maintenance checks as well as cost savings measures.

Statement of income Blue1

(MSEK)	January-March 2010	2009
Passenger revenue	**372**	408
Other revenue	**40**	58
Revenue	**412**	466
EBITDAR	**-30**	-19
EBIT	**-56**	-50
EBIT margin	**-13.7%**	-10.8%
Average number of employees	**404**	440

Blue1 recognized EBIT of MSEK -56, which was slightly worse than last year. Revenue decreased during the first quarter due to reduced capacity and unfavorable market conditions which created a downward pressure on yield. Traffic (RPK) increased by 7.2% despite capacity reductions of 0.6%, due to a higher load factor, which amounted to 61.7%, 4.5 p.u. higher than in the same period in the previous year. During 2010, Blue1 has continued to reallocate capacity from the domestic and Scandinavian markets to European routes where the demand is stronger. Both the unit revenue and the unit cost were significantly lower than last year, primarily due to a weaker EUR/SEK exchange rate but also due to changes in the traffic program. Planned personnel reductions were implemented according to plan.

Statement of income Widerøe

(MSEK)	January-March 2010	2009
Passenger revenue	**587**	599
Other revenue	**242**	207
Revenue	**829**	806
EBITDAR	**88**	41
EBIT	**22**	-42
EBIT margin	**2.7%**	-5.2%
Average number of employees	**1,181**	1,252

Widerøe recognized EBIT of MSEK 22, which was a significant improvement compared to 2009. From mid-2009, Widerøe has experienced a positive trend in EBIT margin development. The Norwegian market is stable even if pressure on yield continues. Despite capacity reductions of 2.1%, traffic (RPK) was up by 2.5%. The load factor amounted to 56.2%, which was 2.5 p.u. higher compared to the same period last year. The overall result improvement was partly generated by the cost savings program, which in combination with a stronger revenue development strengthened the result. Planned personnel reductions were implemented according to plan.

SAS Individual Holdings

One of the five pillars of Core SAS is focus on the Nordic home market, and as part of this strategy, several divestments have been made. Units in the process of being divested and outsourced are managed by SAS Individual Holdings.

Divestments

During the first quarter, the SAS Tech subsidiary Air Maintenance Estonia was divested to the private equity and venture capital investor BaltCap. The transaction was finalized on March 2.

SAS intends to continue to divest non-core businesses such as the affiliated companies Estonian Air and Air Greenland, the wholly owned subsidiaries in the cargo operations Spirit Air Cargo and Trust, and non-core operations within SGS and SAS Tech. On March 12 the SAS Group's ownership stake in Skyways was diluted from 25% to 19.9% when Skyways finalized a rights offering in which SAS did not subscribe for its pro rata share. As a result, Skyways is no longer an affiliate of the Group, but will be reported as a financial asset.

Remaining obligations

Following the divestment of SAS Group share of 20% in bmi to LHBD Holding Ltd. during the third quarter of 2009, SAS will receive an additional payment from Lufthansa if further value in bmi can be realized within a period ending in the third quarter 2011. Following the transactions, SAS will also have a maximum exposure of MGBP 19 within a period ending in the third quarter 2011, in the event bmi becomes insolvent.

Following the divestment of 80.1% of Spanair in the beginning of 2009, SAS had as of March 31, 2010 interest-bearing receivables from Spanair totaling MEUR 149, which mature on January 30, 2014. In addition, SAS has leased a total of 12 aircraft to Spanair at market terms and remains as guarantor of certain operational measures within Spanair's operations of MEUR 24, within a period ending in January 30, 2014. SAS also has an outstanding bridge loan of MEUR 30 to the purchasers of Spanair, which matures on December 31, 2010.

SAS also has receivables from airBaltic, which was divested in 2008. As of March 31, 2010 the receivables amounted to MUSD 49 and MEUR 4.4, which mature on April 30, 2010, and MUSD 10.7 which matures on October 31, 2012. During April 2010, MUSD 13 was repaid.

