

Interim Report 1:1999 January-March

The SAS Group

SAS Danmark A/S • SAS Norge ASA • SAS Sverige AB



The SAS Group

SAS Danmark A/S

SAS Norge ASA

SAS Sverige AB

Highlights of the Interim Report as per March 31, 1999

- **The SAS Group's** income before taxes amounted to MSEK –22 (613).
- **The SAS Group's** operating revenue increased by 1.6% to MSEK 9,621.
- **Passenger traffic (RPK)** increased by 1.8%. Traffic in Business Class decreased by 7.6% while Economy Class increased by 6.8%. The number of passengers increased by 3.2%.
- **Cash flow** from operations amounted to MSEK –3 (772).
- **Capital gains** on sales of shares and other fixed assets amounted to MSEK 387 (297).
- **Earnings per share** amounted to SEK –0.02 (2.51) for SAS Danmark A/S, SEK 0.22 (2.85) for SAS Norge ASA and SEK –0.10 (2.72) for SAS Sverige AB.
- **SAS's parent companies report income after taxes** as follows:

SAS Danmark A/S	–1 (102)	MDKK
SAS Norge ASA	10 (126)	MNOK
SAS Sverige AB	–7 (192)	MSEK
- **Expense developments** during the first quarter were not satisfactory, however, on a full year basis, it is expected that 1999 will show a development in which unit costs will not be greater than in 1998.

The Board of Directors' assessment of income for 1999, which was presented in conjunction with the 1998 year-end report, is adhered to, that is, that income before taxes for 1999 will be considerably below the previous year's level.

The change in depreciation of aircraft, according to plan, effective from January 1, 1999, has now been considered in this assessment.

The interim report has not been reviewed by the Company's auditors.

Important Events in the First Quarter

January

SAS experiences continued disruptions in the wake of "Airspace98", as well as running in problems at Gardermoen at the beginning of 1999.

February

SAS sells 30% of its share in the data network provider Equant N.V.

March

SAS International Hotels sells its hotel property in Amsterdam.

SAS, Lufthansa and Singapore Airlines sign a Memorandum of Understanding agreeing that the three companies investigate, during the coming year, possibilities for extended cooperation on the international air freight market.

SAS EuroBonus wins the Freddie Award for the third time.

SAS is named winner of the 1998 Mercury Award in competition with 250 participants within the airline and catering industries.

Important Events after March 31, 1999

April

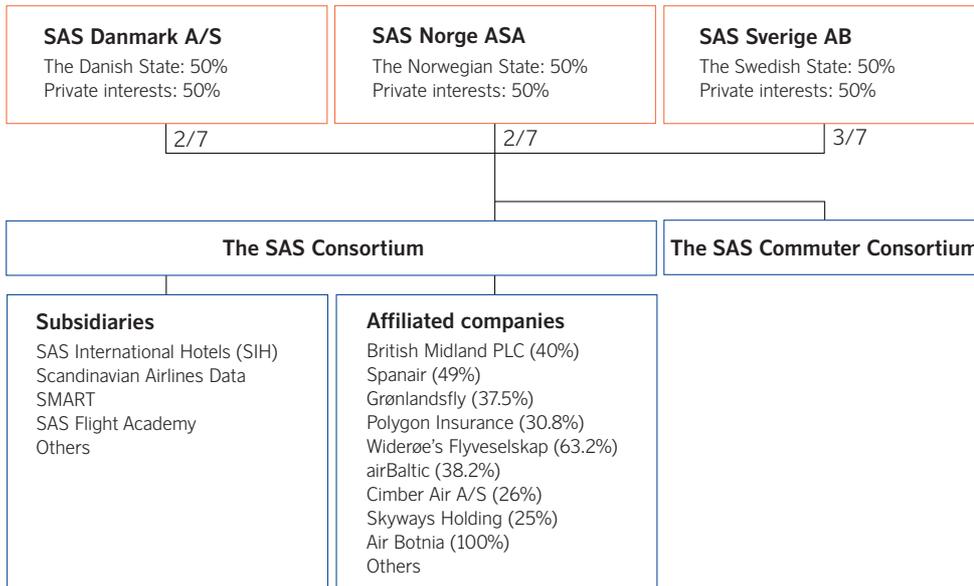
With strong competition from other international air freight companies, SAS Cargo was named "Cargo Airline of The Year to Europe and Scandinavia".

May

SAS and Singapore Airlines initiate a strategic alliance.

The program of change, SAS 2000+, is presented to SAS's customers.

Corporate Structure



- **SAS Danmark A/S, SAS Norge ASA and SAS Sverige AB** are the parent companies whose shares are listed on the stock exchanges in Copenhagen, Oslo and Stockholm, respectively.
- **The SAS Consortium** comprises passenger transport services, SAS Cargo (freight) and SAS Trading (trade with goods on board aircraft and at airports).
- **The SAS Commuter Consortium** is a production company which conducts flights for SAS in Scandinavia and northern Europe.

