



Year-End Report

SAS GROUP

SAS DANMARK A/S

SAS NORGE ASA

SAS SVERIGE AB

January–December 1998

MAIN POINTS IN THE FINAL ACCOUNTS AS PER DECEMBER 31, 1998:

- SAS Group's income before taxes amounted to MSEK 2,829 (2,231).
- SAS Group's operating revenue increased by 5.2% to MSEK 40,946.
- Cash flow from operations was MSEK 3,807 (3,954).
- Capital gains from sale of aircraft and buildings amounted to MSEK 1,014 (83).
- Earnings per share for SAS Danmark A/S was SEK 13.78 (9.57), for SAS Norge ASA SEK 12.13 (10.11), and for SAS Sverige AB SEK 12.77 (10.13).
- Income after tax reported in SAS's parent companies amounted to:

SAS Danmark A/S	MDKK	545	(389)
SAS Norge ASA	MNOK	541	(440)
SAS Sverige AB	MSEK	900	(714)
- The Board of Directors expects income before taxes for 1999 to be considerably below the 1998 level.

The SAS Group's final year-end report will be published on March 17, 1999

IMPORTANT EVENTS IN THE FOURTH QUARTER

OCTOBER

SAS carries out its last scheduled flight from Oslo, Fornebu

Gardermoen opens for scheduled traffic. This was a milestone for Norwegian aviation and for SAS's operation in Norway.

New airways are introduced over Scandinavia as the first step in "Airspace98". SAS adapts its traffic program in the difficult running-in phase with large traffic cancellation problems.

SAS and Mærsk Air enter an agreement about cooperation.

SAS and Singapore Airlines enter into cooperation agreement.

All Nippon Airways will be a new member of Star Alliance from 1999.

SAS opens new flight route between Stockholm and Chicago.

OCTOBER - DECEMBER

SAS experiences severe problems with delays and cancelled flights due to start-up problems at Oslo Gardermoen and the introduction of new airways over Scandinavia.

DECEMBER

SAS and All Nippon Airways enter into cooperation agreement.

SAS starts flights to Kristiansand and Ålesund.

SAS and Air Canada enter an agreement about flights between Copenhagen - Toronto, starting in 1999.

SAS acquires another 34.3% of the shares in the Norwegian air carrier Widerøe's Flyveselskap ASA. SAS now owns 63.2% of the shares in the company.

SAS GROUP

SUMMARY STATEMENT OF INCOME

(MSEK)	OCTOBER-DECEMBER		JANUARY-DECEMBER	
	1998	1997	1998	1997
Operating revenue	10,909	10,196	40,946	38,928
Payroll costs	-3,595	-2,976	-13,080	-11,739
Other operating expenses	-6,503	-6,224	-23,751	-23,071
Operating income before depreciation	811	996	4,115	4,118
Depreciation	-537	-491	-2,125	-1,880
Share of income in affiliated companies	-27	15	-48	61
Income from sale of shares in subsidiaries and affiliated companies	1	-1	1	1
Income from the sale of aircraft and buildings	177	13	1,014	83
Operating income	425	532	2,957	2,383
Income from the sale of other shares	1	0	1	15
Net financial items	-62	-54	-129	-167
Income before taxes	364	478	2,829	2,231

SUMMARY BALANCE SHEET

(MSEK)	DECEMBER 31	DECEMBER 31
	1998	1997
Aircraft and spare parts	11,339	12,248
Other noninterest-bearing assets	19,330	14,618
Interest-bearing assets	1,769	946
Liquid assets	8,011	9,817
Assets	40,449	37,629
Shareholders' equity	16,110	14,241
Minority interests	19	19
Subordinated debenture loan	854	784
Interest-bearing liabilities	11,005	11,324
Operating liabilities	12,461	11,261
Shareholders' equity and liabilities	40,449	37,629

STATEMENT OF CHANGES IN FINANCIAL POSITION

(MSEK)	OCT. - DEC.		JAN. - DEC.	
	1998	1997	1998	1997
Income before taxes	364	478	2,829	2,231
Depreciation	537	491	2,125	1,880
Income from the sale of fixed assets	-179	-13	-1,016	-100
Adjustment for items not included in cash flow, etc.	-25	-5	-131	-57
Cash flow from operations	697	951	3,807	3,954
Change in working capital	1,155	1,032	330	302
Net financing from operations	1,852	1,983	4,137	4,256
Investments including prepayments to aircraft suppliers	-2,625	-1,381	-6,112	-3,256
Sale of fixed assets, etc.	455	39	2,360	252
Dividend to parent companies	-	-	-1,141	-844
Financing deficit/surplus	-318	641	-756	408
External financing, net	886	-438	-1 050	-1 641
Change in liquid assets according to Balance Sheet	568	203	-1 806	-1 233