SAS Group

Condensed cash-flow statement

	January-March		April-March	
(MSEK)	**2010**	2009	**2009-2010**	2008-2009
Income before tax	**-972**	-979	**-3,416**	-1,098
Depreciation and impairment	**408**	401	**1,852**	1,603
Income from sale of fixed assets	**20**	-5	**-307**	-9
Discontinued operations	**-2**	-423	**-52**	-2,333
Adjustment for items not included in cash flow, etc.	**104**	32	**116**	-95
Tax paid	**0**	-2	**-1**	-13
Cash flow from operations	**-442**	-976	**-1,808**	-1,945
Change in working capital	**472**	725	**-1,325**	-933
Cash flow from operating activities	**30**	-251	**-3,133**	-2,878
Investments, including prepayments to aircraft manufacturers	**-1,235**	-1,074	**-4,822**	-4,941
Sale of subsidiaries and affiliated companies	**56**	221	**440**	324
Sale of fixed assets, etc.	**124**	227	**1,342**	1,630
Cash flow before financing activities	**-1,025**	-877	**-6,173**	-5,865
Rights issue, including issue costs	**0**	0	**5,808**	0
External financing, net	**748**	1,190	**-1,966**	3,957
Cash flow for the period	**-277**	313	**-2,331**	-1,908
Translation difference in cash and cash equivalents	**-4**	55	**-10**	43
Cash and cash equivalents transferred from/to assets held for sale	**4**	108	**-6**	122
Change in cash and cash equivalents according to the balance sheet	**-277**	476	**-2,347**	-1,743

Comments on the cash-flow statement

Cash flow from operating activities for the first quarter amounted to MSEK 30 (-251). The improvement compared with the same period in 2009 was primarily attributable to discontinued operations that have since been divested. The changes from working capital were positive for the period, although lower than in the corresponding period last year. However, it needs to be taken into consideration that the Group is smaller than in 2009 due to divestments.

Investments amounted to MSEK 1,235 (1,074), of which MSEK 1,046 (889) was attributable to aircraft, other flight equipment and prepayments. This figure includes delivery payments for one CRJ900, one Boeing 737 and two Q400NGs, as well as the repurchase of one leased Q400, which was then sold as part of the discontinuation of the Q400 fleet.

In January, the fully owned subsidiary Air Maintenance Estonia was divested for MSEK 74. After taking sales costs and the divested company's liquid assets into account, the Group's cash and cash equivalents increased by MSEK 56 as a result of the sale.

One Airbus A321 was sold in March for MSEK 131.

Cash flow before financing activities thus amounted to MSEK -1,025 (-877).

Cash and cash equivalents according to the balance sheet amounted to MSEK 3,912 compared with 4,189 as of December 31, 2009.

The SAS Group had, as of December 31, 2009 approximately MSEK 8,000 in unutilized tax loss carryforwards in continuing operations. This will have a positive impact on cash flow in future periods as the 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.

Financial key ratios

	March 31	December 31	March 31	March 31
(MSEK)	**2010**	2009	2009	2008
CFROI	**2%**	1%	5%	13%
Equity/assets ratio	**25%**	27%	25%	30%
Adjusted equity/assets ratio	**20%**	21%	19%	24%
Financial net debt, MSEK	**7,222**	6,504	3,636	1,534
Debt/equity ratio	**0.67**	0.57	0.30	0.10
Adjusted debt/equity ratio	**1.70**	1.70	1.52	1.05
Interest-coverage ratio	**-3.7**	-4.4	-5.6	0.7

SAS Group

Condensed balance sheet

(MSEK)	March 31 2010	December 31 2009	March 31 2009	March 31 2008
Subscribed, unpaid capital	**-**	-	6,057	-
Intangible assets	**1,281**	1,296	1,182	1,227
Tangible fixed assets	**16,036**	15,574	15,019	13,596
Financial fixed assets	**14,431**	12,766	12,610	12,031
Total fixed assets	**31,748**	29,636	28,811	26,854
Current assets	**666**	758	745	876
Current receivables	**6,147**	7,511	6,774	7,416
Cash and cash equivalents	**3,912**	4,189	6,259	8,002
Assets held for sale	**401**	401	-	6,005
Total current assets	**11,126**	12,859	13,778	22,299
Total assets	**42,874**	42,495	48,646	49,153
Shareholders' equity [1]	**10,731**	11,389	12,041	14,868
Long-term liabilities	**13,543**	13,069	19,783	12,270
Current liabilities	**18,461**	17,880	16,822	16,515
Liabilities relating to assets held for sale	**139**	157	-	5,500
Total shareholders' equity and liabilities	**42,874**	42,495	48,646	49,153
Shareholders' equity per share [2]	**4,35**	4.62	4.88	90.61
Interest-bearing assets	**18,264**	18,488	23,911	19,816
Interest-bearing liabilities	**15,165**	14,660	17,354	11,751

1 Including minority interests.
2 Calculated on 2,467,500,000 outstanding shares in March 2010 and in December 2009. For previous period shareholders' equity is calculated on 164,500,000 shares. The SAS Group has not carried out any buyback programs.