Operating Areas



- **The SAS Group** comprises the SAS Consortium including wholly or partly owned subsidiaries and affiliated companies. The financial statements of the SAS Group and its two operating areas are prepared in accordance with the recommendations of the International Accounting Standards Committee (IASC). Subsidiaries owned more than 50% are consolidated in the SAS Group. Affiliates owned between 20–50% are reported according to the equity method.
- **SAS** comprises the SAS Consortium with subsidiaries and affiliated companies, excluding SAS International Hotels, as well as the SAS Commuter Consortium with subsidiaries.
- **SAS International Hotels** comprises its wholly and partly owned subsidiaries, and affiliated companies.

The SAS Group

Changed Depreciation Plan for Aircraft

A far-reaching analysis of the historical decrease in market value of aircraft has shown that the average annual decrease in value is approximately 4%.

SAS has, since 1994, depreciated aircraft value at 6% per year, that is, on a straight-line basis over 15 years with a residual value of 10%.

Based on the above mentioned analysis, SAS has decided that from January 1, 1999 it will change its depreciation plan to 4.5% yearly. This means depreciation over 20 years with a residual value of 10%. In relation to market value developments it is deemed that even this plan is conservative. The new depreciation plan is more in line with that implemented by a number of European and American airlines.

By adapting the depreciation plan to market value developments, both the build up of accumulated surplus value of the aircraft fleet, as well as fluctuations in income due to capital gains from aircraft transactions, will be reduced.

The positive effect on income for the first quarter due to the change in depreciation plan amounted to MSEK 105. On a full year basis the effect is estimated to amount to approximately MSEK 450.

The surplus value of the SAS aircraft fleet amounted to approximately MSEK 4,800 on March 31, 1999.

Market and Competition

The trend, which was noticeable during the latter part of 1998, of a diminishing demand in the business sector, has continued and has been further accentuated during

the first quarter. The first quarter is generally the weakest due to seasonal variations. The year's first quarter has been affected by the weaker economic climate and changed travel patterns. The same period last year was, on the other hand, very strong, one of SAS's absolute best first quarters. Competition has increased for traffic from and to Scandinavia and, in particular, as regards the Norwegian market.

Financial Development

Currency Effects

Income for the first quarter is affected by a limited, negative currency effect of MSEK -6. SAS's earnings have been positively affected and expenses have been negatively affected primarily by a weaker Swedish krona during the first quarter of 1999, compared to last year.

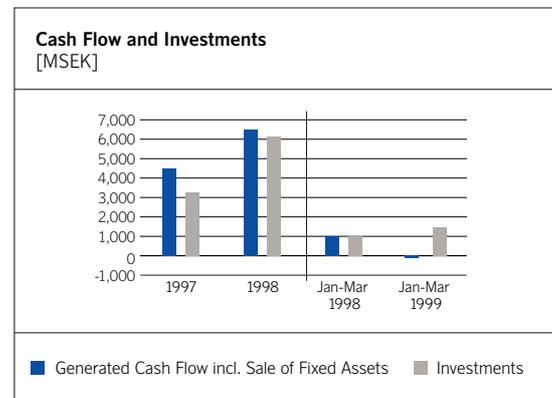
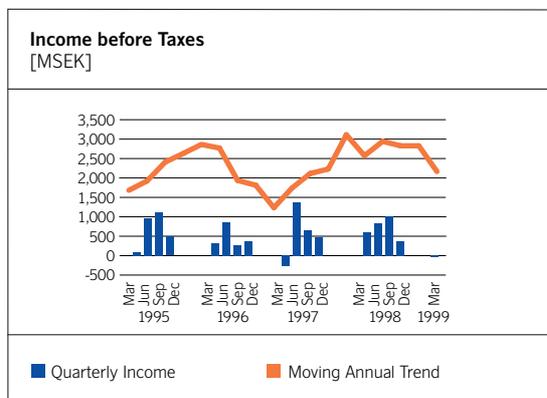
January-March

The SAS Group's operating revenue rose by MSEK 152 or 1.6%. SAS's passenger traffic measured in RPK, revenue passenger kilometer, increased by 1.8% compared with 1998. The number of passengers was 3.2% greater than for the first quarter 1998. The unit revenue or yield, decreased by 1.8%, excluding currency effects the decrease was 2.5%.

Operating expenses rose by MSEK 915 or 10.6%. Excluding currency effects the increase was 9.0%.

Operating income before depreciation decreased by MSEK 763. The gross profit margin decreased from 9.0% to 1.0%.

Depreciation decreased by MSEK 81 to MSEK 455



due to the altered depreciation plan and increased investments.