KEY FIGURES

	DEC. 31 1998	DEC. 31 1997
Return on capital employed	13%	12%
Return on equity *)	13%	11%
Equity/assets ratio, after the proposed transfer to parent companies	40%	38%
Net debt, MSEK	2,079	1,345
Debt/equity ratio	0.1	0.1
Interest coverage ratio	4.7	3.7

*) after standard tax

SAS GROUP

MARKET AND COMPETITION

The financial crisis in Asia, Russia and later also South America created unrest and uncertainty in industry and commerce the world over. The airline industry is sensitive to cyclical fluctuations, and like the rest of the international airline industry, SAS has experienced a turbulent year in 1998. A trend reversal occurred in the fall of 1998 leading to weaker demand for business travel. This trend has continued in 1999.

FINANCIAL DEVELOPMENTS

Negative currency effects

Earnings for both the fourth quarter and the whole of 1998 were affected by negative currency effects. For the fourth quarter the currency effect was MSEK -12, and for the whole year MSEK -349. SAS's revenues were negatively affected primarily by a weaker Norwegian krone and depreciation of most Southeast Asian currencies. The cost side was negatively affected by a high US dollar rate and a generally weakened Swedish krona in relation to other European currencies.

Fourth quarter

Operating income before depreciation was 14.6% lower than for the same period last year, MSEK 851 (996). Fourth-quarter operations were heavily burdened by traffic cancellations in conjunction with the introduction of new airways in the Scandinavian countries. Moreover, the move from Fornebu airport in Oslo to Gardermoen entailed considerable traffic disruptions. Taken together, these circumstances have charged earnings with approximately MSEK 200. Sales of aircraft during the period generated capital gains of MSEK 177 (13).

January-December

The SAS Group's operating revenue increased by MSEK 2,018 or 5.2%. MSEK 981 of this is increased passenger revenues, MSEK 203 is other traffic revenues and the remaining MSEK 834 is increased volumes within other areas of operation. SAS's passenger traffic, measured in RPK (revenue passenger kilometers), increased by 2.7% compared with 1997. The yield increased by 0.8%. Adjusted for currency effects, the increase was 0.7%.

Operating expenses rose by MSEK 2,021 or 5.8%.

Operating income before depreciation decreased by MSEK 3. Changes in currency exchange rates have affected income with MSEK -336. The gross profit margin declined from 10.6% to 10.0%.

As announced previously during 1998, earnings were affected by a number of circumstances in the form of labor conflicts which hit the airline industry and temporary disruptions in operations that have led to costs of a non-recurring nature. The total charge to the year's earnings for these types of non-recurring effects, is estimated at approximately MSEK 800.

Depreciation increased by MSEK 245 to MSEK 2,125. The increase is due mainly to a higher investment level during 1997 and 1998.

Share of income in affiliated companies amounted to MSEK -48 (61). The biggest cause for the negative share of income is a deficit due to start-up costs in Air Botnia OY, which was acquired in January 1998. Amortization of goodwill is included at a total of MSEK 43 (32).

The MSEK 1,014 (83) income from the sale of aircraft and buildings includes the sale during 1998 of one MD-83 (MSEK 33), one Boeing 737 (MSEK 62), one Boeing 767 (MSEK 136) and the sale and leaseback of two Boeing 767s (MSEK 400) and 24 DC-9s (MSEK 378). In addition, buildings were sold with a capital gain of MSEK 5.

Financial net in the SAS Group amounts to MSEK -129 (-167).

The financial markets have been turbulent during 1998. The main reason is uncertainty regarding the strength of global economic growth in the next few years, which has contributed to a very high mobility on the world's currency, interest rate and stock markets. For the purpose of stabilizing the financial markets and stimulating the global economy, several reductions of the official key interest rates were carried out in both Europe and the USA. These interest rate reductions contributed towards stabilizing the global economy during the last months of the year. Despite a higher net debt, the SAS Group's net interest, MSEK -80 (-142), is therefore lower than last year's.