Change in shareholders' equity

(MSEK)	Share capital[1]	Other contributed capital [2]	Hedge reserves	Ongoing rights issue	Translation reserve	Retained earnings[3]	Total equity attributable to Parent Company owners	Total equity
Opening shareholders' equity in accordance with approved balance sheet, January 1, 2009	**1,645**	**170**	**-743**	**0**	**25**	**6,215**	**7,312**	**7,312**
Profit/loss for the period						-748	-748	-748
Exchange-rate differences in translation of foreign operations					129		129	129
Cash-flow hedges			-731				-731	-731
Tax attributable to components relating to comprehensive income			192				192	192
Total comprehensive income for the period	0	0	-539		129	-748	-1,158	-1,158
Reduction in share capital	-1,234					1,234	0	0
Ongoing rights issue				6,057			6,057	6,057
Net costs for rights issue				-170			-170	-170
Closing balance, March 31, 2009	**411**	**170**	**-1,282**	**5,887**	**154**	**6,701**	**12,041**	**12,041**
Profit/loss for the period						-2,199	-2,199	-2,199
Exchange-rate differences in translation of foreign operations					-102		-102	-102
Cash-flow hedges			2,048				2,048	2,048
Tax attributable to components relating to comprehensive income			-539				-539	-539
Total comprehensive income for the period	0	0	1,509	0	-102	-2,199	-792	-792
Rights issues	5,757			-6,057		300	0	0
Net costs for rights issue				170		-184	-14	-14
Tax effect of IFRIC13						154	154	154
Closing balance, December 31, 2009	**6,168**	**170**	**227**	**0**	**52**	**4,772**	**11,389**	**11,389**
Profit/loss for the period						-712	-712	-712
Exchange-rate differences in translation of foreign operations					7		7	7
Cash-flow hedges			64				64	64
Tax attributable to components relating to comprehensive income			-17				-17	-17
Total comprehensive income for the period	0	0	47	0	7	-712	-658	-658
Closing balance March 31, 2010	**6,168**	**170**	**274**	**0**	**59**	**4,060**	**10,731**	**10,731**

1 The share capital in SAS AB is distributed as follows: an opening balance of 164,500,000 shares, with a quota value of SEK 10 per share and a closing balance of 2,467,500,000 shares, with a quota value of SEK 2.5. per share.
2 The entire amount comprises share premium reserves.
3 No dividends were paid in 2008 and 2009.

SAS Group

Statement of other comprehensive income

(MSEK)	January-March 2010	January-March 2009
Profit/loss for the period	**-712**	-748
Other comprehensive income:		
Exchange-rate differences in translation of foreign operations	**7**	129
Cash-flow hedges – hedging reserve	**64**	-731
Tax attributable to components relating to other income	**-17**	192
Net total comprehensive income for the period after tax	**54**	-410
Total comprehensive income	**-658**	-1,158

Parent Company SAS AB

Income before tax for the period amounted to MSEK -42 (-361).

Available liquidity for SAS AB at March 31, 2010 amounted to MSEK 174, compared with MSEK 2 at the beginning of the year.

The number of shareholders in SAS AB totaled 63,973 at March 31, 2010. The average number of employees in SAS AB was 57 (293).

Condensed statement of income

(MSEK)	January-March 2010	January-March 2009
Revenue	**2**	58
Payroll expenses	**-37**	-97
Other operating expenses	**-19**	-105
Operating income before depreciation	**-54**	-144
Depreciation	**0**	0
Operating income	**-54**	-144
Income from divested shares	**-**	-228
Net financial income	**12**	11
Income before tax	**-42**	-361
Tax	**11**	35
Net loss for the year	**-31**	-326

Condensed balance sheet

(MSEK)	March 31 2010	December 31 2009
Fixed assets	**7,998**	6,541
Current assets	**3,380**	4,937
Total assets	**11,378**	11,478
Shareholders' equity	**8,742**	8,773
Long-term liabilities	**2,447**	2,448
Current liabilities	**189**	257
Total shareholders' equity and liabilities	**11,378**	11,478

Change in shareholders' equity

(MSEK)	Share capital	Restricted reserves	Unrestricted equity	Total equity
Opening balance, January 1, 2009	6,168	306	2,299	8,773
Loss for the year			-31	-31
Equity, March 31, 2010	6,168	306	2,268	8,742

Accounting policies and financial reports

Several amendments to standards, new interpretations and new standards have come into force as of January 1, 2010. For the SAS Group, none of the changes in standards and interpretations are deemed to have material relevance in the preparation of this financial report. In other respects, the SAS Group continued to apply the same accounting policies as in the Annual report for 2009.