Share of income in affiliated companies amounted to MSEK 3 (10). The major reason for the negative income development is the start-up expenses for Air Botnia. Depreciation of goodwill is included and totals MSEK 10 (13).

The shares in SAS Hotels N.V. were sold in March 1999 with a capital gain of MSEK 150. In SAS Hotels N.V. is included the hotel property and operations of Radisson SAS Hotel, Amsterdam.

During the period one Fokker F-28 has been sold. Capital gain was MSEK 16. Capital gains from sales of aircraft for the previous year were MSEK 297.

SAS has shares in the SITA Foundation which in its turn owns shares in the data network provider Equant N.V. After a decision by the SITA Foundation to sell the shares in Equant N.V. on the stock exchange, 30% of SAS's holdings were realized, resulting in a capital gain of MSEK 221.

The SAS Group's net financial items amounted to MSEK -51 (-15). Net interest income was MSEK -47 (-13) due in particular to the higher net debt of MSEK 4,598 (1,371).

The first quarter began with a large focus on the introduction of the Euro, which was met positively by the financial markets. This contributed to a clearer and more positive Swedish attitude regarding the Swedish krona's entry into EMU, which during January contributed to a dramatic strengthening of the Swedish krona vis à vis the Euro. However, during February and March the Swedish krona weakened again to some degree. During March rising oil prices and relatively high interest rates in Norway have contributed to a considerable strengthening of the Norwegian krona both vis à vis the Euro and the Swedish krona.

The SAS Group's accumulated currency effect on net financial items amounted on March 31 to MSEK 4 (5).

Income before taxes was MSEK -22 (613).

Investments

The SAS Group's investments including prepayments amounted to MSEK 1,464 (1,078) during the quarter. Of these investments, airline operations accounted for MSEK 1,394 (1,001) and SAS International Hotels for MSEK 70 (77). Investments in aircraft and other flight equipment totaled MSEK 1,096 (680). Included in this amount are six Boeing 737's.

At the end of March 1999 the value of firm orders for aircraft amounted to MSEK 1,350. Six deHavilland Q400's and fifteen Boeing 737's are expected to be delivered during 1999 and eleven respective twenty during the year 2000.

For the full year 1999 firm orders of aircraft amount to MUSD 490. Other investments usually amount to MSEK 800-900, on a yearly basis.

Planned investments during the current year and the year 2000

	1999	2000
	April-December	
MUSD	455	745
No. of aircraft	21	31

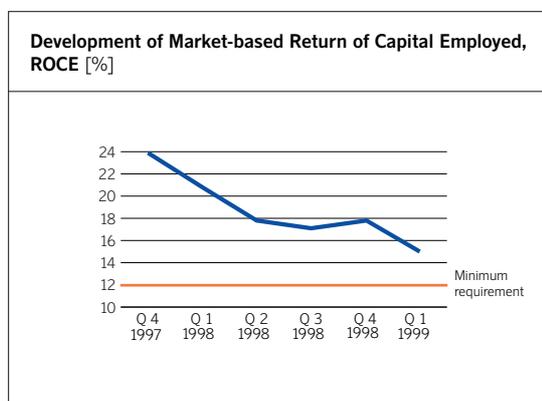
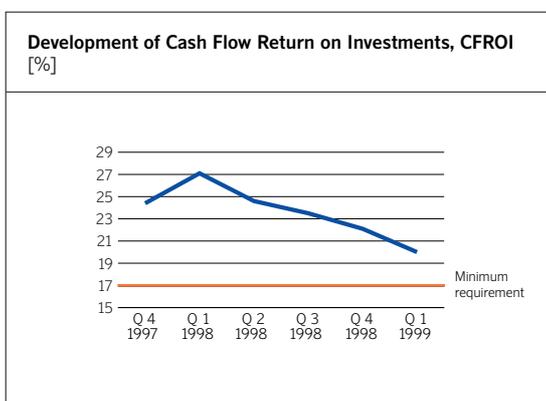
Financial Position

The SAS Group's liquid assets amounted to MSEK 5,663 (9,055) at March 31, 1999.

Liquid assets are purposely reduced to a level of MSEK 5,000-6,000. This liquidity is deemed sufficient and in line with the recommendations of EU directives.

Cash flow from operations during the period amounted to MSEK -3 (772). Investments and the sale of fixed assets amounted to MSEK -896 (-311) net. For the first quarter 1999 there was a financing deficit of MSEK -2,529 (-25).

The equity/assets ratio at March 31 was 41% (39%) and debt/equity ratio was 0.3 (0.1). Net debt amounted to MSEK 4,598 which is MSEK 2,519 greater than at the beginning of the year.