The vagueness surrounding Sweden's Euro strategy has contributed to poor performance of the Swedish krona during 1998. Altogether, the Swedish krona fell during 1998 by 10% against the SEK index. The SAS currency index, which is the currency mix of the net debt, has been more stable during the year, mainly due to a high proportion of Norwegian kroner, a currency which has, like the Swedish krona, been very weak during 1998.

Altogether, a negative currency effect of MSEK -14 (-1) is reported on the SAS Group's net financial expense.

Income before taxes amounted to MSEK 2,829 (2,231).

INVESTMENTS

The SAS Group's investments, including prepayments, amounted to MSEK 6,112 (3,256) during the year. Airline operations accounted for MSEK 5,554 (2,938) of this total, and SAS International Hotels for MSEK 557 (318). Investments in aircraft and other flight equipment were MSEK 2,962 (1,660). This included delivery of 8 Boeing 737-600s. Other investments included Gardermoen and investments in subsidiaries and affiliated companies.

FINANCIAL POSITION

The SAS Group's liquid assets amounted to MSEK 8,011 (9,817) as per December 31, 1998.

Cash flow from operations amounted to MSEK 3,807 (3,954). Net investments and sale of fixed assets amounted to MSEK -3,752 (-3,004). MSEK 1,141 (844) was transferred to the parent companies during the second quarter. After that, a financing deficit of MSEK 756 arose. The financing surplus for all of 1997 was 408 MSEK.

The equity ratio as per December 31 was 40 (38)% after the proposed transfer to SAS's parent companies has been booked as a liability at MSEK 957 and the debt/equity ratio was 0.1. The net debt amounted to MSEK 2,079 (1,345).

PERSONNEL

The average number of employees in the SAS Group for 1998 was 27,071 (25,057), of whom 23,992 (22,524) were employed in SAS and 3,041 (2,494) in SAS International Hotels.

SAS GROUP
INCOME BEFORE TAXES

SAS GROUP
CASH FLOW AND INVESTMENTS

SAS

Airline operations

Market and competition

SAS's passenger traffic increased by 3% during the fourth quarter compared with last year. The growth in passenger traffic was strongest on the Swedish domestic market at 15%. International traffic increased by about 3%. Danish domestic traffic noted a decline of 5% compared with the fourth quarter. Full-fare traffic decreased by 4% during the fourth quarter, while discount traffic increased by 7%. Only Swedish domestic traffic increased in the full-fare segment during the fourth quarter. Production was 4.4% higher than last year, which meant that capacity utilization during the fourth quarter was slightly lower than last year at 62.7 (63.6)%.

The climate in the market has grown increasingly tough and competitive during 1998, with aggressive price policies and low-fare initiatives stemming from new competition from European operators on Scandinavian routes. Under pressure in their domestic markets due to lower demand, Asian airlines are wielding the price weapon as a means of competition. The competition within Scandinavia has intensified from Finnair, Braathens and Maersk. In the intercontinental field, Delta has introduced a daily Stockholm-New York route. SAS has opened a new route between Stockholm and Chicago and cut back on its production to Asia. Cooperation within Star Alliance, and particularly with Lufthansa, has made a positive contribution.

SAS's traffic for the whole of 1998 showed rather mediocre growth. Passenger traffic increased by 2.7% compared with last year. Growth during the first quarter was strong, but was dampened during the rest of the year by labor conflicts, the consequences of the restructuring of the airways over Scandinavia, the move from Fornebu to Gardermoen in Oslo, and in some measure delays in the delivery of new aircraft.

Traffic in Business Class declined during the latter part of the year. Since the month of September, Business Class traffic has been lower than last year, and was 4% below the 1997 level during the fourth quarter. On a whole-year basis, Business Class traffic increased by 0.6%. The trend in the business travel segment is an effect of weaker demand. SAS's market share is more or less unchanged. Traffic in Economy Class has, on the other hand, increased in all route areas, except Danish domestic, by nearly 20%. The increase in the fourth quarter was 7%, and for the whole year 3.8%. The yield has nevertheless remained unchanged.

Intercontinental traffic increased by 0.5% compared with last year. Business Class traffic decreased by 2%, while Economy Class increased 1.2%. Demand for travel and the level of fares to Asia were affected in 1998 by the financial crisis in the region. Due to an insufficient traffic base, SAS has decided to discontinue the route to Hong Kong. The cabin factor on international routes is the highest in SAS, 77.7% (79.3%).