Financial position

On March 31, 2010, the SAS Group's cash and cash equivalents amounted to MSEK 3,912 (6,259). Since the beginning of the year, cash and cash equivalents have decreased MSEK 277. In addition to cash and cash equivalents, the SAS Group has unutilized contract loan commitments amounting to MSEK 3,153 (2,364). The SAS Group has total financial preparedness corresponding to MSEK 7,065 (14,680) or 16% (28%) of the Group's annual revenues (April 2009 to March 2010).

The SAS Group's interest-bearing liabilities during the first quarter of 2010 rose MSEK 505 to MSEK 15,165. After adjustment for a stronger SEK, the increase was approximately MSEK 990. New loans raised during the quarter amounted to MSEK 1,342 (nominal value amounts to MSEK 1,385) and loan repayments amounted to MSEK 352. New loans primarily comprise long-term borrowings totaling MSEK 940 pertaining to the issue of bonds in the EMTN market and borrowings related to aircraft acquisitions during the quarter.

As of the end of March, financial net debt was MSEK 7,222, an increase of MSEK 718 since year-end. The increase was primarily due to investments in the quarter of MSEK 1,235, primarily in aircraft, and sales of MSEK 180. Cash flow from operating activities was positive with MSEK 30 during the quarter.

Four new aircraft were delivered in the first quarter, two Q400NGs, a CRJ900 and a Boeing 737-700, At the end of April, the 737-700 aircraft delivered in March will be financed on the basis of a sale and leaseback transaction. The three remaining aircraft were financed through EDC Export Development Canada.

The final aircraft that SAS has on firm order, a Q400NG, is scheduled for delivery in November 2010.

As of March 31, 2010, the adjusted equity/assets ratio was 20% (19%). The adjusted debt/equity ratio was 1.70 (1.52).

The SAS Group's targets are specified below:

Targets for financial position

Adjusted equity/assets ratio >35%

Adjusted debt/equity ratio <1.00

Financial preparedness 20% of annual revenue

SAS Group Management and areas of responsibility

Mats Jansson, President and CEO.

John S. Dueholm, Deputy CEO and Executive Vice President. Responsible for the Core SAS business area.

Mats Lönnqvist, CFO and Deputy President.

Henriette Fenger Ellekrog, Executive Vice President and Deputy President.

Benny Zakrisson, Executive Vice President, responsible for SAS Individual Holdings.

Mats Lönnkvist, Executive Vice President and Chief Legal Officer

Full-year 2010

Despite a sharp fall in the GDP of the Nordic countries in 2009 the Nordic economies seem to be emerging from the deepest financial crisis since the 1930s. Forecasts indicate that 2010 will be stronger than 2009. However, uncertainty remains as to the strength of the recovery and GDP forecasts for Sweden were revised slightly downward at the end of the first quarter.

In its most recent full-year forecast in March, the IATA estimated losses in 2010 for the global aviation industry to total USD 2.8 billion. However, due to the recent effects of the extraordinary disruption to air travel services due to volcanic ash, this forecast will be revised downwards – 2010 will continue to be a tough year for the entire aviation industry.

The Scandinavian airspace has been closed or partly closed from April 15 due to ash from the Eyjafjallajökull volcano in Iceland. As a consequence, SAS cancelled the majority of its flights from April 15. The situation in the rest of Northern Europe is similar and represents a major hit to the entire aviation industry. SAS estimates the negative effects on earnings to be MSEK 50-90 per day, assuming that all flights are cancelled. With safety as the number one priority, SAS is working closely together with other major European airlines and the aviation authorities to find solutions to resume full operations.

However, excluding the recent events, some signs indicating a recovery in the airline industry are appearing. Indications of higher demand can be seen in the Asian and Latin American markets, although demand is weaker in the North American and Nordic markets and the rest of Europe, albeit with a few positive signs. Capacity reductions continued in Europe in the first quarter as a result of the economic downturn, which, combined with increasing demand, improved the load factors for many carriers. Yields continue to be under pressure, but the fall in demand in the Nordic region stabilized in the first quarter and this is normally followed by a more stable yield trend. Nevertheless, uncertainty remains regarding the competitive situation, the USD exchange-rate trend and the price of jet fuel.

Since March 2010, the SAS Group's cost savings program amounts to SEK 7.8 billion and is being implemented according to plan. The cost savings program up to March 31, 2010 has generated a positive annual earnings effect of approximately SEK 3 billion and the remaining earnings effect is estimated to be approximately SEK 4.8 billion, with the majority of the remaining effects expected in 2010. Restructuring costs in 2010 and 2011 are expected to total approximately SEK 1 billion, with the majority anticipated to occur in 2010.