Traffic, Production and Yield

		January- March 1999	January- March 1998	Change
SAS Total				
Number of Passengers	(000)	5,017	4,863	+3.2%
Revenue Passenger Kilometers (RPK)	(mill.)	4,713	4,628	+1.8%
Available Seat Kilometers (ASK)	(mill.)	8,062	7,761	+3.9%
Cabin factor		58.5%	59.6%	-1.2 p.e.
Yield, adjusted for currency effects				-2.5%
Intercontinental routes				
Number of Passengers	(000)	252	242	+4.1%
Revenue Passenger Kilometers (RPK)	(mill.)	1,705	1,709	-0.2%
Available Seat Kilometers (ASK)	(mill.)	2,502	2,345	+6.7%
Cabin factor		68.1%	72.9%	-4.7 p.e.
Yield, adjusted for currency effects				-10.6%
European routes				
Number of Passengers	(000)	1,574	1,581	-0.5%
Revenue Passenger Kilometers (RPK)	(mill.)	1,568	1,559	+0.6%
Available Seat Kilometers (ASK)	(mill.)	2,913	2,978	-2.2%
Cabin factor		53.8%	52.3%	+1.5 p.e.
Yield, adjusted for currency effects				-3.7%
Intra-Scandinavian routes				
Number of Passengers	(000)	973	969	+0.4%
Revenue Passenger Kilometers (RPK)	(mill.)	409	400	+2.2%
Available Seat Kilometers (ASK)	(mill.)	765	728	+5.1%
Cabin factor		53.5%	55.0%	-1.5 p.e.
Yield, adjusted for currency effects				-1.2%
Danish domestic				
Number of Passengers	(000)	266	289	-8.0%
Revenue Passenger Kilometers (RPK)	(mill.)	87	94	-7.9%
Available Seat Kilometers (ASK)	(mill.)	154	171	-9.9%
Cabin factor		56.2%	55.0%	+1.2 p.e.
Yield, adjusted for currency effects				-3.4%
Norwegian domestic				
Number of Passengers	(000)	840	844	-0.4%
Revenue Passenger Kilometers (RPK)	(mill.)	421	424	-0.8%
Available Seat Kilometers (ASK)	(mill.)	878	736	+19.3%
Cabin factor		47.9%	57.6%	-9.7 p.e.
Yield, adjusted for currency effects				-6.4%
Swedish domestic				
Number of Passengers	(000)	1,111	938	+18.5%
Revenue Passenger Kilometers (RPK)	(mill.)	524	442	+18.4%
Available Seat Kilometers (ASK)	(mill.)	849	803	+5.7%
Cabin factor		61.7%	55.1%	+6.6 p.e.
Yield, adjusted for currency effects				-7.6%

Personnel

The average number of employees in the SAS Group during the first quarter 1999 was 27,110 (24,722) of whom 24,000 (21,919) at SAS and 3,071 (2,768) at SAS International Hotels.

SAS

Airline Operations

Market and Competition

The beginning of 1999 was characterized by continued strengthening competition, with a variety of low price campaigns and price initiatives.

SAS's market shares for international traffic, excluding Scandinavia, have been maintained in Norway and Sweden while in Denmark its international traffic share increased somewhat. A far-reaching diminishment in production via cancelled flights from Norway and Sweden was made during the period. Competition from Amsterdam as a traffic hub has been noticeable, especially in Norway. On the Swedish domestic market SAS has, during the period, increased its market share with three percentage points.

SAS's passenger traffic increased by 1.8% compared to the previous year. This development has slowed due to the reorganization of air routes in France, the air controller strike in Finland and the continued traffic disturbances due to the running-in problems and lack of air controller capacity at Gardermoen.

The traffic in Business Class has developed negatively during the period and was 7.6% lower than during the first quarter 1998. The negative trend was noted for all routes except the Swedish domestic market which has had a strong development both as regards the business and private segments. The general decrease in traffic is a consequence of reduced demand due to a weaker economic climate, cost reductions by companies, in particular for oil related industries, as well as the fact that SAS decreased production in Europe due to the reorganization of air traffic routes over France.

The Business Class share decreased by 3 percentage points to just under 32% of the total number of passengers.

Traffic in Economy Class has increased by 6.8%. All route areas, except for the Danish domestic market have shown growth in the Economy Class segment.

This above-described change in mix, in combination with price pressure in the low price segment, is the reason for the decrease in yield by 2.5%.

The intercontinental traffic decreased by 0.2% compared with the previous year. Business Class traffic decreased by 13% while Economy Class increased by 3%. Passenger traffic on the USA routes is decreasing generally. However, the newly introduced route Stockholm–Chicago is meeting expectations. The traffic to Asia and especially to Tokyo has a decreased share of

Business Class passengers. The route to Hong Kong was discontinued as of March 1.

The cabin factor on the intercontinental routes continues to be the highest for SAS, 68.1% (72.9).