During 1998 air traffic within the Association of European Airlines, AEA, in Europe increased by 8%. SAS's air traffic increased in Europe by 3.3%. Economy Class accounted for the largest increase, 4.3%. The cabin factor increased by 1.9 percentage points to 59.2%. The strongest growth was in the traffic to Germany, France, Belgium and Finland.

Intra-Scandinavian traffic increased by 1.6%, with weak growth occurring in both price segments.

SAS including partners increased its market share on the Swedish domestic market to 64 (61)%. The total market increased by 6% and SAS's traffic by 12% compared with last year. The Norwegian domestic market increased by nearly 5%. SAS's traffic increased by 4% and its market share, including partners, is unchanged from last year at 48.5%. Danish domestic traffic decreased by 9%.

The Danish labor conflict during the spring, and a Norwegian labor conflict involving the air traffic controllers, exerted a negative effect of 3% on traffic. Moreover, towards the end of the year, traffic was negatively affected due to running-in problems in conjunction with the opening of the new airport in Oslo, in addition to the changing of air routes in Scandinavia during October and November which resulted in considerable traffic disruption and cancelled flights.

The strategy of strengthening SAS's position on the Scandinavian home market by cooperating with regional partners began in 1997 and was carried to completion in 1998. All shares in Oy Air Botnia Ab, Finland, were acquired in January. 25% of the shares in Skyways Holding AB were acquired in April, and an agreement was concluded to acquire a 26% stake in Cimber Air A/S, Denmark. A total of 63% of the shares in Widerøe's Flyveselskap ASA, Norway, were acquired during the year.

Freight operations

Freight revenues for all of 1998 amounted to MSEK 2,053 (2,028), an increase of 1.2%.

Growth on the international air freight market was weaker than in previous years, which led to overcapacity and keener competition, as well as depressed prices.

Large investments were made during the year in new freight terminals: Newark, Gardermoen and Copenhagen.

Earnings trend

Operating income before depreciation for the whole year amounted to MSEK 3,644 (3,722).

Operating income for the fourth quarter was lower than during the same period last year, MSEK 688 (892).

Capacity utilization in the traffic system on a whole-year basis increased by 0.9 percentage point. The increase through September was 1.4 percentage points, while a decline of 0.9 percentage point was noted in the fourth quarter compared with last year.

The average revenue per passenger kilometer (yield) increased by 0.8% compared with last year. Adjusted for currency effects, the increase was 0.7%. The yield was 0.2% higher during the fourth quarter than during the same period in 1997.

Production increased by 4.4% during the fourth quarter and by 1.4% for the whole year. The production loss that occurred during the second quarter due to labor conflicts contributed towards an increase in the unit cost during this period. Unit costs increased by 0.4% for the whole period January–December.

Total operating expenses increased by MSEK 1,363 or 4.4% during January–December. Personnel costs increased by 10% compared with last year. The average number of employees increased by 6.5%. A large portion of the non-recurring costs that arose during the year are connected with extra manpower, especially during the second half of the year.

Oil prices have been favorable during 1998. SAS's fuel cost was 5% lower than the same period last year.

The change in the handling of passenger charges has led to a considerable reduction of expensed government-user fees. Restructuring within the distribution area has also led to reduced selling expenses in the form of lower agent commissions compared with 1997.

The ambition to reduce the unit cost in 1998 has not been realized. Furthermore, productivity has decreased by 3.7%. Extraordinary structural changes and traffic disruptions, causing costs of a non-recurring nature, have been contributing causes.

In view of a stagnating yield and an unsatisfactory cost trend, SAS has decided on an earnings improvement program aimed at a marked reduction of the unit costs over a two-year period (1999–2000). The program is intended to strengthen competitiveness in every part of the business. Among other activities, the restructuring of the distribution and sales channels will continue. The earnings improvement measures are aimed at raising the profitability level during the period by three percentage points on the gross profit margin, thereby improving the rate of return to a level that is deemed necessary and thereby competitive.

Income from sale of aircraft and buildings amounted to MSEK 1,014 (83).