Mats Jansson
CEO and President

This report is unaudited

Traffic data information

SAS Group's passenger traffic

		January-March		
		2010	2009	Change
Number of passengers	(000)	**5,735**	5,748	-0.2%
Passenger km	(mill.)	**5,471**	5,541	-1.3%
Seat km	(mill.)	**7,951**	8,870	-10.4%
Load factor		**68.8%**	62.5%	+6.3 p.u.

SAS Group's traffic-related key ratios

	January-March		April-June		July-September		October-December		April-March	
	2010	2009	**2009**	2008	**2009**	2008	**2009**	2008	**2009-2010**	2008-2009
Number of passengers (000)	**5,735**	5,748	**6,850**	8,260	**6,245**	7,325	**6,055**	6,612	**24,885**	27,946
RPK (mill.)	**5,471**	5,541	**7,055**	8,479	**6,868**	8,180	**5,764**	6,559	**25,157**	28,758
ASK (mill.)	**7,951**	8,870	**9,584**	11,564	**8,958**	10,984	**8,160**	9,750	**34,652**	41,167
Load factor	**68.8%**	62.5%	**73.6%**	73.3%	**76.7%**	74.5%	**70.6%**	67.3%	**72.6%**	69.9%

SAS Group's traffic operation by route sector

	January-March 2010 vs. January-March 2009	
	Traffic (RPK)	Capacity (ASK)
Intercontinental	**-1.5%**	-12.7%
Europe	**-2.9%**	-11.8%
Intra-Scandinavia	**3.5%**	-9.8%
Denmark (domestic)	**-2.5%**	-8.8%
Norway (domestic)	**-1.7%**	-5.6%
Sweden (domestic)	**6.6%**	-1.9%

Passager traffic for Scandinavian Airlines, Widerøe and Blue1

Scandinavian Airlines traffic-related key ratios

		January-March	
		2010	Change
Number of passengers	(000)	**4,913**	-0.3%
Passenger km, RPK	(mill.)	**5,038**	-1.8%
Seat km, ASK	(mill.)	**7,225**	-11.2%
Load factor		**69.7%**	+6.7 p.u.
Yield, currency-adjusted			-11.4%
Total traffic revenue/total ASK (currency-adjusted)			-1.7%
Total unit cost, incl. charter (currency-adjusted)			-7.8%[1)]
Operational unit cost, incl. charter (currency-adjusted)			-7.0%[1)]

1) Jet fuel costs had no impact on the unit cost during January-March 2010

Unit cost, total – The airline's total operating costs including aircraft leasing 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)

SAS Group's charter traffic

		January-March		
		2010	2009	Change
Number of passengers	(000)	**238**	254	-6.4%
Passenger km	(mill.)	**746**	784	-4.8%
Seat km	(mill.)	**825**	882	-6.5%
Load factor		**90.5%**	88.9%	+1.6 p.u.

Other traffic and production

		Widerøe		Blue1	
		Jan-Mar 2010	Change	**Jan-Mar 2010**	Change
Scheduled traffic					
Number of passengers	(000)	**482**	1.1%	**340**	-0.6%
RPK	(mill.)	**151**	2.5%	**282**	7.2%
ASK	(mill.)	**268**	-2.1%	**458**	-0.6%
Load factor		**56.2%**	+2.5 p.u.	**61.7%**	-4.5 p.u.
Yield, currency-adjusted			-6.4%		-6.6%
Unit cost, total incl. charter (local currency)			-11.7%		2.3%

Detailed unit cost analysis – Scandinavian Airlines

Currency/volume adjusted (MSEK)	**Jan-Mar 2010**	Jan-Mar 2009 adj for currency/volume	Variance %	Share of adjusted total variance %
Paryroll expenses	**-2,911**	-3,316	-12.2%	-5.1%
Jet fuel	**-1,283**	-1,281	0.1%	0.0%
Government user fees	**-853**	-803	6.2%	0.6%
Selling costs	**-78**	-118	-33.4%	-0.5%
Handling costs	**-401**	-432	-7.1%	-0.4%
Technical aircraft maintenance	**-559**	-714	-21.8%	-1.9%
Other operating costs (net)	**-491**	-473	3.9%	0.2%
Total operating expenses	**-6,576**	-7,136	-7.8%	-7.0%
Leasing costs for aircraft	**-430**	-536	-19.8%	-1.3%
Depreciation	**-358**	-312	14.5%	0.6%
Adjusted EBIT	**-7,364**	-7,984	-7.8%	-7.8%