During the first quarter 1999 air traffic within the Association of European Airlines, AEA, increased in Europe by 6.8%. SAS's traffic in Europe increased by 0.9%. Economy Class increased by 7% and Business Class traffic decreased by 10%. The cabin factor was 1.5 percentage points higher than during the same period last year. Traffic to Germany and Finland developed most positively. During the period routes to Venice, Archangel and Zagreb have been discontinued.

The joint venture agreement between SAS and Lufthansa includes all traffic between Scandinavia and Germany. SAS operates 35 daily flights and Lufthansa 27. Traffic increased during the first quarter by 14% and production by 11%. This growth indicated that SAS and Star Alliance are successful in this market.

The intra-Scandinavian traffic increased by 2.2%. The route Copenhagen–Stockholm saw growth in both price segments. The route Stockholm–Oslo had a weaker development, especially in the business travel segment. SAS's market share of the route is, in the meantime, maintained at an unchanged high level. For this route area totally, Business Class decreased by 6% while Economy Class increased by 10%. Passenger load factor decreased by 1.5 percentage points compared to the previous year.

On the Swedish domestic routes SAS and its partners have, during the period, increased their market shares to 67%. The total market increased by 6% and SAS's traffic increased by 18% compared with the previous year. The Norwegian domestic market has increased by 4%. SAS's traffic decreased by 1% and its market share including partners has decreased by 1.7%. The Danish domestic market share decreased by 8%.

The number of passengers during the first quarter was 5.0 million (4.9). The number of members of SAS Eurobonus increased during the period by 4.4% to 1.6 million.

Partners

At the end of March Ansett Australia and Air New Zealand became members in Star Alliance.

In October 1999 All Nippon Airways will also become a member.

Spanair increased its flights to Scandinavia by initiating operations on the Madrid–Stockholm route.

At the end of March cooperation was initiated with Maersk Air which strengthens SAS's traffic system from Billund and with Estonia Air with traffic Tallin–Copenhagen. In Sweden the regional partner Skyways opened a route Gothenburg–Helsinki and in Norway SAS has together with Widerøe developed Sandefjord/Torp, amongst other things via a new route Torp–Stockholm.

Freight Operations

Freight revenues for the first quarter amounted to MSEK 542 (555), a decrease of 2.4%.

SAS Cargo has been named "Cargo Airline of the Year to/from Europe/Scandinavia" by the eminent newspaper Air Cargo News.

SAS Cargo has initiated a prestudy together with Lufthansa's and Singapore Airlines' freight operations to investigate the creation, by the three companies, of a common freight company covering the entire world. The company would be the world's largest air cargo company if the plans are realized.

The operation has been affected by running in problems during the first quarter at the new freight terminals in Oslo and Copenhagen but after three months the level of quality is now the same as at the old terminals.

From April 1, 1999 the leasing agreement for one Boeing 747F with Atlas is terminated. SAS Cargo now leases 1/3 of a Boeing 747F from Lufthansa to and from Osaka and one MD11F to and from Hong Kong. The total capacity for these destinations is, in principle, thereafter unchanged.

Income Trend

Operating income before depreciation during the period January-March amounted to MSEK 48 (788).

Passenger load factor in the traffic system has, compared with the first quarter 1998, decreased by 1.2 percentage points.

Production increased during the first quarter by 3.9%. Production was reduced due to air traffic route changes in France, the air traffic controllers strike in Finland and operative problems. For the entire year 1999 a capacity increase of approximately 6% is planned.

Unit cost has, compared with the first quarter 1998, increased, excluding currency effects, by 4.4%.

Total operating expenses increased during January-March by MSEK 843 or 10.4%. Excluding currency effects the increase was 8.7%. Payroll expenses increased by 13.5% compared with the previous year. The average number of employees increased by 9.7%.

Oil prices continued to be beneficial during the first quarter. SAS's jet fuel costs are 8.5% lower than for the same period last year.

The ongoing restructuring within the distribution area also implies reduced sales expenses in the form of lower agent commissions compared with the first quarter 1998.

Costs for leasing of aircraft increased due to sale and lease back transactions completed during 1998. Earlier

these capacity related expenses were reported as depreciation and interest and have, therefore, no effect on net income.

SAS has signed an agreement for the phasing out of seven Fokker F-28's, of which one was sold during March.

During the first quarter six Boeing 737-600's were delivered.

Income before taxes was MSEK -161 (598).

SAS International Hotels (SIH)

The market situation continues to be positive for the hotel chain Radisson SAS Hotels (RSH), with the exception of England and Norway, where a considerable decrease in demand has been noted.

Revenue for the first quarter amounted to MSEK 675 (611). This increase compared with last year is due to an increased number of hotels and, primarily, the new airport hotels at Gardermoen and Manchester.

