

**Rating Action: SAS AB**

**Moody's lowers SAS Corporate Family Rating to Caa1; outlook negative**

**Approximately USD150 million in rated debt instruments affected**

London, 12 November 2009 -- Moody's Investors Service today lowered to Caa1 from B3 the Corporate Family Rating and Probability of Default Rating and to Caa3 from Caa2 the subordinate rating of SAS AB. The baseline credit assessment is lowered to 18 (equivalent to a Caa2 rating). The outlook is negative.

The rating action follows the weakening in credit metrics and in results due to increased yield pressure in the third quarter of 2009, but also our view that liquidity has weakened. We note the company's continued efforts to reduce costs through personnel and capacity reductions under its Core SAS program, although in common with the industry trend these initiatives have to date been insufficient to prevent a further weakening in profitability.

The company reported its level of financial preparedness (cash and undrawn facilities) to be at just below SEK10 billion as of September 2009, versus SEK11.4 billion as of June. In light of this, we will continue to monitor the level of cash utilization to ensure an adequate level of liquidity over a 12-month period. However, we believe that given the current level of cash utilization, the company will need to find alternative sources of funding to retain its stated target for financial preparedness at a minimum of 20% of revenues.

Given that liquidity is the primary driver of the rating currently, the rating could be lowered if there is a further weakening in this regard. With the state of the industry we believe that upward pressure on the rating is unlikely in the medium term. A stabilization of the outlook would be considered if the negative trend in earnings and liquidity stabilizes.

For the assignment of the ratings, Moody's applied its Global Passenger Airlines Rating Methodology published in March 2009 which can be found at [www.moody's.com](http://www.moody's.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website. Moody's last rating action on SAS AB was on 17 August 2009, when Moody's lowered the Corporate Family Rating to B3 with a negative outlook.

Headquartered in Stockholm, Sweden, SAS is the fourth largest passenger airline in Europe with about 25 million passengers flown and total revenues of SEK47 billion in the year to September 2009.

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