Reconciliation of EBITDAR before non-recurring items

	January-March		April-March	
(MSEK)	**2010**	2009	**2009-2010**	2008-2009
Net income (loss) from continuing operations	**-705**	-715	**-2,610**	-1,030
Net financial items	**210**	-5	**556**	169
Tax expense/(benefit)	**-267**	-264	**-806**	-68
Depreciation and amortization	**408**	401	**1,852**	1,603
Leasing cost	**462**	741	**2,040**	2,476
Share of (income) / loss in affiliated companies	**30**	33	**255**	115
Sale of shares in subsidiaries and affiliated companies	**1**	-5	**-423**	-5
Sale of aircraft and buildings	**19**	0	**116**	-4
EBITDAR	**158**	186	**980**	3,256
Adjustments:				
Restructuring charges[1]	**99**	95	**1,551**	360
Other non-recurring items[2]	**0**	0	**71**	357
EBITDAR before non-recurring items in continuing operations	**257**	281	**2,602**	3,973

[1] Includes restructuring costs related to payroll expenses, and other operating expenses.

[2] Includes non-recurring items related to the fines of MUSD 52 from the US Department of Justice for SAS Cargo during 2008. 2009 also include impairment of assets MSEK 52 and MSEK 15 pertaining to the settlement of a tax dispute in Saudi Arabia

Reconciliation of Income before non-recurring items

	January-March		April-March	
(MSEK)	**2010**	2009	**2009-2010**	2008-2009
Income before tax	**-972**	-979	**-3,416**	-1,098
Adjustments:				
Impairment of assets	**0**	0	**215**	12
Sale of shares in subsidiaries and affiliated companies	**1**	-5	**-423**	-5
Restructuring charges[1]	**108**	95	**1,780**	360
Other non-recurring items[2]	**0**	0	**19**	357
Income before non-recurring items in continuing operations	**-844**	-889	**-1,709**	-378

[1] Includes restructuring costs related to payroll expenses, other operating expenses, leasing costs and depreciation.

[2] Includes non-recurring items related to the fines of MUSD 52 from the US Department of Justice for SAS Cargo. 2009 also includes MSEK 15 pertaining to the settlement of a tax dispute in Saudi Arabia

Statement of income

Statement of income – quarterly breakdown

(MSEK)	2008 JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	FULL YEAR JAN-DEC	2009 JAN-MAR	APR-JUN	JUL-SEP	OCT-DEC	FULL YEAR JAN-DEC	**2010 JAN-MAR**
Revenue	12,348	14,412	13,287	12,823	52,870	11,296	12,223	11,076	10,323	44,918	**9,495**
Payroll expenses	-4,497	-4,485	-4,253	-4,397	-17,632	-4,609	-5,269	-3,994	-4,126	-17,998	**-3,544**
Other operating expenses	-7,642	-8,826	-7,919	-7,572	-31,959	-6,501	-6,779	-6,257	-6,375	-25,912	**-5,793**
Leasing costs for aircraft	-547	-519	-543	-673	-2,282	-741	-626	-476	-476	-2,319	**-462**
Depreciation and impairment	-348	-360	-398	-444	-1,550	-401	-463	-497	-484	-1,845	**-408**
Share of income in affiliated companies	-65	-78	7	-11	-147	-33	19	-15	-229	-258	**-30**
Income from sale of shares in subsidiaries and affiliated companies	0	0	0	0	0	5	2	423	-1	429	**-1**
Income from sale of aircraft and buildings	0	6	6	-8	4	0	-49	-1	-47	-97	**-19**
Operating income	-751	150	187	-282	-696	-984	-942	259	-1,415	-3,082	**-762**
Net financial income	-99	-19	-77	-78	-273	5	-97	-145	-104	-341	**-210**
Income before tax	-850	131	110	-360	-969	-979	-1,039	114	-1,519	-3,423	**-972**
Tax	200	-124	32	-104	4	264	13	142	384	803	**267**
Net income from continuing operations	-650	7	142	-464	-965	-715	-1,026	256	-1,135	-2,620	**-705**
Income from discontinued operations	-513	-429	-2,128	-2,325	-5,395	-33	-21	-104	-169	-327	**-7**
Net income for the period	-1,163	-422	-1,986	-2,789	-6,360	-748	-1,047	152	-1,304	-2,947	**-712**
Attributable to:											
Parent Company shareholders	-1,106	-422	-1,986	-2,789	-6,303	-748	-1,047	152	-1,304	-2,947	**-712**
Minority interests	-57	0	0	0	-57	0	0	0	0	0	**0**