Eight hotels have, during the period, been taken over and are now included in the RSH chain. In addition, five new contracts have been finalized.

In March the hotel in Amsterdam was sold, which resulted in a capital gain of MSEK 150. RSH will continue to be responsible for the operations of the hotel through a management agreement.

Income before taxes amounted to MSEK 139 (16).

Forecast for the full year 1999

There is continued considerable uncertainty regarding the conditions for traffic and revenue development during 1999.

Expense developments during the first quarter were not satisfactory, however, on a full year basis, it is expected that 1999 will show a development in which unit costs will not be greater than in 1998.

The Board of Directors' assessment of income for 1999, which was presented in conjunction with the 1998 year-end report, is adhered to, that is, that income before taxes for 1999 will be considerably below the previous year's level. The change in depreciation of aircraft, according to plan, effective from January 1, 1999, has now been considered in this assessment.

Stockholm, May 6, 1999

Scandinavian Airlines System

Jan Stenberg

President and Chief Executive Officer

The SAS Group

Summary Statement of Income

(MSEK)	January- March 1999	January- March 1998
Operating revenue	9,621	9,469
Payroll expenses	-3,469	-3,060
Other operating expenses	-6,058	-5,552
Operating income before depreciation	94	857
Depreciation	-455	-536
Share of income in affiliated companies	3	10
Income from sale of shares in subsidiaries and affiliated companies	150	-
Income from sale of aircraft and buildings	16	297
Operating income	-192	628
Income from sale of other shares and participations	221	-
Net financial items	-51	-15
Income before taxes	-22	613
Taxes payable by subsidiaries	-9	-13
Minority shares	-2	-1
Income after taxes payable by subsidiaries	-33	599

Summary Balance Sheet

(MSEK)	March 31 1999	December 31 1998
Aircraft and spare parts	12,201	11,339
Other noninterest-bearing assets	19,960	19,330
Interest-bearing assets (excl. liquid assets)	2,195	1,769
Liquid assets	5,663	8,011
Assets	40,019	40,449
Shareholders' equity	16,016	16,043
Minority interests	20	19
Subordinated debenture loan	810	854
Interest-bearing liabilities	11,646	11,005
Operating liabilities	11,527	12,528
Shareholders' equity and liabilities	40,019	40,449

Statement of Changes in Financial Position

(MSEK)	January- March 1999	January- March 1998
Income before taxes	-22	613
Depreciation	455	536
Income from the sale of fixed assets	-387	-297
Adjustment for items not included in cash flow, etc.	-49	-80
Cash flow from the period's operations	-3	772
Change in working capital	-663	-486
Net financing from the period's operations	-666	286
Investments including prepayments to aircraft suppliers	-1,464	-1,078
Sale of fixed assets, etc.	568	767
Payment to parent companies	-957	-
Financing deficit	-2,519	-25
External financing, net	171	-737
Change in liquid assets according to the Balance Sheet	-2,348	-762

Key Figures

	March 31 1999	December 31 1998	March 31 1998
Return on capital employed (12 month rolling)	11%	13%	15%
Return on equity *) (12 month rolling)	10%	13%	16%
Equity/assets ratio	41%	40%	39%
Net debt, MSEK	4,598	2,079	1,371
Debt/equity ratio	0.3	0.1	0.1
Interest coverage ratio (12 month rolling)	3.8	4.7	5.2

*) After standard tax.

Market-based key figures

CFROI (12 month rolling)	20%	22%	27%
ROCE, market-based (12 month rolling)	15%	18%	21%

Income by Operating Area

(MSEK)	January - March 1999	January-March 1998
SAS		
Passenger revenue	6,613	6,579
Freight revenue	542	555
Other traffic revenue	224	255
Other revenue	1,599	1,486
Operating revenue	8,978	8,875
Payroll expenses	-3,202	-2,821
Leasing costs	-319	-231
Selling expenses	-430	-499
Jet fuel	-492	-574
Government fees	-927	-842
Catering costs	-401	-376
Handling costs	-458	-428
Technical aircraft maintenance	-497	-467
Other operating expenses	-2,204	-1,849
Operating expenses	-8,930	-8,087
Income before depreciation	48	788
Depreciation	-406	-502
Share of income in affiliated companies	-3	6
Income from sale of aircraft and buildings	16	297
Income from sale of other shares and participations	221	-
Net financial items	-37	9
SAS – Income before taxes	-161	598
SAS International Hotels	139	16
Other operations/Group eliminations	0	-1
Income before taxes	-22	613

Revenue by Operating Area

(MSEK)	January - March 1999	January - March 1998
SAS	8,978	8,875
SAS International Hotels	675	611
Other operations/Group eliminations	-32	-17
Total operating revenue	9,621	9,469

Accounting Principles

SAS Consortium and SAS Commuter Consortium have begun to report according to IAS which implies that subsidiaries and affiliated companies are reported in accordance with the equity method whereby income and shareholders' equity in the SAS Group, on the one hand, and income and shareholders' equity in the SAS Consortium and the SAS Commuter Consortium, on the other hand, correspond with each other.