With the sale of 20 DC9-41s, SAS has now sold all its DC9 aircraft and is leasing back the aircraft with a term of 2–3 years. Furthermore, two Boeing 767-300s have been sold with 4-year lease-back agreements with an option to extend. Provisions have been made to insure that future leasing costs do not increase. The substantial capital gains made in the aircraft transactions reflect the fact that SAS's depreciation rates significantly exceed the actual decline in value of the aircraft fleet. The surplus value of the aircraft fleet as per December 31, 1998 is estimated at MSEK 4,500, and depreciation is estimated to exceed the decline in value by about MSEK 400-500 annually.

Income before taxes was MSEK 2,588 (2,067).

TRAFFIC, PRODUCTION AND YIELD

		OCTOBER - DECEMBER			JANUARY - DECEMBER		
		1998	1997	change	1998	1997	change
SAS Total							
Number of passengers	(000)	5,431	5,211	+4.2%	21,499	20,608	+4.3%
Revenue Passenger Kilometers (RPK)	(mill.)	5,089	4,940	+3.0%	20,821	20,265	+2.7%
Available Seat Kilometers (ASK)	(mill.)	8,116	7,771	+4.4%	31,704	31,257	+1.4%
Cabin factor		62.7%	63.6%	-0.9 p.p.	65.7%	64.8%	0.9 p.p.
Yield, adjusted for currency effects				+0.2%			+0.7%
Intercontinental routes							
Number of passengers	(000)	266	259	+2.7%	1,076	1,063	+1.2%
Revenue Passenger Kilometers (RPK)	(mill.)	1,820	1,806	+0.8%	7,475	7,437	+0.5%
Available Seat Kilometers (ASK)	(mill.)	2,491	2,345	+6.2%	9,620	9,380	+2.6%
Cabin factor		73.1%	77.0%	-3.9 p.p.	77.7%	79.3%	-1.6 p.p.
Yield, adjusted for currency effects				-4.0%			-2.0%
European routes							
Number of passengers	(000)	1,754	1,701	+3.1%	7,233	6,892	+4.9%
Revenue Passenger Kilometers (RPK)	(mill.)	1,733	1,689	+2.6%	7,229	6,996	+3.3%
Available Seat Kilometers (ASK)	(mill.)	3,044	2,992	+1.7%	12,211	12,200	+0.1%
Cabin factor		56.9%	56.5%	+0.5 p.p.	59.2%	57.3%	+1.9 p.p.
Yield, adjusted for currency effects				+5.0%			+3.1%
Intra-Scandinavian routes							
Number of passengers	(000)	1,047	1,032	+1.4%	4,166	4,049	+2.9%
Revenue Passenger Kilometers (RPK)	(mill.)	437	427	+2.3%	1,751	1,723	+1.6%
Available Seat Kilometers (ASK)	(mill.)	776	731	+6.1%	2,956	2,877	+2.7%
Cabin factor		56.3%	58.4%	-2.2 p.p.	59.2%	59.9%	-0.6 p.p.
Yield, adjusted for currency effects				+0.0%			-0.5%
Danish domestic							
Number of passengers	(000)	294	313	-6.2%	1,152	1,292	-10.9%
Revenue Passenger Kilometers (RPK)	(mill.)	90	94	-4.6%	422	464	-9.1%
Available Seat Kilometers (ASK)	(mill.)	154	169	-9.0%	674	789	-14.5%
Cabin factor		58.6%	56.0%	+2.5 p.p.	62.5%	58.8%	+3.7 p.p.
Yield, adjusted for currency effects				-8.7%			-8.8%
Norwegian domestic							
Number of passengers	(000)	883	872	+1.3%	3,607	3,472	+3.9%
Revenue Passenger Kilometers (RPK)	(mill.)	450	438	+2.8%	1,911	1,827	+4.6%
Available Seat Kilometers (ASK)	(mill.)	787	734	+7.2%	3,049	2,993	+1.9%
Cabin factor		57.2%	59.7%	-2.4 p.p.	62.7%	61.0%	+1.7 p.p.
Yield, adjusted for currency effects				-6.8%			+2.3%
Swedish domestic							
Number of passengers	(000)	1,187	1,034	+14.8%	4,265	3,840	+11.1%
Revenue Passenger Kilometers (RPK)	(mill.)	559	485	+15.3%	2,033	1,818	+11.8%
Available Seat Kilometers (ASK)	(mill.)	864	799	+8.2%	3,194	3,018	+5.8%
Cabin factor		64.6%	60.6%	+4.0 p.p.	63.6%	60.2%	+3.4 p.p.
Yield, adjusted for currency effects				-6.6%			-6.7%

SAS INTERNATIONAL HOTELS (SIH)

SIH continued to show positive development during 1998. Result before taxes amounted to MSEK 233 (160) and operating income before depreciation (EBITDA) was MSEK 477 (349), an increase by 37%.