Earnings overview

	January-March		April-June		July-September		October-December		April-March	
(MSEK)	**2010**	2009	**2009**	2008	**2009**	2008	**2009**	2008	**2009-2010**	2008-09
Revenue	**9,495**	11,296	**12,223**	14,412	**11,076**	13,287	**10,323**	12,823	**43,117**	51,818
EBITDAR	**158**	186	**175**	1,101	**825**	1,115	**-178**	854	**980**	3,256
EBITDAR margin	**1.7%**	1.6%	**1.4%**	7.6%	**7.4%**	8.4%	**-1.7%**	6.7%	**2.3%**	6.3%
EBIT	**-762**	-984	**-942**	150	**259**	187	**-1,415**	-282	**-2,860**	-929
EBIT margin	**-8.0%**	-8.7%	**-7.7%**	1.0%	**2.3%**	1.4%	**-13.7%**	-2.2%	**-6.6%**	-1.8%
Income before non-recurring items	**-844**	-889	**38**	499	**37**	301	**-940**	-289	**-1,709**	-378
Income before tax	**-972**	-979	**-1,039**	131	**114**	110	**-1,519**	-360	**-3,416**	-1,098
Net income for the period	**-712**	-748	**-1,047**	-422	**152**	-1,986	**-1,304**	-2,789	**-2,911**	-5,945
Earnings per share (SEK)	**-0.29**	-0.74	**-0.47**	-0.42	**0.06**	-1.97	**-0.53**	-2.77	**-1.21**	-5.90
Cash flow before financing activities	**-1,025**	-877	**-1,170**	814	**-2,507**	-2,891	**-1,471**	-2,911	**-6,173**	-5,865

SAS Group's number of employees (FTE)

	January-March 2010	January-March 2009
Scandinavian Airlines	**12,854**	15,379
Blue1	**404**	440
Widerøe	**1,181**	1,252
Other Core SAS	**245**	467
Total Core SAS	**14,684**	17,538
Other operations	**486**	1,034
Continuing operations	**15,170**	18,572
Discontinued operations	**665**	3,561
SAS Group	**15,835**	22,133

Investments, aircraft fleet, fuel and financial position

SAS Group's investments

	January-March 2010	January-March 2009
Core SAS	**1,215**	968
Other operations and eliminations	**4**	40
Continuing operations	**1,219**	1 008
Discontinued operations	**16**	66
SAS Group	**1,235**	1 074

SAS Group's aircraft under firm order

	Total	2010
Q400	**1**	1
Number of aircraft	**1**	1
CAPEX (MUSD)	**<30**	<30

SAS Group's aircraft fleet March 31, 2010

	Age	Owned	Leased	Wetleased	**Total**	Lease Out	Parked	Order
Airbus A330/A340	7.8	5	6		**11**		2	
Airbus A319/A320/A321	6.7	4	10		**14**	2		
Boeing 737 Classic	17.1		15		**15**		2	
Boeing 737 NG	8.9	23	46		**69**	4		
McDonnell Douglas MD-80 series	20.4	28	17		**45**	8	10	
McDonnell Douglas MD-90 series	13.2	8			**8**	3		
Boeing 717	9.6		5		**5**	5		
Avro RJ-85/-100	9.0		7		**7**			
Bombardier CRJ200	9.8			5	**5**			
Bombardier CRJ900NG	0.8	12			**12**			
deHavilland Q-serien	12.0	27	15		**42**	4	6	1
Fokker 50	20.0		5		**5**			
SAAB2000	13.1			3	**3**			
Total	12.0	107	126	8	**241**	26	20	1

	Age	Total
Distributed by airline:		
SAS Scandinavian Airlines	11.2	**148**
Widerøe	12.9	**32**
Blue 1	11.2	**15**
Leased Out Aircraft	13.4	**26**
Parked	15.3	**20**
Total	12.0	**241**

Facts and vulnerability – jet fuel

	Q2 2010	**Q3 2010**	**Q4 2010**	**Q1 2011**
Options	11%	3%	6%	7%
Redemption price (USD/ton)	646	682	779	768
Swaps	47%	49%	42%	43%
Price (USD/ton)	692	712	753	762

Estimated jet-fuel expense 2010[1]

Market price, USD Jet fuel	**6.00 SEK/USD**	**7.00 SEK/USD**	**8.00 SEK/USD**
600 USD/ton	5,308	5,953	6,599
800 USD/ton	5,840	6,574	7,309
1,000 USD/ton	6,339	7,156	7,974
1,200 USD/ton	6,838	7,739	8,640

1 Pertains to full-year values for SEK/USD and jet fuel price per ton. The SAS Group's hedging of jet fuel at March 31, 2010 was taken into consideration.