During the previous fiscal year the accounting principles were changed for the Parent Companies to the extent that they now include their respective shares of income and shareholders' equity in the SAS Group in their respective accounts.

Comparative figures in both the statements of income and balance sheets have been adjusted accordingly.

Taxes pertain to both estimated tax payables and to the increase in deferred tax, while negative tax refers to corresponding items earlier reported as tax payables, alternatively tax receivables, the latter to be cleared against taxes on future gains.

Key Figures

	SAS Danmark A/S	SAS Norge ASA	SAS Sverige AB
Earnings per share, local currency	-0.02	0.21	-0.10
Earnings per share, SEK	-0.02	0.22	-0.10
Equity per share, local currency	75.17	82.11	89.30
Earnings per share, SEK	90.39	87.86	89.30

SAS Danmark A/S

SAS Danmark A/S' share of income for the period amounted to MDKK -8 (151). SAS Danmark A/S' other operations amounted to MDKK 6 (4). Income before taxes then amounted to MDKK -2 (155).

Operations in SAS Danmark A/S include 2/7 of the income in the SAS Group.

The exchange rate at March 31, 1999 was: SEK 100=83.64 (1998: DKK 88.40). The average exchange rate during January-March 1999 was: SEK 100=DKK 82.83 (1998: 86.45).

Changed accounting principles apply from financial year 1998 for SAS Danmark A/S. The share of value in

the SAS Group (2/7) is reported by the company on the basis of the equity method. Comparative figures for 1998 have been adjusted accordingly.

Forecast for the full year 1999

Regarding the forecast for the full year 1999, refer to the information provided by SAS.

Copenhagen, May 6, 1999

Hugo Schrøder Jan Stenberg
Chairman of the Board President

Statement of Income

(MDKK)	Jan.-March 1999	Jan.- March 1998
Share of income in the SAS Group *)	-8	151
Other operating expenses	-1	-1
Operating income	-9	150
Net financial items	7	5
Income before taxes	-2	155
Taxes	1	-53
Income after taxes	-1	102

*) Share in SAS Group after subsidiaries' taxes.

Shareholders' Equity

(MDKK)	March 31 1999	Dec. 31 1998
Share capital	470	470
Premium reserve	411	411
Other reserves		
January 1, 1999	2,437	2,437
Translation of shares in the SAS Group	216	-
Transferred from net income for the year	-1	-
Total shareholders' equity	3,533	3,318

Balance Sheet

(MDKK)	March 31 1999	Dec. 31 1998
Fixed assets		
Share in the SAS Group	3,827	3,619
Current assets		
Short-term receivables	698	692
TOTAL ASSETS	4,525	4,311
Share capital	470	470
Premium reserve	411	411
Other reserves	2,652	2,437
Total shareholders' equity	3,533	3,318
Deferred taxes	844	844
Short-term liabilities	148	149
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,525	4,311

SAS Norge ASA

Income before taxes amounted to MNOK –9 compared with MNOK 160 for the same period last year.

Operations in SAS Norge ASA include administration and management of the company's 2/7 of the result in the SAS Group.

Items in the statement of income and balance sheet are translated at the average exchange rate for the period January 1-March 31, 1999: NOK 95.79 for SEK 100 (1998: 94.04), and at the closing rate at March 31, 1999: NOK 94.46 for SEK 100 (1998: 95.42).

Changed accounting principles apply for SAS Norge ASA from the beginning of financial year 1998. The

share value in the SAS Group (2/7) is reported in the company's accounts according to the equity method. Comparative figures for 1998 have been adjusted accordingly.

Forecast for the full year 1999

Regarding the forecast for the full year 1999, refer to the information provided by SAS.

Bærum, May 6, 1999

Board of Directors

Statement of Income

(MNOK)	Jan.-March 1999	Jan.- March 1998	Jan.-Dec 1998
Share of income in the SAS Group ^{*)}	-9	161	736
Other operating expenses	-1	-1	-3
Operating income	-10	160	733
Financial income	1	-	3
Income after financial items	-9	160	736
Taxes	19	-34	-195
Income after taxes	10	126	541

^{*)} Share in the SAS Group after subsidiaries' taxes.

Balance Sheet

(MNOK)	March 31 1999	March 31 1998	Dec. 31 1998
Fixed assets			
Machinery and equipment	2	2	2
Share in the SAS Group	4,277	4,053	4,290
Total fixed assets	4,279	4,055	4,292
Current assets			
Short-term receivables	250	300	276
Cash and bank	1	0	1
Total current assets	251	300	277
TOTAL ASSETS	4,530	4,355	4,569
Shareholders' equity	3,859	3,684	3,852
Deferred taxes	419	334	438
Short-term liabilities	252	337	279
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,530	4,355	4,569

SAS Sverige AB

The report includes accounts for operations in SAS Sverige AB with 3/7 of the SAS Group.