During the fourth quarter two new hotels were opened, Radisson SAS Hotel Manchester Airport and Radisson SAS Hotel Gardermoen. The hotel in Manchester is SAS's own investment, while the hotel at Gardermoen is on lease. Start-up costs and related affects in conjunction with the opening of these new hotels account for the difference in results compared with the fourth quarter for the previous year.

SIH continued its expansion during the year, and the chain had 113 hotels at the end of 1998. The market situation has improved steadily in most of the countries where SIH operates. As the number of hotels has increased sharply over the past few years, the name of the chain has also become well established on the market.

Operating revenue for the whole of 1998 amounted to MSEK 2,786 (2,304). The increase is mainly attributable to the opening of more hotels, but also to higher room rates and increased volume at other hotels.

The investment level was high during 1998, MSEK 557 (318), due mainly to the furnishing of Radisson SAS Hotel Manchester Airport.

The price of available rooms increased by 7% to SEK 565 and the gross profit margin to 32.9 (31.6)%.

TRANSFER TO PARENT COMPANIES

The Board of Directors and the President propose to the SAS Assembly of Representatives that an amount of MSEK 957 be transferred to the parent companies. The corresponding amount has been booked as a liability in the SAS Group balance sheet as per December 31, 1998.

FORECAST FOR 1999

There is considerable uncertainty about the conditions for traffic and revenue development in 1999.

Since the second quarter of 1998, SAS has noted a generally weaker economy and declining demand in the business travel segment. This trend is continuing, and will curb revenue growth in 1999.

SAS is pursuing a restructuring and improvement program which is aimed at boosting profitability through a 3 percentage point increase in the gross margin. Over a period of two years (1999 and 2000), the improvement program will provide cost reductions of MSEK 3,000.

Despite this, the Board of Directors expects income before taxes for 1999 to be considerably below the 1998 level.

Stockholm, February 18, 1999
SCANDINAVIAN AIRLINES SYSTEM

Jan Stenberg
President and Chief Executive Officer

INCOME BY OPERATING AREA

	OCTOBER-DECEMBER		JANUARY-DECEMBER	
	1998	1997	1998	1997
SAS				
Passenger revenue	7,281	6,908	28,240	27,258
Freight revenue	641	632	2,240	2,212
Other traffic revenue	475	357	1,407	1,232
Other revenue	1,715	1,597	6,324	6,066
OPERATING REVENUE	10,112	9,494	38,211	36,768
Personnel costs	-3,296	-2,684	-12,051	-10,937
Leasing costs	-291	-225	-1,059	-859
Selling expenses	-529	-523	-2,072	-2,209
Jet fuel	-647	-604	-2,322	-2,440
Government-user fees	-960	-993	-3,558	-3,969
Catering costs	-431	-375	-1,596	-1,482
Handling costs	-448	-388	-1,700	-1,546
Technical aircraft maintenance	-423	-488	-1,732	-1,773
Other operating expenses	-2,399	-2,322	-8,477	-7,781
OPERATING EXPENSES	-9,424	-8,602	-34,567	-32,996
INCOME BEFORE DEPRECIATION	688	892	3,644	3,772
Depreciation	-490	-460	-1,974	-1,755
Share of income in affiliated companies	-31	11	-63	49
Income from sale of shares in affiliated companies	1	0	1	2
Income from the sale of aircraft and buildings	177	13	1,014	83
Income from the sale of other shares	1	0	1	15
Net financial items	-32	-36	-35	-99
SAS - INCOME BEFORE TAXES	314	420	2,588	2,067
SAS International Hotels	48	55	233	160
Other operations / Group eliminations	2	3	8	4
INCOME BEFORE TAXES	364	478	2,829	2,231

REVENUE BY OPERATING AREA

(MSEK)	OCTOBER-DECEMBER		JANUARY-DECEMBER	
	1998	1997	1998	1997
SAS	10,112	9,494	38,211	36,768
SAS International Hotels	807	710	2,786	2,304
Other operations/Group eliminations	-10	-8	-51	-144
TOTAL REVENUE	10,909	10,196	40,946	38,928

SAS PARENT COMPANIES

The following pages include the three parent companies' year-end reports for the period January 1 – December 31, 1998

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Changed accounting principles

The SAS Consortium and the SAS Commuter Consortium have adopted IAS accounting principles, entailing that subsidiaries and associated companies are reported according to the equity method, whereby income and shareholders' equity in the SAS Group on the one hand and the SAS Consortium and the SAS Commuter Consortium on the other hand are the same.