Important events

Second quarter 2009

- SAS signed a ten-year full technical content agreement with Amadeus.
- The SAS rights issue of approximately SEK 6 billion was oversubscribed by 24.2%.
- SAS signed an extensive contract with the Swedish government for international travel.
- SAS launched mobile telephone boarding passes.
- As part of Core SAS, SGS Finland was outsourced to ISS.

Third quarter 2009

- SAS launched its campaign “the biggest sale ever.”
- The SAS Group divested its holdings in bmi. The sales price totaled MGBP 38, which generated a capital gain of MSEK 427.
- As part of the ongoing savings program in the SAS Group, the Board of Directors of SAS decided, with retroactive effect from September 1, 2009, to reduce Board remuneration by 25%.

Fourth quarter 2009

- SAS reached an agreement regarding changes to collective agreements corresponding to MSEK 130 in savings for cabin crews in Norway and Sweden and ground personnel in Denmark.
- SAS is the most punctual airline in Europe according to the “FlightStats” website.
- SAS’s long-term credit rating was downgraded one step from B3 to Caa1 by the rating agency Moody’s. The outlook for the company is negative, which reflects the negative trends in the industry. The downgrade does not affect the SAS Group’s loans or credit facilities.
- SAS introduced mobile telephone boarding passes to further enhance travel efficiency.
- The SAS Group divested 20 MD-80 aircraft (18 aircraft plus and an additional two aircraft in a separate agreement) to the North American airline Allegiant, with delivery scheduled for the first six months of 2010. The divestment is part of reducing surplus aircraft caused by the capacity reductions implemented under Core SAS.

First quarter 2010

- SAS was the most punctual airline in Europe 2009 in terms of arrivals in the “major airline” category according to the “FlightStats” website.
- 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 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 rights issue were satisfied:
  - Agreements signed on March 12, 2010 with pilot and cabin crew unions of annual cost savings of MSEK 500, with effect from the second quarter of 2010
  - Refinancing of SEK 2 billion through issue of bonds in the EMTN market with an aggregate principal amount of MEUR 60 (approximately MSEK 580), SEK 1.6 billion of convertible bonds and received commitments for bonds with an aggregate principal amount of further SEK 1 billion, which is subject to completion of the rights issue.
- SAS re-launched its successful campaign “The biggest sale ever”
- The Court of Appeal in Oslo (Lagmansretten) ruled on March 16, 2010 that SAS is to pay damages totaling MNOK 160 plus legal costs to Norwegian Air Shuttle. The court ruling was not unanimous and SAS will appeal to the Norwegian Supreme Court.
- SAS’s stake in Skyways Holding AB was diluted to 19.9% after not utilizing its pro rata share in Skyways Holding AB’s rights issue.
- SAS divested the subsidiary Air Maintenance Estonia to the private equity and venture capital investor BaltCap.
- SAS published a financial update for the first two months of 2010, as part of the ongoing rights issue.

Events after March 31, 2010

- On April 15 Scandinavian airspace closed due to the ash from the Eyjafjallajökull volcano in Iceland. Total estimated negative earnings effect for SAS up to and including April 21 are approximately MSEK -460.
- SAS’s Annual General Meeting was held on April 7.
  - Two new Board members, Monica Caneman and Gry Mølleskog , were elected after Berit Kjöll and Anitra Steen announced their resignation from the Board.
  - The rights issue, reversed split and convertible bonds were approved
  - The Meeting decided that no dividend would be paid for the 2009 fiscal year.
- The conversion price of the Group’s convertible bonds was adjusted to SEK 1.55, following the launch of the rights issue.
- On April 15, 2010, 33 SAS pilots jointly submitted an application for a summons against SAS at Stockholm District Court. In the application it is claimed for invalidity and adjustment of certain terms of employment as well as a declaratory claim for SAS liability for damages. SAS considers the risk for a negative outcome as limited and no provisions have been made.

Financial Calendar

Preliminary timetable for the rights issue

Trading in subscription rights	April 15-26, 2010
Subscription period	April 15-29, 2010
Announcement of outcome of the rights issue	May 5, 2010

SAS financial reporting

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

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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	10:30 a.m., April 22, 2010
Telephone conference, investors/analysts	12:00 p.m., April 22, 2010

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