Available liquidity including short-term receivables for SAS Sverige AB amounted to MSEK 1,145 on March 31, 1999, compared with MSEK 970 at the beginning of the year.

SAS Sverige AB including 3/7 of the SAS Group reports income after financial items of MSEK -10 (266).

Beginning in 1998 and in order to increase the comparability of SAS Sverige AB with the other two parent companies, the statement of income and balance sheet have been based on 3/7 of the income and shareholders'

equity in the SAS Group. Comparative figures for 1998 have been adjusted accordingly.

Forecast for the full year 1999

Regarding the forecast for the full year 1999, refer to the information provided by SAS.

Stockholm, May 6, 1999

Jan Stenberg
President

Statement of Income

(MSEK)	Jan. - March 1999	Jan. - March 1998
Share of income in the SAS Group *)	-14	257
Other operating expenses	-3	-2
Operating income	-17	255
Net financial items	7	11
Income after financial items	-10	266
Taxes	3	-74
Income after taxes	-7	192

*) Share in the SAS Group after subsidiaries' taxes.

Balance Sheet

(MSEK)	March 31 1999	Dec. 31 1998
Fixed assets		
Machinery and equipment	0	0
Share in the SAS Group	6,864	6,903
Deferred tax receivable	76	73
Total fixed assets	6,940	6,976
Current assets		
Short-term receivables	1,137	1,383
Cash and bank	9	3
Total current assets	1,146	1,386
TOTAL ASSETS	8,086	8,362
Shareholders' equity	6,296	6,329
Deferred taxes	1,478	1,478
Other long-term liabilities	22	22
Short-term liabilities	290	533
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	8,086	8,362

Definitions

ASK, Available Seat Kilometers

The total number of seats available for transportation of passengers multiplied by the number of kilometers which these are flown.

AV, Asset Value

Total book value of assets plus surplus values in aircraft and net present value (NPV) of operating lease rental expense for aircraft, less noninterest-bearing liabilities and interest-bearing assets.

Cabin factor

Relation between RPK and ASK expressed as a percentage. Describes the capacity utilization of available seats. Also called occupancy rate.

Cash flow from operations

Cash flow from operations before change in working capital.

CFROI

Cash flow return on investment. EBITDAR divided by AV.

Debt/equity ratio

Interest-bearing liabilities less interest-bearing assets in relation to shareholders' equity and minority interests.

Earnings per share

Profit after taxes divided by the number of shares.

EBITDAR

Earnings before interest, tax depreciation, amortization, operating lease rental expense and capital gains from sale of aircraft.

Equity method

Shares in affiliated companies are taken up at SAS's share of shareholders' equity taking acquired surplus and deficit values into account.

Equity/assets ratio

Shareholders' equity plus deferred tax liability and minority interests in relation to total assets.

Gross Profit Margin

Operating income before depreciation, in relation to operating revenue.

Interest coverage ratio

Operating income plus financial income in relation to financial expenses.

Net debt

Interest-bearing liabilities minus interest-bearing assets.

Return on capital employed (ROCE)

Operating income plus financial income in relation to average capital employed. Capital employed equals total assets as specified in the balance sheet less noninterest-bearing liabilities.

Return on capital employed (ROCE), market-based

EBITR less the depreciation portion of the operating lease rental expense for aircraft plus change in surplus values (aircraft) divided by AV.

Return on equity

Income after taxes in relation to average shareholders' equity. Tax on the earnings of the SAS Consortium and the SAS Commuter Consortium is calculated here using a standard tax rate of 29.7% (weighted average tax rate for Denmark, Norway and Sweden).

RPK, Revenue Passenger Kilometer

The number of paying passengers multiplied by the distance they are flown in kilometers.

Unit cost

Airline operations' total operating expenses less non-traffic related income per weighted ASK/RPK.

Unit revenue

Average amount of revenue received per RPK.

Yield

See Unit revenue.

Financial Calendar

Interim Report 2, January-June 1999	August 11, 1999
Interim Report 3, January-September 1999	November 11, 1999
Year-end Report 1999	February 2000
Annual Report 1999	March 2000
Environmental Report 1999	March 2000

SAS's monthly traffic and capacity statistics are published on the sixth working day of each month.

All reports are available in English, Danish, Norwegian and Swedish and can be ordered from SAS, SE-195 87 Stockholm, telephone +46 8 797 00 00, fax +46 8 797 15 15.

The reports are also available and can be ordered on the Internet:
<http://www.sas.se/investor>

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