The accounting principles for the parent companies have been changed during the fiscal year insofar as they each include their own share of income and shareholders' equity in the SAS Group in their accounts.

The comparison figures in both the statements of income and the balance sheets have been corrected accordingly.

Key Figures

Key figures	SAS Danmark A/S	SAS Norge ASA	SAS Sverige AB
Earnings per share, local currency	11.60	11.51	12.77
Earnings per share, SEK	13.78	12.13	12.77
Equity per share, local currency	70.62	81.96	89.77
Equity per share, SEK	90.11	87.94	89.77

Year-End Report 1998

SAS Danmark A/S

Income before taxes amounted to MDKK 672, compared with MDKK 548 for the same period last year.

The operation in SAS Danmark A/S includes a 2/7 share of the income in the SAS Group.

Income from other operations in SAS Danmark A/S amounted to MDKK 18 (15).

The exchange rate as per December 31, 1998 was: SEK 100 = DKK 78.62 (1997: DKK 86.31). The average exchange rate for January–December 1998 was: SEK 100 = DKK 84.23 (1997: DKK 86.54).

Changed accounting principles are in effect for SAS Danmark A/S starting in fiscal year 1998. The share of the income in the SAS Group (2/7) is included in the company's accounts in accordance with the equity method. The comparison figures for 1997 have been adjusted accordingly.

Provided that the SAS Assembly of Representatives approves the SAS Group's annual report and the distribution of the surplus proposed by the SAS Consortium's Board, the Board of Directors of SAS Danmark A/S proposes to the Annual General Meeting that the company's income after taxes of MDKK 545 be allocated as follows:

Dividend	MDKK 148
Carried forward	MDKK 397
Total	MDKK 545

The proposed dividend per share is DKK 3.15. Last year the dividend was DKK 3.50.

The Annual General Meeting of Shareholders will be held on April 13, 1999 at 4.00 p.m. at Radisson SAS Falconer Center, Falkoner Allé, DK-2000, Frederiksberg, Denmark.

FORECAST FOR 1999

Regarding the outlook for the whole year 1999, please refer to information furnished by SAS.

Copenhagen, February 18, 1999

Hugo Schrøder
Chairman of the Board

Jan Stenberg
President

SAS Danmark A/S

STATEMENT OF INCOME (MDKK)

	1998	1997
Share of income in the SAS Group	654	533
Total revenues	654	533
Personnel costs	- 2	- 2
Other operating expenses	- 2	- 2
Operating income	650	529
Financial income	24	19
Financial expenses	- 2	
Income after financial items	672	548
Taxes	- 127	- 159
Income after taxes	545	389

BALANCE SHEET (MDKK)

	December 31 1998	1997
Fixed assets		
Participation in the SAS Group	3,619	3,512
Current assets		
Current receivables	693	734
TOTAL ASSETS	4,312	4,246
Share capital	470	470
Share premium reserve	411	411
Other reserves	2,438	2,289
Total shareholders' equity	3,319	3,170
Deferred tax	844	911
Current liabilities	149	165
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,312	4,246

Shareholders' equity (MDKK)

	December 31 1998	1997
Share capital	470	470
Share premium reserve	411	411
<u>Other reserves</u>		
Jan. 1, 1998, before change of accounting principle	2,103	1,891
Effect of changed accounting principle	186	177
Jan. 1, 1998, after change of accounting principle	2,289	2,068
Currency effects on participation in SAS Group	-333	-3
Currency effects on opening deferred tax	85	0
Transferred from net income for the year	397	224
Total shareholders' equity	3,319	3,170

Year-End Report 1998

SAS Norge ASA

Income before taxes amounted to MNOK 736, compared with MNOK 570 for the same period last year.

The operation in SAS Norge ASA includes administration plus management of the company's 2/7 share of the income in the SAS Group.

The average exchange rate for the period January – December 1998 is used for translation of the statement of income: NOK SEK 100 = 94.89 (1997: 92.59), while the year-end rate as per December 31, 1998 is used to translate the balance sheet: SEK 100 = NOK 93.20 (1997: 93.28).

Changed accounting principles are in effect for SAS Norge ASA starting in fiscal year 1998. The share of the income in the SAS Group (2/7) is included in the company's accounts in accordance with the equity method. The comparison figures for 1997 have been adjusted accordingly.

Provided that the SAS Assembly of Representatives approves the SAS Group's annual report and the distribution of the surplus proposed by the SAS Consortium's Board, the Board of Directors of SAS Norge ASA proposes to the annual general meeting that the company's income after taxes of MNOK 541 be allocated as follows:

Dividend	MNOK 174
<u>Carried forward</u>	<u>MNOK 367</u>
Total	MNOK 541

The proposed dividend per share is NOK 3.70. Last year the dividend was also NOK 3.70.

The Annual General Meeting of Shareholders will be held on April 12, 1999 at 10.00 a.m. at Radisson SAS Scandinavia Hotel, Oslo, Norway.

FORECAST FOR 1999

Regarding the outlook for the whole year 1999, please refer to information furnished by SAS.

Baerum, February 18, 1999

Board of Directors

SAS Norge ASA

STATEMENT OF INCOME (MNOK)

	1998	1997
Share of income in the SAS Group	736	571
Other operating expenses	- 3	- 4
Operating income	733	567
Financial income	3	3
Income after financial items	736	570
Taxes	- 195	- 130
Income after taxes	541	440

BALANCE SHEET (MNOK)

	December 31	
	1998	1997
Fixed assets		
Plant and equipment	2	2
Participation in the SAS Group	4,291	3,795
Total fixed assets	4,293	3,797
Current assets		
Current receivables	275	304
Cash and bank balances	1	5
Total current assets	276	309
TOTAL ASSETS	4,569	4,106
Shareholders' equity	3,852	3,473
Deferred tax	438	334
Current liabilities	279	299
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	4,569	4,106

Year-End Report 1998

SAS Sverige AB

The report contains an account of the operations of SAS Sverige AB with 3/7 of the SAS Group.

Available liquid assets, including current receivables, for SAS Sverige AB amounted to MSEK 970 at year-end, compared with MSEK 1,020 at the beginning of the year.

SAS Sverige AB including 3/7 of the SAS Group reports income after financial items of MSEK 1,205 (966).

Starting in the fiscal year 1998, in order to increase comparability between SAS Sverige AB and the other two parent companies, income statements and balance sheets have been prepared based on 3/7 of the income and equity in the SAS Group. The comparison figures for 1997 have been adjusted accordingly.

Provided that the SAS Assembly of Representatives approves the SAS Group's annual report and the distribution of the surplus proposed by the SAS Consortium's Board, the Board of Directors of SAS Sverige AB proposes a dividend of SEK 4.00 (4.00) per share, for a total distribution of MSEK 282 (282).

The Annual General Meeting of Shareholders will be held on April 12, 1999, at 4 p.m. in Uppropssalen, Stockholm Stock Exchange.

FORECAST FOR 1999

Regarding the outlook for the whole year 1999, please refer to information furnished by SAS.

Stockholm, February 18, 1999

Jan Stenberg
President

SAS Sverige AB

STATEMENT OF INCOME (MSEK)

	1998	1997
Share of income in the SAS Group	1,164	927
Other operating revenues	1	1
Total revenues	1,165	928
Personnel costs	-5	-5
Other operating expenses	-2	-4
Operating income	1,158	919
Financial income	47	47
Financial expenses	0	0
Income after financial items	1,205	966
Taxes	-305	-252
Income after taxes	900	714

BALANCE SHEET (MSEK)

	December 31	
	1998	1997
Fixed assets		
Plant and equipment	0	1
Participation in the SAS Group	6,903	6,103
Deferred tax receivable	73	73
Total fixed assets	6,976	6,177
Current assets		
Current receivables	1,383	1,510
Cash and bank balances	3	1
Total current assets	1,386	1,511
TOTAL ASSETS	8,362	7,688
Shareholders' equity	6,329	5,665
Deferred tax	1,478	1,418
Other long-term liabilities	22	22
Current liabilities	533	583
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	8,362	7,688